

BUILD A BEAR WORKSHOP INC
Form 10-Q
May 10, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2012

OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number: 001-32320

BUILD-A-BEAR WORKSHOP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

43-1883836
(IRS Employer
Identification No.)

1954 Innerbelt Business Center Drive
St. Louis, Missouri
(Address of Principal Executive Offices)

63114
(Zip Code)

(314) 423-8000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of May 8, 2012, there were 17,393,600 issued and outstanding shares of the registrant’s common stock.

BUILD-A-BEAR WORKSHOP, INC.
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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Dollars in thousands, except share and per share data)

| | March 31, 2012 (Unaudited) | December 31, 2011 | April 2, 2011 (Unaudited) |
|--|----------------------------------|-------------------------|---------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$33,501 | \$46,367 | \$45,124 |
| Inventories | 45,584 | 51,860 | 39,492 |
| Receivables | 4,170 | 7,878 | 3,503 |
| Prepaid expenses and other current assets | 15,926 | 17,854 | 19,128 |
| Deferred tax assets | 480 | 419 | 7,539 |
| Total current assets | 99,661 | 124,378 | 114,786 |
| Property and equipment, net of accumulated depreciation of \$179,357, \$175,018 and \$168,978, respectively | 74,771 | 77,445 | 83,461 |
| Goodwill | 33,423 | 32,306 | 33,561 |
| Other intangible assets, net | 728 | 655 | 1,264 |
| Other assets, net | 6,929 | 6,787 | 14,462 |
| Total Assets | \$215,512 | \$241,571 | \$247,534 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$22,741 | \$41,032 | \$25,103 |
| Accrued expenses | 7,296 | 12,128 | 6,363 |
| Gift cards and customer deposits | 25,221 | 28,323 | 24,291 |
| Deferred revenue | 5,431 | 5,285 | 6,761 |
| Total current liabilities | 60,689 | 86,768 | 62,518 |
| Deferred franchise revenue | 1,368 | 1,436 | 1,639 |
| Deferred rent | 22,728 | 23,867 | 27,387 |
| Other liabilities | 257 | 257 | 344 |
| Stockholders' equity: | | | |
| Preferred stock, par value \$0.01, Shares authorized: 15,000,000; No shares issued or outstanding at March 31, 2012, December 31, 2011 and April 2, 2011 | - | - | - |
| Common stock, par value \$0.01, Shares authorized: 50,000,000; Issued and outstanding: 17,394,761, 17,405,270 and 19,600,470 shares, respectively | 174 | 174 | 196 |
| Additional paid-in capital | 65,168 | 65,402 | 74,409 |

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| | | | |
|--|-----------|-----------|-----------|
| Accumulated other comprehensive loss | (7,689) | (10,165) | (7,602) |
| Retained earnings | 72,817 | 73,832 | 88,643 |
| Total stockholders' equity | 130,470 | 129,243 | 155,646 |
| Total Liabilities and Stockholders' Equity | \$215,512 | \$241,571 | \$247,534 |

See accompanying notes to condensed consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except share and per share data)

| | Thirteen weeks ended | |
|--|----------------------|---------------|
| | March 31, | April 2, 2011 |
| | 2012 | |
| Revenues: | | |
| Net retail sales | \$95,200 | \$94,159 |
| Commercial revenue | 376 | 1,106 |
| Franchise fees | 797 | 726 |
| Total revenues | 96,373 | 95,991 |
| Costs and expenses: | | |
| Cost of merchandise sold | 57,466 | 58,225 |
| Selling, general and administrative | 40,126 | 41,312 |
| Interest expense (income), net | (86) | 103 |
| Total costs and expenses | 97,506 | 99,640 |
| Loss before income taxes | (1,133) | (3,649) |
| Income tax benefit | (116) | (1,398) |
| Net loss | \$(1,017) | \$(2,251) |
| Loss per common share: | | |
| Basic | \$(0.06) | \$(0.12) |
| Diluted | \$(0.06) | \$(0.12) |
| Shares used in computing common per share amounts: | | |
| Basic | 16,038,880 | 18,090,245 |
| Diluted | 16,038,880 | 18,090,245 |
| Comprehensive income | \$1,459 | \$106 |

See accompanying notes to condensed consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

| | Thirteen weeks ended | |
|---|----------------------|---------------|
| | March 31, | April 2, 2011 |
| | 2012 | |
| Cash flows from operating activities: | | |
| Net loss | \$(1,017) | \$(2,251) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 5,362 | 6,524 |
| Deferred taxes | (83) | 392 |
| Loss from investment in affiliate | 475 | - |
| Loss on disposal of property and equipment | 78 | 119 |
| Stock-based compensation | 1,121 | 1,255 |
| Trade credit utilization | 88 | - |
| Change in assets and liabilities: | | |
| Inventories | 6,502 | 7,220 |
| Receivables | 3,732 | 4,465 |
| Prepaid expenses and other assets | 1,926 | (873) |
| Accounts payable and accrued expenses | (23,257) | (20,433) |
| Lease related liabilities | (1,221) | (1,330) |
| Gift cards and customer deposits | (3,167) | (4,726) |
| Deferred revenue | 79 | 82 |
| Net cash used in operating activities | (9,382) | (9,556) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment, net | (3,518) | (2,229) |
| Purchases of other assets and other intangible assets | (261) | (93) |
| Investment in unconsolidated affiliate | (475) | - |
| Net cash used in investing activities | (4,254) | (2,322) |
| Cash flows from financing activities: | | |
| Purchases of Company's common stock | - | (2,464) |
| Exercise of employee stock options | - | 3 |
| Net cash used in financing activities | - | (2,461) |
| Effect of exchange rates on cash | 770 | 708 |
| Net decrease in cash and cash equivalents | (12,866) | (13,631) |
| Cash and cash equivalents, beginning of period | 46,367 | 58,755 |
| Cash and cash equivalents, end of period | \$33,501 | \$45,124 |

