

# Build-A-Bear Investor Overview

September 2024



# Important Disclosures

## Forward-Looking Statements

This presentation may contain “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. We generally identify these statements by words or phrases such as “may,” “might,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “future,” “potential” or “continue,” the negative or any derivative of these terms and other comparable terminology. All the information concerning our future liquidity, future revenues, margins and other future financial performance and results, achievement of operating of financial plans or forecasts for future periods, sources and availability of credit and liquidity, future cash flows and cash needs, success and results of strategic initiatives and other future financial performance or financial position, as well as our assumptions underlying such information, constitute forward-looking information. Forward-looking statements are not guarantees of future results and are subject to risks and uncertainties, including without limitation, those identified in our annual report on Form 10-K and our Quarterly Reports on Form 10-Q, under the sections titled “Risk Factors,” “Cautionary Note Regarding Forward-Looking Statements,” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations.” All our forward-looking statements are as of the date of this presentation only. In each case, actual results may differ materially from such forward-looking information. Except as required by law, the Company does not undertake to publicly update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

## Note Regarding Non-GAAP Measures

In this presentation, the Company’s financial results are provided both in accordance with generally accepted accounting principles (GAAP) and using certain non-GAAP financial measures, including, but not limited to EBITDA, Systemwide Sales, Store Contribution Margin, Return on Invested Capital and Free Cash Flow. These results are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help identify underlying trends in the Company’s business and provide useful information to both management and investors by excluding certain items that may not be indicative of the Company’s core operating results. These measures should not be considered a substitute for or superior to GAAP results. These non-GAAP financial measures are defined and reconciled to the most comparable GAAP measure later in this document.

## Definitions of Non-GAAP Financial Measures

Systemwide sales include sales at all Build-A-Bear stores and websites, whether operated by the Company, by partners, or by franchisees. While partner sales and franchisee sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company’s financial performance, including total sales to end customers. Third-party retail sales are either reported to us by our partners or, where that is unavailable, estimated based on our wholesale sales, grossed up to our MSRP, and are not our revenues. Franchised store retail sales are reported to us by our franchisees and are not our revenues. Less than 5% of our Systemwide Sales are estimated based on our MSRP. The Company’s revenues consist of Direct to Consumer (Net retail sales) -- sales by Company-managed retail stores, two e-commerce sites; Commercial-- transactions with other businesses, mainly comprised of wholesale product sales and licensing our intellectual property, including entertainment properties, for third-party use; and International franchising-- royalties as well as product, fixture sales and supplies from other international operations under franchise agreements. Changes in Systemwide sales are primarily driven by comparable sales and net new unit growth.

Web Demand represents sales through all Build-A-Bear websites, whether fulfilled through our warehouse or stores. E-commerce is Web Demand fulfilled through our warehouse.

Free Cash Flow represents Build-A-Bear’s net cash flows from operating activities, less capital expenditures.

Return on Invested Capital (ROIC) is defined as net operating profit after tax divided by invested capital, with net operating profit calculated as earnings before interest and taxes (EBIT), and invested capital calculated as net working capital, less excess cash, plus operating leases, net property, plant, and equipment (PP&E), and other assets.

# Build-A-Bear began as a pioneer of **Experiential Retail**



But has become so much more



**BUILD-A-BEAR**

# And is now a powerful brand

## WELL-KNOWN

>**90%** Aided Brand Awareness\*

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## RESPECTED

The **#1**  
North American toy retailer\*\*

## BELOVED

~**80-90m** store and web visits per year

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## OUTSIZED BRAND EQUITY

One of the **20** most influential retailers in North America\*\*

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## PART OF POP CULTURE

Iconic, ~**30** billion annual media impressions and PR impressions

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## A DESTINATION

~**80%** of store visits are planned\*

## MULTI-GENERATIONAL

**25+** year-old brand

## TRUSTED

Over **20** million loyalty members and first-party data contacts



**BUILD-A-BEAR**

\*Source: Proprietary research, LEK Consulting, 2022 survey with U.S. consumers; \*\*Source: WPP BAV "The World's Most Influential Retailers – 2024"

# We have improved our financial results

	2023 Snapshot	2019–2023 Growth
<b>Total Revenue</b>	<b>\$486M</b>	<b>44%</b>
<b>Net Retail Sales</b>	<b>\$456M</b>	<b>41%</b>
<b>Third-Party Revenue*</b>	<b>\$30M</b>	<b>99%</b>
<b>EBITDA**</b>	<b>\$79M</b>	<b>417%</b>
<b>Margin</b>	<b>16.3%</b>	<b>+1,180 bps</b>
<b>Diluted EPS</b>	<b>\$3.65</b>	<b>NM***</b>
<b>FCF</b>	<b>\$46M</b>	<b>399%</b>
<b>ROIC</b>	<b>37.5%</b>	<b>NM***</b>
<b>Store Contribution Mgn****</b>	<b>&gt; 25%</b>	<b>+ &gt; 1,000 bps</b>

\*Third-Party references combine our Commercial + International Franchise segments.  
 \*\*EBITDA is a Non-GAAP financial measure, see "Important Disclosures."  
 \*\*\*NM=not meaningful. 2019 Net Income was \$261,000, and EPS was \$0.02.  
 \*\*\*\*Store Contribution margin is store level EBIT margin for all corporate stores, and is a Non-GAAP financial measure, see "Important Disclosures."