See accompanying notes to condensed consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The condensed consolidated financial statements included herein are unaudited and have been prepared by Build-A-Bear Workshop, Inc. and its subsidiaries (collectively, the “Company”) pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet of the Company as of December 31, 2011 was derived from the Company’s audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments which are, in the opinion of management, necessary to summarize fairly the financial position of the Company and the results of the Company’s operations and cash flows for the periods presented. All of these adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. Because of the seasonal nature of the Company’s operations, results of operations of any single reporting period should not be considered as indicative of results for a full year. These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2011, which were included in the Company’s annual report on Form 10-K filed with the SEC on March 15, 2012.

Certain reclassifications of prior year amounts have been made to conform to current year presentation.

On January 1, 2012, the Company adopted new accounting guidance with regard to the presentation and disclosure of comprehensive income, according to the provisions of Accounting Standards Update 2011-5 and 2011-12. The adoption of this guidance impacted disclosure and presentation of comprehensive income only.

2. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets consist of the following (in thousands):

| | March 31, 2012 | December 31, 2011 | April 2, 2011 |
|------------------------|-------------------|----------------------|------------------|
| Prepaid rent | \$ 8,014 | \$ 7,745 | \$ 7,914 |
| Prepaid income taxes | 282 | 1,970 | 2,908 |
| Short-term investments | 2,697 | 2,619 | 2,834 |
| Other | 4,933 | 5,520 | 5,472 |
| | \$ 15,926 | \$ 17,854 | \$ 19,128 |

3. Goodwill

Goodwill is accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 350-20 and is reported as a component of the Company’s retail segment. The following table summarizes the changes in goodwill for the thirteen weeks ended March 31, 2012 (in thousands):

| | |
|--|----------|
| Balance as of December 31, 2011 | \$32,306 |
| Effect of foreign currency translation | 1,117 |
| Balance as of March 31, 2012 | \$33,423 |

Goodwill is not subject to amortization and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. This testing requires comparison of carrying values to fair values, and when appropriate, the carrying value of impaired assets is reduced to fair value. Goodwill will be tested for impairment no later than December 29, 2012.

4. Stock-based Compensation

The following table is a summary of the balances and activity for the Plans related to restricted stock and stock options for the thirteen weeks ended March 31, 2012:

| | Restricted Stock | Options |
|--------------------------------|---------------------|-----------|
| Outstanding, December 31, 2011 | 1,438,131 | 1,210,816 |
| Granted | 253,608 | 228 |
| Vested | (733,810) | — |
| Exercised | — | — |
| Forfeited | (15,582) | (7,440) |
| Canceled or expired | — | — |
| Outstanding, March 31, 2012 | 942,347 | 1,203,604 |

For the thirteen weeks ended March 31, 2012 and April 2, 2011, selling, general and administrative expenses include \$1.1 million and \$1.3 million of stock-based compensation expense, respectively. As of March 31, 2012, there was \$ 8.1 million of total unrecognized compensation expense related to nonvested restricted stock and option awards which is expected to be recognized over a weighted-average period of 1.9 years.

The total fair value of shares vested during the thirteen weeks ended March 31, 2012 and April 2, 2011 was \$4.0 million and \$1.9 million, respectively.

5. Earnings per Share

The Company uses the two-class method to compute basic and diluted earnings per common share. In periods of net loss, no effect is given to the Company's participating securities as they do not contractually participate in losses of the Company. The following table sets forth the computation of basic and diluted loss per share (in thousands, except share and per share data):

| | Thirteen weeks ended | |
|---|----------------------|---------------|
| | March 31, 2012 | April 2, 2011 |
| NUMERATOR: | | |
| Net loss before allocation of earnings to participating securities | \$ (1,017) | \$ (2,251) |
| Less: Earnings allocated to participating securities | - | - |
| Net loss after allocation of earnings to participating securities | \$ (1,017) | \$ (2,251) |
| DENOMINATOR: | | |
| Weighted average number of common shares outstanding - basic | 16,038,880 | 18,090,245 |
| Dilutive effect of share-based awards: | - | - |
| Weighted average number of common shares outstanding - dilutive | 16,038,880 | 18,090,245 |
| Basic loss per common share attributable to Build-A-Bear Workshop, Inc. stockholders: | \$ (0.06) | \$ (0.12) |
| | \$ (0.06) | \$ (0.12) |

Diluted loss per common share attributable to
Build-A-Bear Workshop, Inc. stockholders

Due to the net loss for the thirteen week periods ended March 31, 2012 and April 2, 2011, the denominator for diluted earnings per common share is the same as the denominator for basic earnings per common share for those periods because the inclusion of stock options and unvested restricted shares would be anti-dilutive.

6. Comprehensive Income or Loss

The difference between comprehensive income or loss and net income or loss results from foreign currency translation adjustments on the balance sheets of subsidiaries whose functional currency is not the US Dollar.