**BUILD-A-BEAR**



**Guests create lifetime memories by  
 making their own stuffed animal  
 at our experiential retail locations**

# By diversifying the business

## Beyond Kids

~40% of sales now to teens and adults\*

## Beyond Stores

Web Demand\*\* has grown ~140% from 2019-2023

## Beyond Birthdays

Birthdays are ~30% of sales, and top holidays are Christmas, Valentine's Day, and Easter

## Beyond Malls

361 corporate stores and 187 third-party stores in multiple formats in more than 20 countries at Q2 2024

## Expanding To More Ages

Appealing to older consumers through pop culture, licensed relationships and our Bear Cave microsite

## Expanding Online

Buildabear.com sells mostly to collectors and gift givers that are teens and adults

## Expanding To More Reasons

Mother's Day, Graduation, Congratulations, New Baby, Get Well, Thank You

## Expanding To More Formats

Now includes tourist locations, concourse shops, shop-in-shops, ATMs, and wholesale

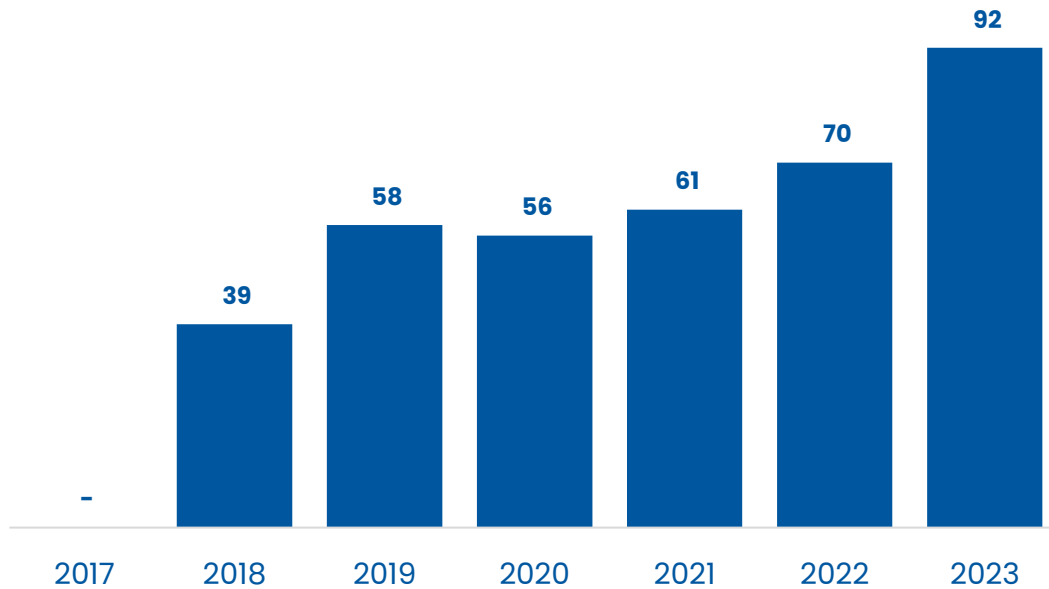


**BUILD-A-BEAR**

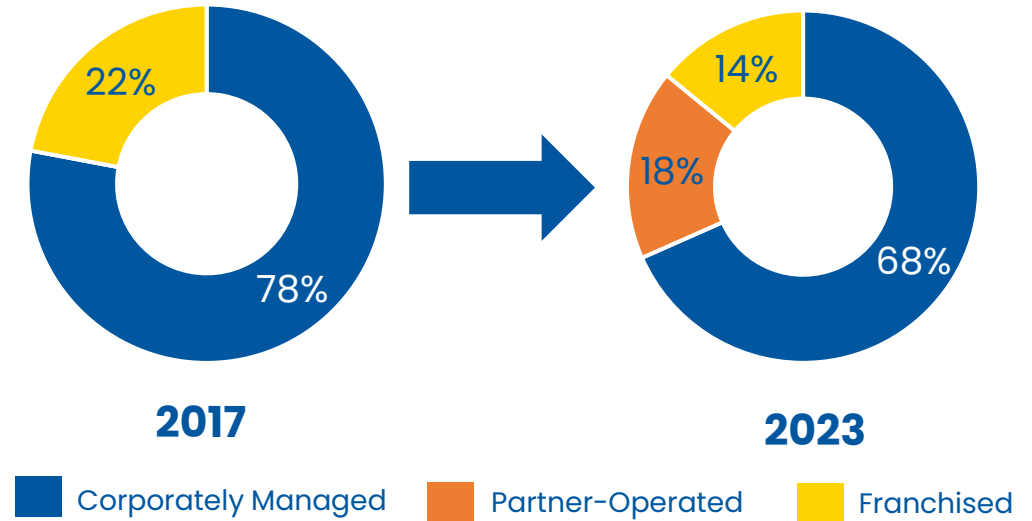
\*Source: Proprietary research, LEK Consulting, 2022 survey with consumers. \*\*Web Demand represents sales through all Build-A-Bear websites, whether fulfilled through our warehouse or stores, and is a Non-GAAP financial measure, see "Important Disclosures."