7. Segment Information

The Company's operations are conducted through three operating segments consisting of retail, commercial and international franchising. The retail segment includes the operating activities of company-owned stores in the United States, Canada, the United Kingdom and Ireland and other retail delivery operations, including the Company's web store, pop-up stores and non-traditional store locations such as baseball ballparks. The commercial segment includes the Company's transactions with other businesses, mainly comprised of licensing the Company's intellectual properties for third party use and wholesale activities. The international franchising segment includes the licensing activities of the Company's franchise agreements with store locations in Europe, outside of the United Kingdom and Ireland, Asia, Australia, the Middle East, Africa, Mexico and South America. The operating segments have discrete sources of revenue, different capital structures and different cost structures. These operating segments represent the basis on which the Company's chief operating decision maker regularly evaluates the business in assessing performance, determining the allocation of resources and the pursuit of future growth opportunities. Accordingly, the Company has determined that each of its operating segments represent one reportable segment. The reportable segments follow the same accounting policies used for the Company's consolidated financial statements.

Following is a summary of the financial information for the Company's reportable segments (in thousands):

| | Retail | Commercial | International Franchising | Total |
|-------------------------------------|-----------|------------|------------------------------|-----------|
| Thirteen weeks ended March 31, 2012 | | | | |
| Net sales to external customers | \$95,200 | \$ 376 | \$ 797 | \$96,373 |
| Income (loss) before income taxes | (1,465) | (79) | 411 | (1,133) |
| Capital expenditures, net | 3,764 | - | 15 | 3,779 |
| Depreciation and amortization | 5,319 | - | 43 | 5,362 |
| Thirteen weeks ended April 2, 2011 | | | | |
| Net sales to external customers | \$94,159 | \$ 1,106 | \$ 726 | \$95,991 |
| Income (loss) before income taxes | (4,384) | 410 | 325 | (3,649) |
| Capital expenditures, net | 2,288 | - | 34 | 2,322 |
| Depreciation and amortization | 6,468 | - | 56 | 6,524 |
| Total Assets as of: | | | | |
| March 31, 2012 | \$203,491 | \$ 9,522 | \$ 2,499 | \$215,512 |
| April 2, 2011 | \$234,636 | \$ 10,153 | \$ 2,745 | \$247,534 |

The Company's reportable segments are primarily determined by the types of products and services that they offer. Each reportable segment may operate in many geographic areas. The Company allocates revenues to geographic areas based on the location of the customer or franchisee. The following schedule is a summary of the Company's sales to external customers and long-lived assets by geographic area (in thousands):

| | North America (1) | Europe (2) | Other (3) | Total |
|-------------------------------------|-------------------------|------------|-----------|----------|
| Thirteen weeks ended March 31, 2012 | | | | |
| Net sales to external customers | \$80,200 | \$15,710 | \$463 | \$96,373 |
| Property and equipment, net | 63,364 | 11,407 | - | 74,771 |
| Thirteen weeks ended April 2, 2011 | | | | |
| Net sales to external customers | \$79,274 | \$16,247 | \$470 | \$95,991 |
| Property and equipment, net | 72,241 | 11,220 | - | 83,461 |

For purposes of this table only:

- (1) North America includes the United States, Canada, Puerto Rico and franchise business in Mexico
- (2) Europe includes the United Kingdom, Ireland and franchise businesses in Europe
- (3) Other includes franchise businesses outside of the North America and Europe

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. These risks and uncertainties include, without limitation, those detailed under the caption "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2011, as filed with the SEC, and the following: general global economic conditions may continue to deteriorate, which could lead to disproportionately reduced consumer demand for our products, which represent relatively discretionary spending; customer traffic may decrease in the shopping malls where we are located, on which we depend to attract guests to our stores; we may be unable to generate interest in and demand for our interactive retail experience, or to identify and respond to consumer preferences in a timely fashion; our marketing and on-line initiatives may not be effective in generating sufficient levels of brand awareness and guest traffic; we may be unable to generate comparable store sales growth; we may be unable to effectively operate or manage the overall portfolio of our company-owned stores; we may be unable to renew or replace our store leases, or enter into leases for new stores on favorable terms or in favorable locations, or may violate the terms of our current leases; the availability and costs of our products could be adversely affected by risks associated with international manufacturing and trade, including foreign currency fluctuation; our products could become subject to recalls or product liability claims that could adversely impact our financial performance and harm our reputation among consumers; we are susceptible to disruption in our inventory flow due to our reliance on a few vendors; high petroleum products prices could increase our inventory transportation costs and adversely affect our profitability; we may not be able to operate our company-owned stores in the United Kingdom and Ireland profitably; we may be unable to effectively manage our international franchises or laws relating to those franchises may change; we may improperly obtain or be unable to adequately protect customer information in violation of privacy or security laws or customer expectations; we may suffer negative publicity or be sued due to violations of labor laws or unethical practices by manufacturers of our merchandise; we may suffer negative publicity or negative sales if the non-proprietary toy products we sell in our stores do not meet our quality or sales expectations; we may lose key personnel, be unable to hire qualified additional personnel, or experience turnover of our management team; we may be unable to operate our company-owned distribution center efficiently or our third-party distribution center providers may perform poorly; our market share could be adversely affected by a significant, or increased, number of competitors; we may fail to renew, register or otherwise protect our trademarks or other intellectual property; poor global economic conditions could have a material adverse effect on our liquidity and capital resources; we may have disputes with, or be sued by, third parties for infringement or misappropriation of their proprietary rights; fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline; and we may be unable to repurchase shares of our common stock at the times or in the amounts we currently anticipate or the results of the share repurchase program may not be as beneficial as we currently anticipate. These risks, uncertainties and other factors may adversely affect our business, growth, financial condition or profitability, or subject us to potential liability, and cause our actual results, performance or achievements to be materially different from those expressed or implied by our forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We are the leading, and only international, company providing a "make your own stuffed animal" interactive entertainment experience under the Build-A-Bear Workshop brand, in which our guests stuff, fluff, dress, accessorize and name their own teddy bears and other stuffed animals. Our concept, which we developed primarily for mall-based retailing, capitalizes on what we believe is the relatively untapped demand for experience-based shopping as well as the widespread appeal of stuffed animals. The Build-A-Bear Workshop experience appeals to a broad range of age groups and demographics, including children, teens, their parents and grandparents.

As of March 31, 2012, we operated 290 stores in the United States, Canada, and Puerto Rico, 58 stores in the United Kingdom and Ireland, and had 82 franchised stores operating internationally under the Build-A-Bear Workshop brand. We also market our products and build our brand through our website, which simulates our interactive shopping experience, as well as five temporary pop-up locations and non-traditional store locations in three Major League Baseball® parks, one zoo, one science center, an airport and a hospital. Pop-up and seasonal locations, such as ballparks and zoos, are excluded from our store count.

We operate in three reportable segments (retail, commercial and international franchising) that share the same infrastructure, including management, systems, merchandising and marketing, and generate revenues as follows:

- Company-owned retail stores located in the United States, Canada, Puerto Rico, the United Kingdom and Ireland, webstores, pop-ups and seasonal, event-based locations;
- Transactions with other business partners, mainly comprised of licensing our intellectual property, including entertainment properties, for third-party use and wholesale product sales; and
- International stores operated under franchise agreements.

Selected financial data attributable to each segment for the thirteen weeks ended March 31, 2012 and April 2, 2011 are set forth in the notes to our condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q.

We use comparable store sales as one of the performance measures for our business. Comparable store sales percentage changes are based on net retail sales, excluding our webstores, pop-up and seasonal and event-based locations. Stores are considered comparable beginning in their thirteenth full month of operation. The percentage change in comparable store sales for the periods presented below is as follows:

| | Thirteen Weeks Ended | |
|---------------|----------------------|---------------|
| | March 31, 2012 | April 2, 2011 |
| North America | 3.6% | (9.3)% |
| Europe | (10.1)% | (4.1)% |
| Consolidated | 1.2% | (8.5)% |

We believe the improvement in comparable store sales for the period presented is primarily attributable to the following factors:

• In North America, we believe that the 2012 first quarter benefited from higher traffic due to an earlier Easter and the corresponding shift in school breaks;

• We also increased both average transaction value and the number of transactions through higher redemption rates of our holiday gift cards and through a promotion with McDonald's Happy Meals® in North America that drove awareness of our brand and brought traffic to our stores; and

• In the United Kingdom, we believe the negative economic conditions contributed to a continued decline in consumer sentiment and a corresponding decline in spending that negatively impacted our comparable store sales.

The Company is working to build on this positive trend in comparable store sales with the following key initiatives:

• We are aggressively working to increase store traffic and the destination appeal of our stores by enhancing our experience with a new store design and we are working to increase productivity and profitability of our existing stores through strategic closures, primarily in multi-store markets where we expect to transfer a portion of the closed stores sales to remaining stores in the market, and relocation of select other stores with a reduction in square footage thereby increasing their performance;

• We intend to increase shopping frequency by increasing new guest traffic to our stores by rebalancing our marketing message to include both product and brand, and by refreshing our loyalty program to increase retention; and

• We are reinforcing Build-A-Bear Workshop as the destination for gifts, including the gift of experience with our gift cards.

Expansion and Growth Potential

Retail Stores

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The table below sets forth the number of Build-A-Bear Workshop company-owned stores in the United States, Canada, the United Kingdom and Ireland for the periods presented:

| | Thirteen Weeks Ended | |
|---------------------|----------------------|---------------|
| | March 31, 2012 | April 2, 2011 |
| Beginning of period | 346 | 344 |
| Opened | 2 | - |
| Closed | - | (2) |
| End of period | 348 | 342 |

In fiscal 2011, we opened three Build-A-Bear Workshop stores in North America and five in the United Kingdom. In fiscal 2012, we anticipate opening four to six Build-A-Bear Workshop stores and closing 15 to 20 stores, in accordance with natural lease events such as expirations and lease termination options. We will also relocate and downsize ten to fifteen stores within existing malls which will lead to higher productivity metrics in these locations. We believe there is a market potential for approximately 300 to 325 Build-A-Bear Workshop stores in the United States, Puerto Rico and Canada and 70 stores in the United Kingdom and Ireland.

Non-Traditional Store Locations

In fiscal 2004, we began offering merchandise in seasonal, event-based locations such as Major League Baseball® ballparks. We expect to expand our future presence at select seasonal, event-based locations contingent on their availability and the financial terms associated with the venue. As of March 31, 2012, we had a total of three ballpark locations, one store each in a zoo, a science center, an airport and a hospital. Seasonal locations, such as ballparks and zoos are excluded from our store count. In 2010, we opened our first pop-up stores. Pop-up stores are temporary locations that generally have lease terms of six to eighteen months and are excluded from our store count. These locations are intended to capitalize on short-term opportunities in specific locations. As of March 31, 2012, five pop-up stores were open.