# And evolving our store footprint

## Partner Store Growth



## Store Count Mix



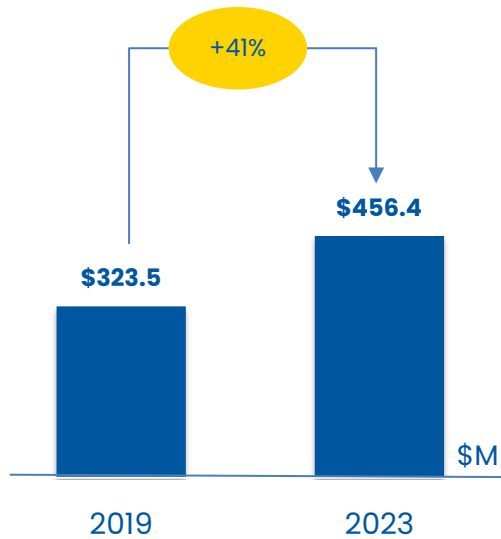
**Partner-Operated Stores** were launched domestically in 2018 and internationally in 2023



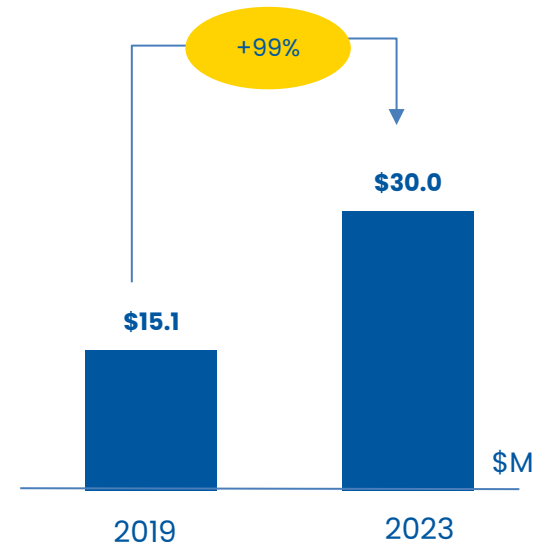
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# We have expanded both sides of our business model

## Net Retail Sales (Direct-to-Consumer Segment\*)



## Third-Party Revenue\*\* (Commercial & Intl. Franchise Segments)



\*Direct-to-Consumer (DTC) is sales by Company-managed retail stores, two e-commerce sites and is defined in "Important Disclosures."

\*\*Third-Party references combine our Commercial + International Franchise segments..