International Franchise Revenue

Our first franchised location opened in November 2003. The number of international, franchised stores for the periods presented below can be summarized as follows:

| | Thirteen Weeks Ended | |
|---------------------|----------------------|---------------|
| | March 31, 2012 | April 2, 2011 |
| Beginning of period | 79 | 63 |
| Opened | 4 | 2 |
| Closed | (1) | (2) |
| End of period | 82 | 63 |

As of March 31, 2012, we had master franchise agreements, which typically grant franchise rights for a particular country or countries, covering an aggregate of 16 countries. In the ordinary course of business, we anticipate signing additional master franchise agreements in the future and terminating other such agreements. We expect our current and future franchisees to open ten to twelve stores in fiscal 2012, net of closures. We believe there is a market potential for approximately 300 franchised stores outside of the United States, Canada, Puerto Rico, the United Kingdom and Ireland.

Results of Operations

The following table sets forth, for the periods indicated, selected statement of operation data expressed as a percentage of total revenues, except where otherwise indicated. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales and commercial revenue and immaterial rounding:

| | Thirteen weeks ended | |
|-------------------------------------|----------------------|------------------|
| | March 31, 2012 | April 2, 2011 |
| Revenues: | | |
| Net retail sales | 98.8% | 98.1% |
| Commercial revenue | 0.4 | 1.2 |
| Franchise fees | 0.8 | 0.8 |
| Total revenues | 100.0 | 100.0 |
| Costs and expenses: | | |
| Cost of merchandise sold (1) | 60.1 | 61.1 |
| Selling, general and administrative | 41.6 | 43.0 |
| Interest expense (income), net | (0.1) | 0.1 |
| Total costs and expenses | 101.2 | 103.8 |
| Loss before income taxes | (1.2) | (3.8) |
| Income tax benefit | (0.1) | (1.5) |
| Net loss | (1.1) | (2.3) |
| Retail gross margin % (2) | 39.9% | 38.8% |

(1) Cost of merchandise sold is expressed as a percentage of net retail sales and commercial revenue.

(2) Retail gross margin represents net retail sales less cost of retail merchandise sold, which excludes cost of wholesale merchandise sold. Retail gross margin was \$38.0 million and \$36.6 million for the thirteen weeks ended March 31, 2012 and April 2, 2011, respectively. Retail gross margin percentage represents retail gross margin divided by net retail sales.

Thirteen weeks ended March 31, 2012 compared to thirteen weeks ended April 2, 2011

Total revenues. Total revenues were \$96.4 million for the thirteen weeks ended March 31, 2012 as compared to \$96.0 million for the thirteen weeks ended April 2, 2011, an increase of \$0.4 million, or 0.4%. Net retail sales were \$95.2 million for the thirteen weeks ended March 31, 2012 as compared to \$94.2 million for the thirteen weeks ended April 2, 2011, an increase of \$1.0 million, or 1.1%. The increase in net retail sales was primarily attributable to \$1.3 million from new stores, a \$1.1 million increase in comparable store sales and \$0.3 million in e-commerce sales. These increases were partially offset by a \$1.1 million decrease in sales from pop-up and other non-store locations and \$0.4 million negative impact of foreign currency translation.

We believe the improvement in comparable store sales for the period presented is primarily attributable to the following factors:

-

In North America, we believe that the 2012 first quarter benefited from higher traffic due to an earlier Easter and the corresponding shift in school breaks;

• We also increased both average transaction value and the number of transactions through higher redemption rates of our holiday gift cards and through a promotion with McDonald's Happy Meals® in North America that drove awareness of our brand and brought traffic to our stores; and

• In the United Kingdom, we believe the negative economic conditions contributed to a continued decline in consumer sentiment and a corresponding decline in spending that negatively impacted our comparable store sales.

Commercial revenue decreased to \$0.4 million for the thirteen weeks ended March 31, 2012 from \$1.1 million for the thirteen weeks ended April 2, 2011, a decrease of \$0.7 million. This decrease was primarily related to an overall decrease in licensing activity. Revenue from international franchise fees was \$0.8 million and \$0.7 million for the thirteen weeks ended March 31, 2012 and April 2, 2011, respectively.

Gross margin. Total gross margin was \$38.1 million for the thirteen weeks ended March 31, 2012 as compared to \$37.0 million for the thirteen weeks ended April 2, 2011, an increase of \$1.1 million, or 2.9%. Retail gross margin increased to \$38.0 million for the thirteen weeks ended March 31, 2012 from \$36.6 million for the thirteen weeks ended April 2, 2011, an increase of \$1.4 million, or 3.9%. As a percentage of net retail sales, retail gross margin was 39.9% for the thirteen weeks ended March 31, 2012 as compared to 38.8% for the thirteen weeks ended March 31, 2012, an increase of 110 basis points as a percentage of net retail sales (bps). Our retail gross margin improvement was primarily driven by the benefit of our cost savings initiatives which resulted in 110 bps of improvement in packaging, warehousing and distribution. These savings, combined with leverage of fixed occupancy costs, more than offset the 70 bps increase in product costs during the quarter.