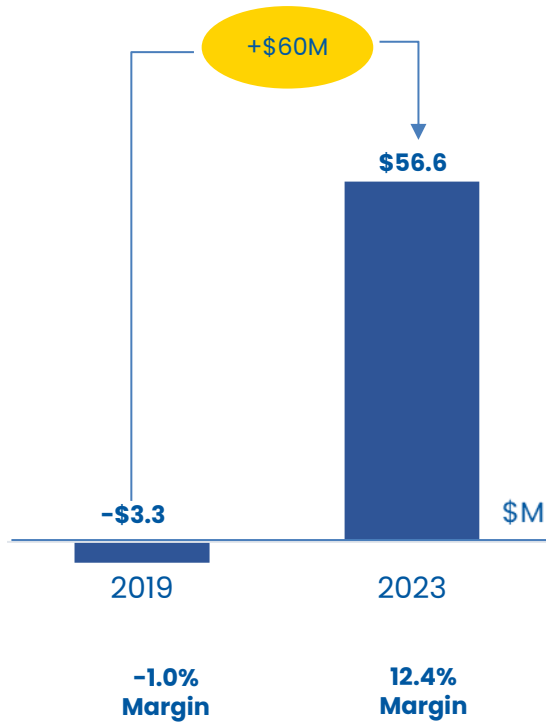


**BUILD-A-BEAR**

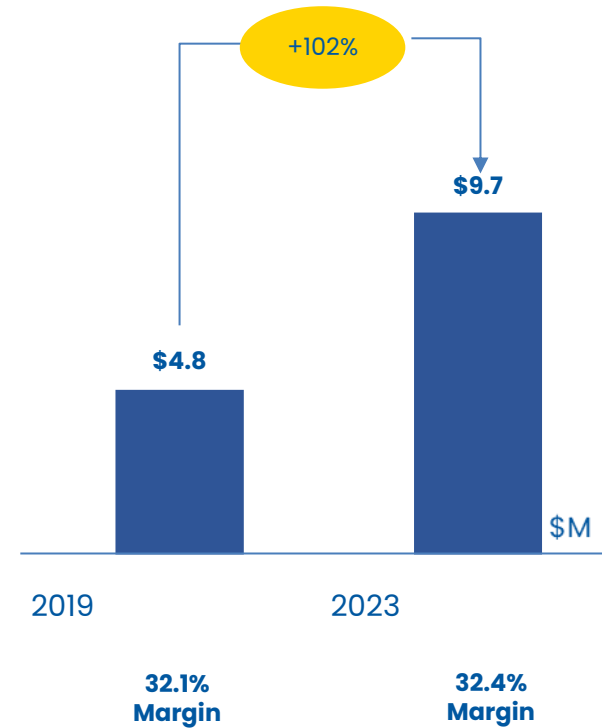


# And we have entered a **new era of profitability**

## Net Retail Pretax Income (Direct-to-Consumer Segment)

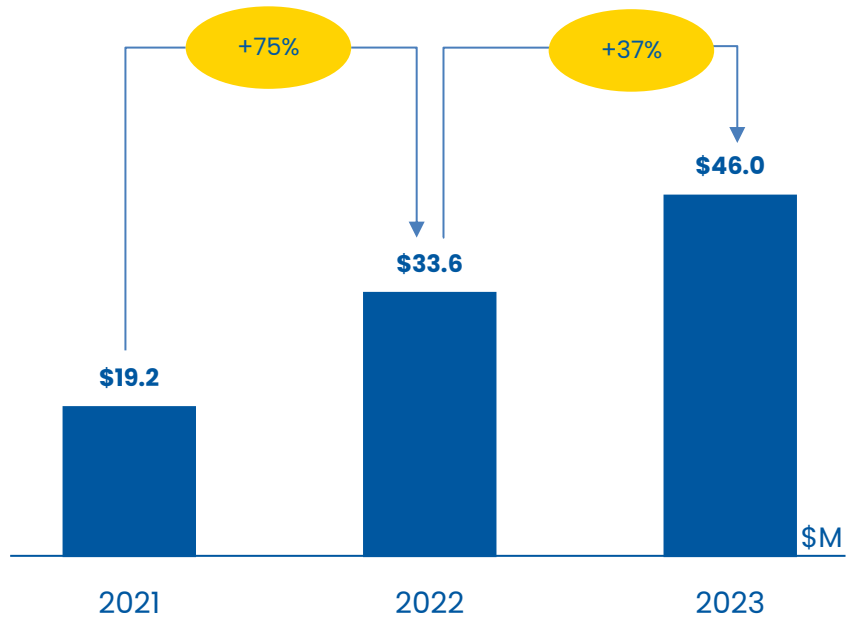


## Third-Party Pretax Income (Commercial & Intl. Franchise Segments)

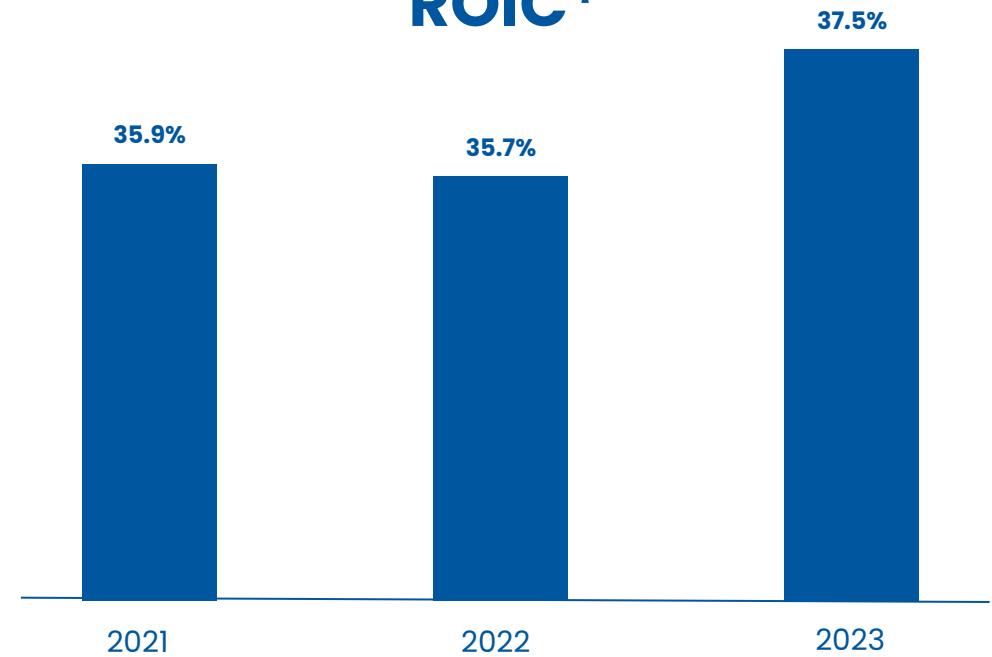


# Consistent returns position us for a new phase of **growth**

## Free Cash Flow



## ROIC\*

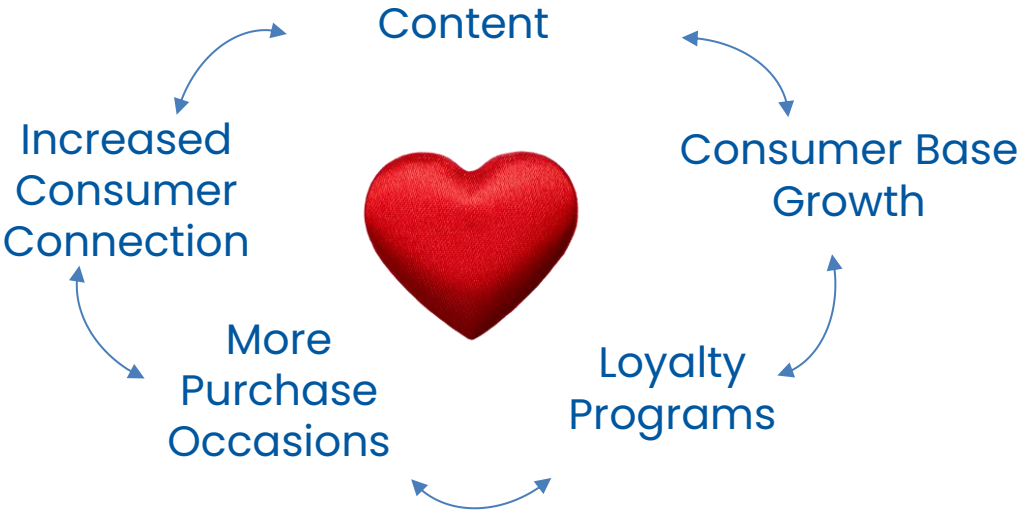
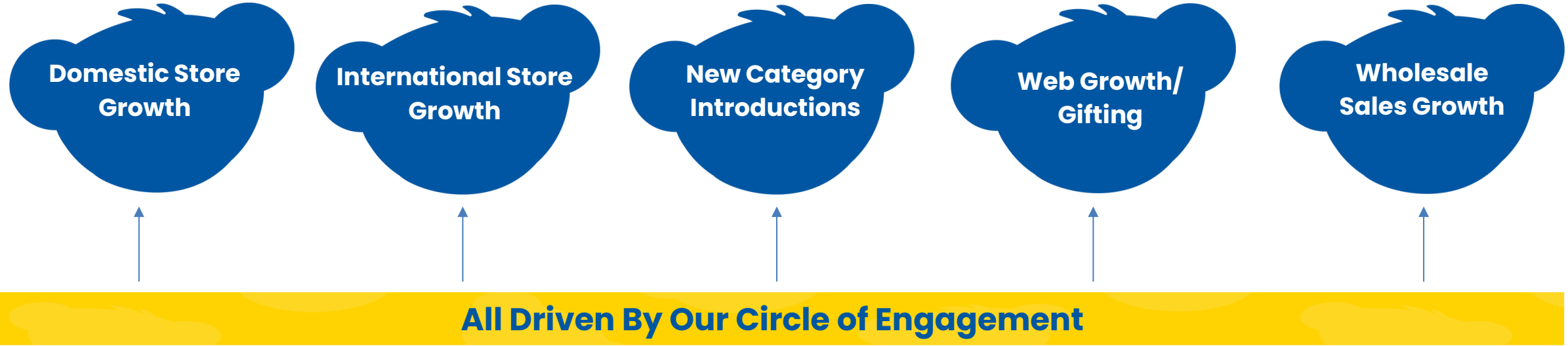