Selling, general and administrative. Selling, general and administrative expenses were \$40.1 million for the thirteen weeks ended March 31, 2012 as compared to \$41.3 million for the thirteen weeks ended April 2, 2011, a decrease of \$1.2 million, or 2.9%. As a percentage of total revenues, selling, general and administrative expenses were 41.6% for the thirteen weeks ended March 31, 2012 as compared to 43.0% for the thirteen weeks ended April 2, 2011, a decrease of 140 bps. The dollar decrease was primarily attributable to savings in store payroll and other store expenses as result of our cost reduction efforts. The 2011 first quarter included consulting costs of \$1.5 million associated with that project. These decreases were partially offset by increased incentive compensation due to improved performance and non-recurring costs associated with our investment in Ridemakerz. The decrease as a percent of revenue was primarily due to the decreased costs and improved leverage on increased revenue.

Interest expense (income), net. Interest income, net of interest expense, was \$86,000 for the thirteen weeks ended March 31, 2012. Interest expense, net of interest income, was \$103,000 for the thirteen weeks ended April 2, 2011. The decrease in interest expense was primarily attributable to interest incurred in the first quarter of 2011 related to a sales and use tax audit.

Provision for income taxes. The income tax benefit was \$0.1 million for the thirteen weeks ended March 31, 2012 as compared to \$1.4 million for the thirteen weeks ended April 2, 2011. The effective tax rate was 10.2% for the thirteen weeks ended March 31, 2012 compared to 38.3% for the thirteen weeks ended April 2, 2011. The decrease in the effective tax rate was primarily attributable to the fluctuation in the valuation allowance recorded in the quarter on the US deferred tax assets.

Seasonality and Quarterly Results

Our operating results for one period may not be indicative of results for other periods, and may fluctuate significantly because of a variety of factors, including: (1) changes in general economic conditions and consumer spending patterns; (2) increases or decreases in our comparable store sales; (3) fluctuations in the profitability of our stores; (4) changes in foreign currency exchange rates; (5) the timing and frequency of our marketing initiatives, including national media appearances and other public relations events; (6) the timing of our store openings and closings and related expenses; (7) changes in consumer preferences; (8) the effectiveness of our inventory management; (9) the actions of our competitors or mall anchors and co-tenants; (10) seasonal shopping patterns and holiday and vacation schedules; and (11) weather conditions.

The timing of new store openings may result in fluctuations in quarterly results as a result of the revenues and expenses associated with each new store location. We typically incur most preopening costs for a new store in the three months immediately preceding the store's opening. We expect our growth, operating results and profitability to depend in some degree on our ability to increase our number of stores.

As a toy retailer, our sales are highest in our fourth quarter, followed by the first quarter. The timing of holidays and school vacations can impact our quarterly results. Our European-based stores have historically been more heavily

weighted in the fourth quarter as compared to our North American stores. We cannot assure you that this will continue to be the case. In addition, for accounting purposes, the quarters of each fiscal year consist of 13 weeks, although we will have a 14-week quarter approximately once every six years. The 2008 fiscal fourth quarter had 14 weeks.

Liquidity and Capital Resources

Our cash requirements are primarily for the opening of new stores, relocation of existing stores, information systems and working capital. Over the past several years, we have met these requirements through capital generated from cash flow provided by operations. We have access to additional cash through our revolving line of credit that has been in place since 2000.

Operating Activities. Cash used in operating activities was \$9.4 million for the thirteen weeks ended March 31, 2012 as compared with cash used in operating activities of \$9.6 million for the thirteen weeks ended April 2, 2011, a decrease of \$0.2 million. This decrease of cash used in operating activities over the year ago period was primarily due to the timing of payments for inventory, advertising purchases and cash paid for sales tax, as well as the impact of a net loss of \$1.0 million in the thirteen weeks ended March 31, 2012 as compared to \$2.3 million in the thirteen weeks ended April 2, 2011.

Investing Activities. Cash used in investing activities was \$4.3 million for the thirteen weeks ended March 31, 2012 as compared to \$2.3 million for the thirteen weeks ended April 2, 2011. Cash used in investing activities during the thirteen weeks ended March 31, 2012 primarily relates to store construction and maintenance and upgrades and purchases of central office information technology systems and equipment. Cash used in investing activities during the thirteen weeks ended April 2, 2011 primarily relates to upgrades and purchases of central office information technology systems and equipment.

Financing Activities. There were no cash flows from financing activities in the thirteen weeks ended March 31, 2012. Cash flows used in financing activities of \$2.5 million for the thirteen weeks ended April 2, 2011 consisted of cash spent for the repurchase of the Company's common stock. No borrowings were made under our line of credit in either the thirteen weeks ended March 31, 2012 or April 2, 2011.

Capital Resources. As of March 31, 2012, we had a consolidated cash balance of \$33.5 million over 50% of which was domiciled outside of the United States. We also have a line of credit, which we can use to finance capital expenditures and working capital needs throughout the year. The credit agreement is with U.S. Bank, National Association and was amended effective December 31, 2011. The bank line continues to provide availability of \$40 million for the first half of the fiscal year and a seasonal overline of \$50 million. The seasonal overline is in effect from July 1 to December 31 each year. Borrowings under the credit agreement are secured by our assets and a pledge of 65% of our ownership interest in our foreign subsidiaries. The credit agreement expires on December 31, 2013 and contains various restrictions on indebtedness, liens, guarantees, redemptions, mergers, acquisitions or sale of assets, loans, transactions with affiliates and investments. It also prohibits us from declaring dividends without the bank's prior consent, unless such payment of dividends would not violate any terms of the credit agreement. We are also prohibited from repurchasing shares of our common stock unless such repurchase of shares would not violate any terms of the credit agreement; we may not use the proceeds of the line of credit to repurchase shares. Borrowings bear interest at LIBOR plus 1.8%. Financial covenants include maintaining a minimum tangible net worth, maintaining a minimum fixed charge coverage ratio (as defined in the credit agreement) and not exceeding a maximum funded debt to earnings before interest, depreciation and amortization ratio. As of March 31, 2012: (i) we were in compliance with these covenants; (ii) there were no borrowings under our line of credit; (iii) there was a standby letter of credit of approximately \$1.1 million outstanding under the credit agreement; and (iv) there was approximately \$38.9 million available for borrowing under the line of credit.

Most of our retail stores are located within shopping malls and all are operated under leases classified as operating leases. Our leases in North America typically have a ten-year term and contain provisions for base rent plus percentage rent based on defined sales levels. Many of the leases contain a provision whereby either we or the landlord may terminate the lease after a certain time, typically in the third to fourth year of the lease, if a certain minimum sales volume is not achieved. In addition, some of these leases contain various restrictions relating to change of control of our company. Our leases also subject us to risks relating to compliance with changing mall rules and the exercise of discretion by our landlords on various matters, including rights of termination in some cases.

Our leases in the U.K. and Ireland typically have terms of 10 to 15 years and generally contain a provision whereby every fifth year the rental rate can be adjusted upwards to reflect the current market rates. The leases typically provide the lessee with the first right for renewal at the end of the lease. We may also be required to make deposits and rent guarantees to secure new leases as we expand. Real estate taxes also change according to government time schedules to reflect current market rental rates for the locations we lease. Rents are charged quarterly and paid in advance.

In fiscal 2012, we expect to spend a total of \$20 to \$25 million on capital expenditures. Capital spending through the thirteen weeks ended March 31, 2012 totaled \$3.8 million, on track with our full year plans. Capital spending in fiscal 2012 is primarily for the continued installation and upgrades of central office information technology systems, the opening of four to six new stores and the relocation or remodeling of 15 to 20 stores, including six stores in our new

design.

We believe that cash generated from operations and borrowings under our credit agreement will be sufficient to fund our working capital and other cash flow requirements for the near future. Our credit agreement expires on December 31, 2013.

On February 20, 2007, we announced that our board of directors had authorized a \$25 million share repurchase program of our outstanding common stock. On March 10, 2008, we announced an expansion of our share repurchase program to \$50 million. On February 23, 2012, we announced that our share repurchase program had been extended to March 31, 2013. We currently intend to purchase up to an aggregate of \$50 million of our common stock in the open market (including through 10b5-1 plans), through privately negotiated transactions or through an accelerated repurchase transaction. The primary source of funding for the program is expected to be cash on hand. The timing and amount of share repurchases, if any, will depend on price, market conditions, applicable regulatory requirements, and other factors. The program does not require us to repurchase any specific number of shares and may be modified, suspended or terminated at any time without prior notice. Shares repurchased under the program will be subsequently retired. As of May 8, 2012, approximately 5.5 million shares at an average price of \$7.47 per share have been repurchased under this program for an aggregate amount of \$41.3 million, leaving \$8.7 million of availability under the program.

Off-Balance Sheet Arrangements

We hold a minority interest in Ridemakerz, which is accounted for under the equity method. In 2006, we granted a put option to a group of investors for 1.25 million common units at an exercise price of \$0.50 per unit. As previously disclosed in our annual report on Form 10-K as filed with the SEC on March 15, 2012, the put option on all 1.25 million shares was exercised on February 13, 2012. As of March 31, 2012, the book value of our investment in Ridemakerz had been reduced to zero. We still retain an ownership interest of approximately 17%. Under the current agreements, we may, at our option, own up to approximately 24% of fully diluted equity in Ridemakerz. We have no material remaining obligations under the current agreements related to our interest in Ridemakerz.

Inflation

We do not believe that inflation has had a material adverse impact on our business or operating results during the periods presented. We cannot provide assurance, however, that our business will not be affected by inflation in the future.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the appropriate application of certain accounting policies, which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

We believe application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates, including those related to inventory, long-lived assets, goodwill, revenue recognition and income taxes, are reevaluated on an ongoing basis, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Our critical accounting policies and estimates are discussed in and should be read in conjunction with our annual report on Form 10-K, as filed with the Securities and Exchange Commission on March 15, 2012, which includes audited consolidated financial statements for our 2011, 2010 and 2009 fiscal years. There have been no material changes to the critical accounting estimates disclosed in the 2011 Form 10-K, except as follows:

In February 2012, we refreshed our Stuff Fur Stuff program. Changes included earlier point expiration and more frequent awards in North America. We also introduced reward certificates in the United Kingdom. These changes added additional elements to the estimate, but the calculation will continue to use similar inputs and historical data to those described in the Form 10-K. While these changes did not have a material net impact to the reserve in the current period, any one of the new or changed elements could have a material effect in future periods. We will continue to evaluate point accumulation and redemption patterns as trends develop over time.