\*Return on Invested Capital (ROIC) is a Non-GAAP financial measure, see "Important Disclosures."



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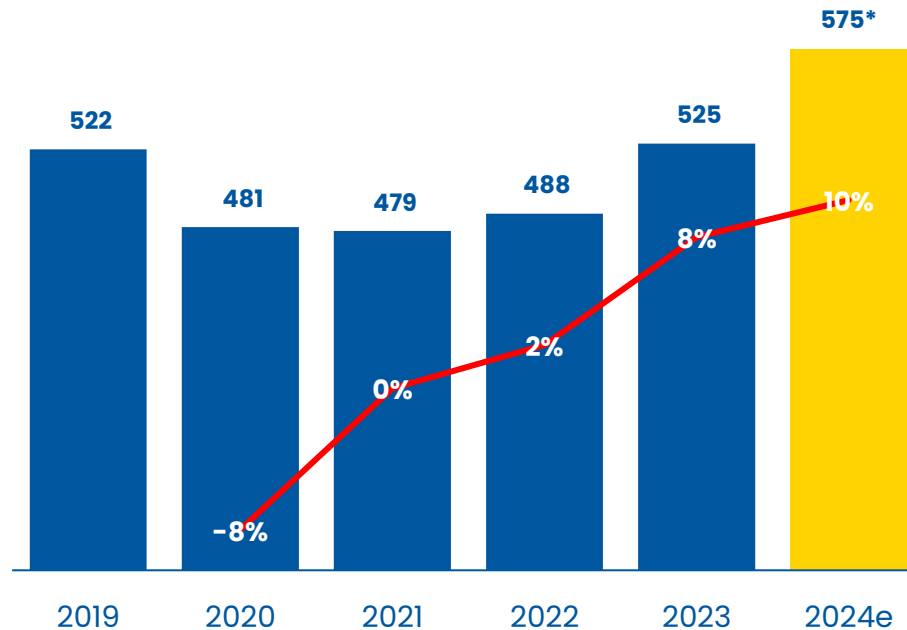
# We have multiple levers to **grow the business**



# And we have restarted **new store unit growth**

## Total Experience Locations (includes Corporate, Partner and Franchised stores)

A teddy bear hug is understood in every language.



We are expanding **domestically & internationally** in three models and through our **multiple** store formats

\*Based on 2024 Net New Unit Growth guidance of at least 50 locations, which includes Corporate, Partner and Franchised Stores..



# We generate revenue from product sales at retail, at wholesale, and from royalties



## Fiscal 2023

Store Count
% of Co. Pretax Profit*
Revenue
Pretax Margin
ROIC**

DTC  
(Corporate stores and websites  
in US, UK, CN)

359
85%
\$456.2M
12.4%
34%

Wholesale sales  
(includes US & Intl.  
partner-operated stores)

92
12%
\$25.4M
32.1%
80%

Sales-based royalty  
revenue, development fees,  
and merchandise sales

74
2%
\$4.5M
34.3%
106%

\*% of Co. Pretax Profit doesn't add to 100% due to rounding.  
\*\*ROIC noted in Important Disclosures.



# At retail, multiple store models produce top tier unit economics

## Class of 2019 Corporate Store Returns

Class of 2019 reached maturity in 2023

	Discovery Store Model*	Concourse/SIS Store Model*
Avg. Corp Store Unit Vol.	\$1,457K	\$621K
4-Wall EBITDA**	\$382K	\$155K
4-Wall EBITDA margin	26%	25%
Avg. Net Investment	<b>\$136K</b>	<b>\$45K</b>
Cash-on-Cash Return	282%	341%

We opened 9 net new corporate stores in fiscal 2023



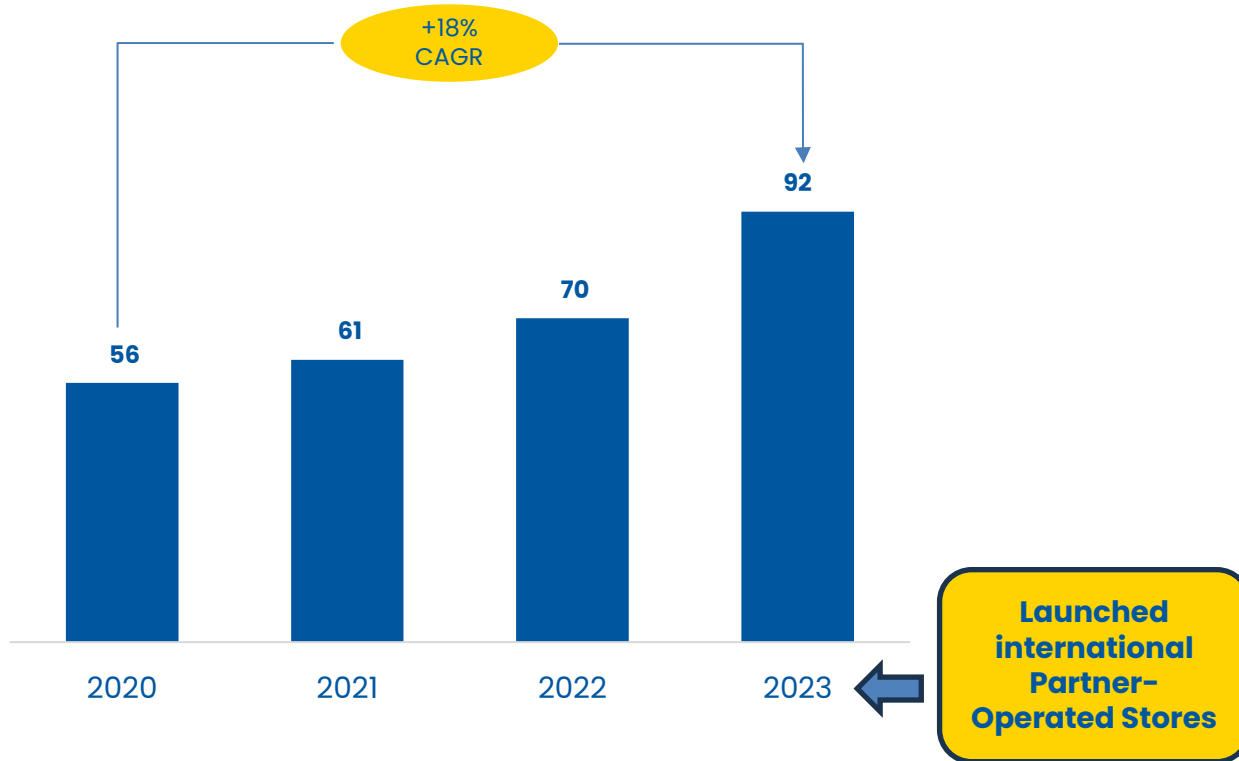
\*Discovery Stores are generally 1,800–2,200 square feet and Concourse/SIS are generally 200+ sq feet. Results are for stores open a full year in 2023.

\*\*EBITDA is a Non-GAAP financial measure, see "Important Disclosures."

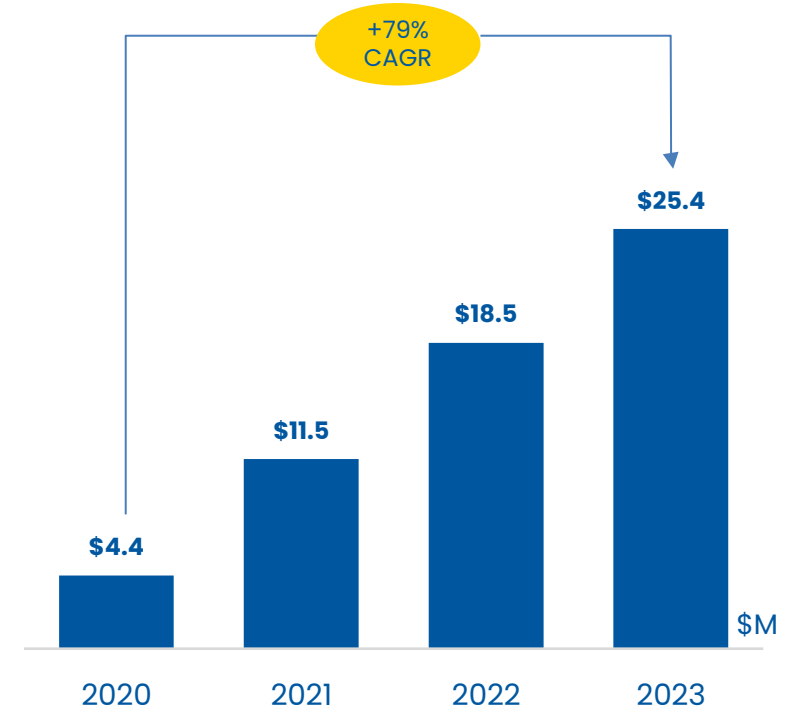


# Commercial is our fastest growing segment

## Partner-Operated Stores



## Commercial Revenue

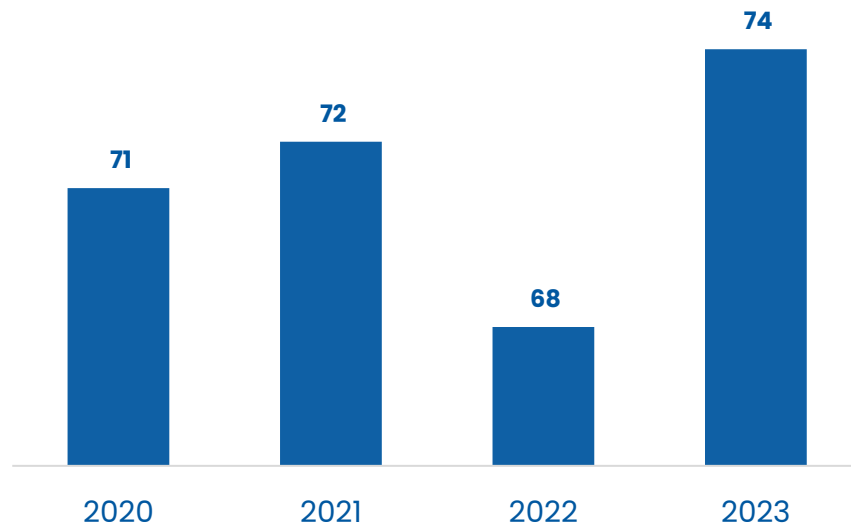


Commercial revenue is primarily wholesale sales, including to partner-operated stores