Recent Accounting Pronouncements

There are no new accounting pronouncements for which adoption is expected to have a material effect on the Company's financial statements in future accounting periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our market risks relate primarily to changes in interest rates, and we bear this risk in two specific ways. First, our revolving credit facility carries a variable interest rate that is tied to market indices and, therefore, our results of operations and our cash flows can be impacted by changes in interest rates. Outstanding balances under our credit facility bear interest at LIBOR plus 1.8%. We had no borrowings outstanding during the fiscal 2012 first quarter. Accordingly, a 100 basis point change in interest rates would result in no material change to our annual interest expense. The second component of interest rate risk involves the short term investment of excess cash in short term, investment grade interest-bearing securities. These investments are considered to be cash equivalents and are shown that way on our balance sheet. If there are changes in interest rates, those changes would affect the investment income we earn on these investments and, therefore, impact our cash flows and results of operations.

We conduct operations in various countries, which expose us to changes in foreign exchange rates. The financial results of our foreign subsidiaries and franchisees may be materially impacted by exposure to fluctuating exchange rates. Reported sales, costs and expenses at our foreign subsidiaries, when translated into U.S. dollars for financial reporting purposes, can fluctuate due to exchange rate movement. While exchange rate fluctuations can have a material impact on reported revenues, costs and expenses, and earnings, this impact is principally the result of the translation effect and does not materially impact our short-term cash flows.

Although we enter into a significant amount of purchase obligations outside of the U.S., these obligations are settled primarily in U.S. dollars and, therefore, we believe we have only minimal exposure at present to foreign currency exchange risks for our purchase obligations. Historically, we have not hedged our currency risk and do not currently anticipate doing so in the future.

We do not engage in financial transactions for trading or speculative purposes.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Bear and Chief Operations and Financial Bear, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this report. Our disclosure controls are designed to provide reasonable assurance of achieving their objectives and based on the aforementioned evaluation, the Company's management, including the Chief Executive Bear and Chief Operations and Financial Bear, have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2012, the end of the period covered by this quarterly report.

It should be noted that our management, including the Chief Executive Bear and the Chief Operations and Financial Bear, does not expect that the Company's disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting. The Company's management, with the participation of the Company's Chief Executive Bear and Chief Operations and Financial Bear, also conducted an evaluation of the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the period covered by this report.

PART II – OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes to our Risk Factors as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the SEC on March 15, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

| Period | (a) Total Number of Shares (or Units) Purchased (1) | (b) Average Price Paid Per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2) | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|-------------------------------|---|---|--|--|
| Jan. 1, 2012 – Jan. 28, 2012 | 186 | \$8.01 | — | \$8,711,999 |
| Jan. 29, 2012 – Feb. 25, 2012 | 221 | \$8.58 | — | \$8,711,999 |
| Feb. 26, 2012 – Mar. 31, 2012 | 248,128 | \$5.42 | — | \$8,711,999 |
| Total | 248,535 | \$5.42 | — | |

- (1) Includes shares of our common stock delivered to us in satisfaction of the tax withholding obligation of holders of restricted shares which vested during the applicable period. Our equity incentive plans provide that the value of shares delivered to us to pay the withheld to cover tax obligations is calculated as the closing trading price of our common stock on the date the relevant transaction occurs.
- (2) On February 23, 2012, we announced the further extension of our \$50 million share repurchase program of our outstanding common stock until March 31, 2013. The program was authorized by our board of directors. Purchases may be made in the open market or in privately negotiated transactions, with the level and timing of activity depending on market conditions, applicable regulatory requirements, and other factors. Purchase activity may be increased, decreased or discontinued at any time without notice. Shares purchased under the program are subsequently retired.

Item 6. Exhibits

The following is a list of exhibits filed as a part of the quarterly report on Form 10-Q:

| Exhibit No. | Description |
|-------------|---|
| 2.1 | Agreement and Plan of Merger dated April 3, 2000 between Build-A-Bear Workshop, L.L.C. and the Registrant (incorporated by reference from Exhibit 2.1 to our Registration Statement on Form S-1, filed on August 12, 2004, Registration No. 333-118142) |
| 3.1 | Third Amended and Restated Certificate of Incorporation (incorporated by reference from Exhibit 3.1 of our Current Report on Form 8-K, filed on November 11, 2004) |

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| | |
|---------|---|
| 3.2 | Amended and Restated Bylaws (incorporated by reference from Exhibit 3.4 to our Registration Statement on Form S-1, filed on August 12, 2004, Registration No. 333-118142) |
| 4.1 | Specimen Stock Certificate (incorporated by reference from Exhibit 4.1 to Amendment No. 3 to our Registration Statement on Form S-1, filed on October 1, 2004, Registration No. 333-118142) |
| 31.1 | Rule 13a-14(a)/15d-14(a) certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Executive Bear) |
| 31.2 | Rule 13a-14(a)/15d-14(a) certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Operations and Financial Bear) |
| 32.1 | Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Chief Executive Bear) |
| 32.2 | Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Chief Operations and Financial Bear) |
| 101.INS | XBRL Instance |
| 101.SCH | XBRL Extension Schema |
| 101.CAL | XBRL Extension Calculation |
| 101.DEF | XBRL Extension Definition |
| 101.LAB | XBRL Extension Label |
| 101.PRE | XBRL Extension Presentation |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 10, 2012

BUILD-A-BEAR WORKSHOP, INC.
(Registrant)

By: /s/ Maxine Clark
Maxine Clark
Chief Executive Bear
(on behalf of the registrant and as
principal executive officer)

By: /s/ Tina Klocke
Tina Klocke
Chief Operations and Financial
Bear, Treasurer and Secretary
(on behalf of the registrant and as
principal financial officer)