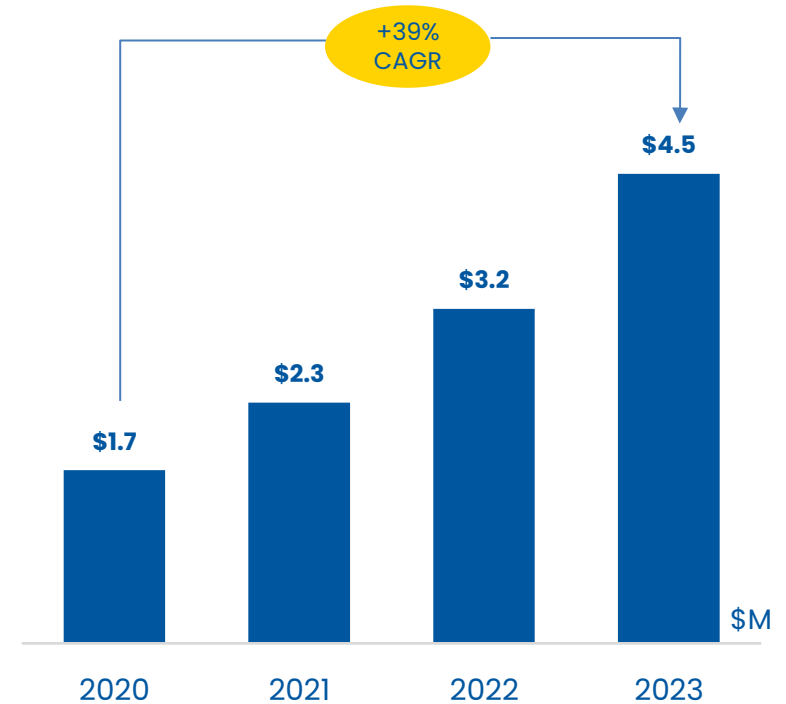


# International Franchise is also **growing**

## Intl. Franchise Stores



## Intl. Franchise Revenue

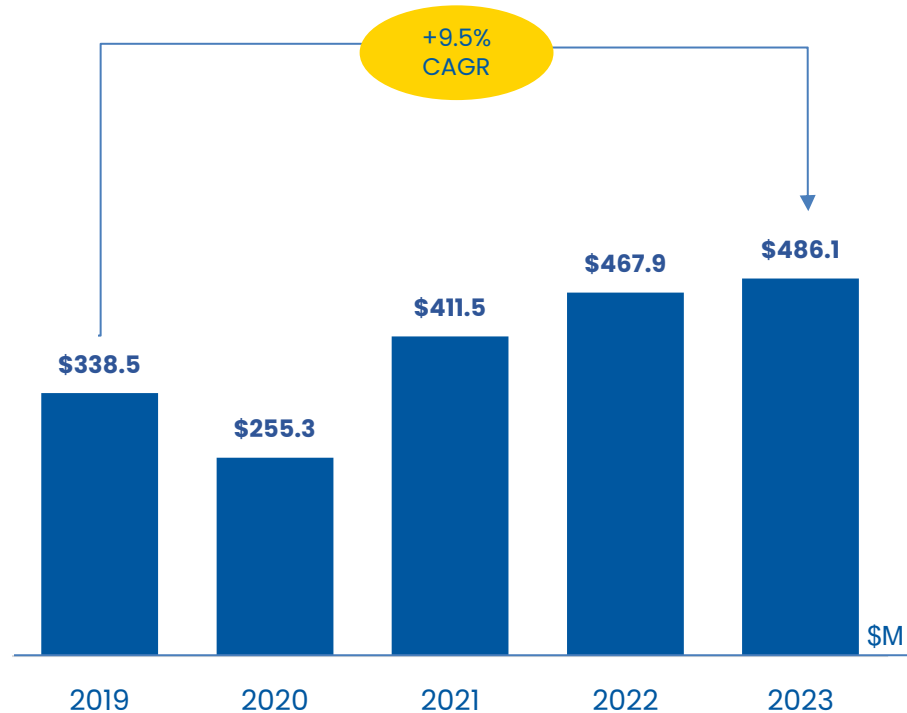


Intl. Franchise revenue includes sales-based royalties, development fees, and merchandise sales

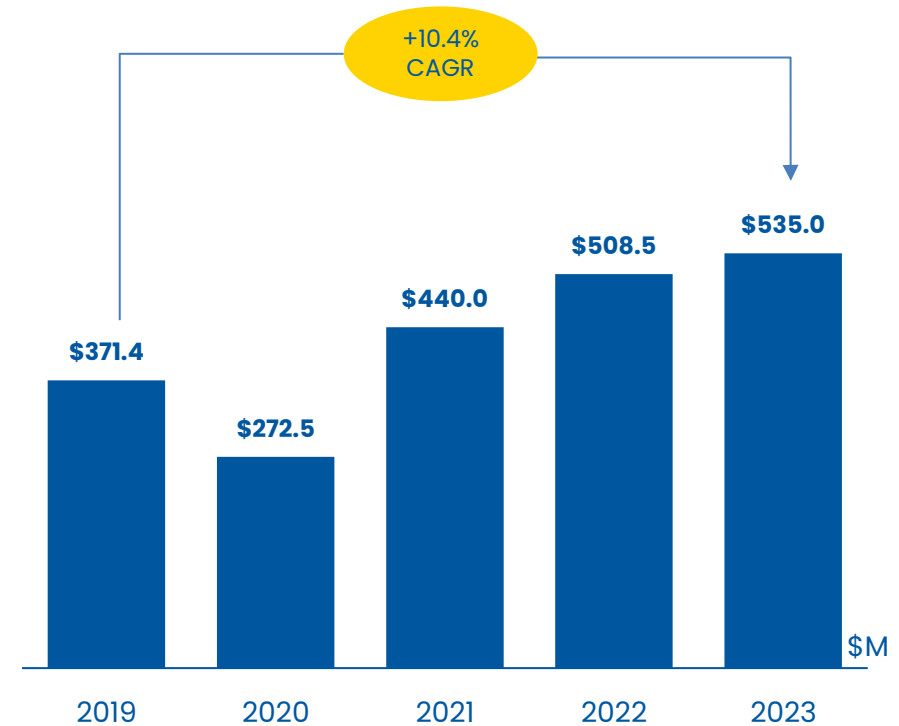


# Systemwide Sales growth **exceeds** revenue growth

## Revenue



## Systemwide Sales\*



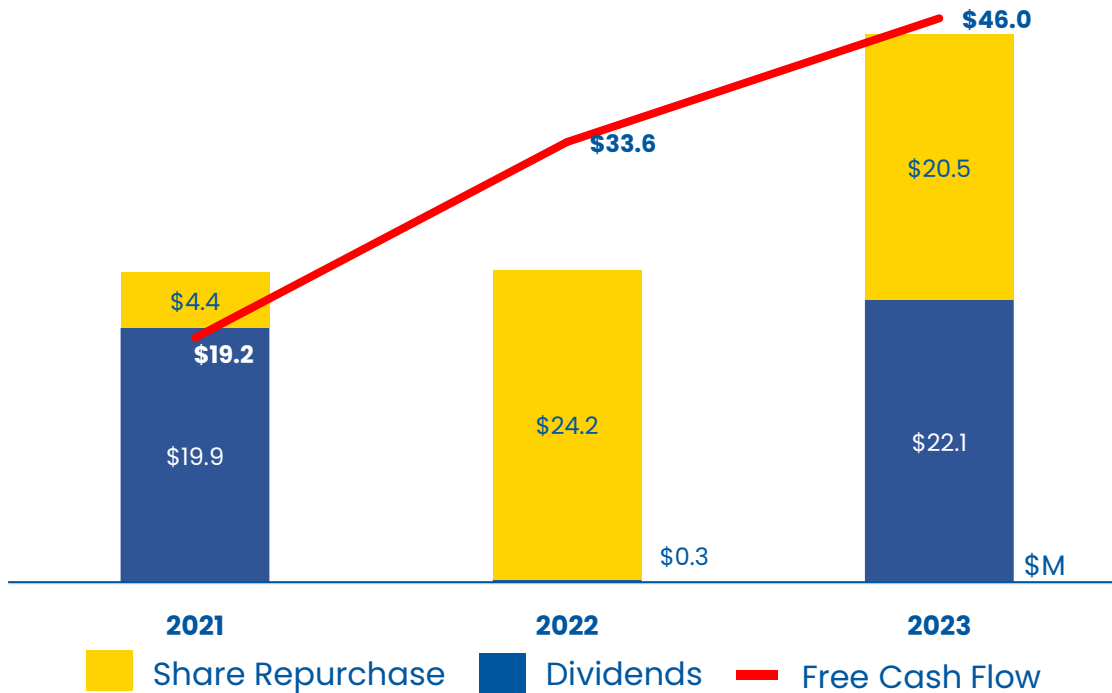
Systemwide Sales exceed revenue because it includes BAB product sales at all stores, whether operated by the Company, partners or by franchisees

\*Systemwide Sales is a Non-GAAP financial measure, see "Important Disclosures."

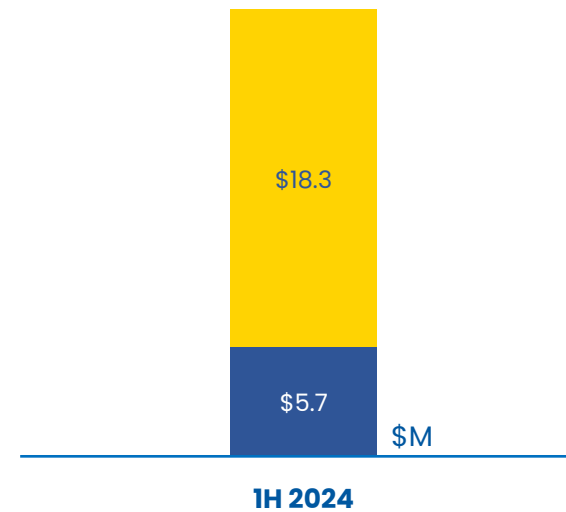


# While growing, we are **returning capital to shareholders**

**\$115M/\$7.58\* per share Returned to Shareholders**



The Company declared an initial quarterly cash dividend of \$0.20 per share in March 2024, with additional quarterly cash dividends declared in June 2024 and September 2024.



Our asset-light shift allows a greater ability to return FCF to shareholders



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\*Per share using 2021 beginning shares of 15.2M

# Our opportunity to sell more products to more people in more places is a testament to **the power of the brand**

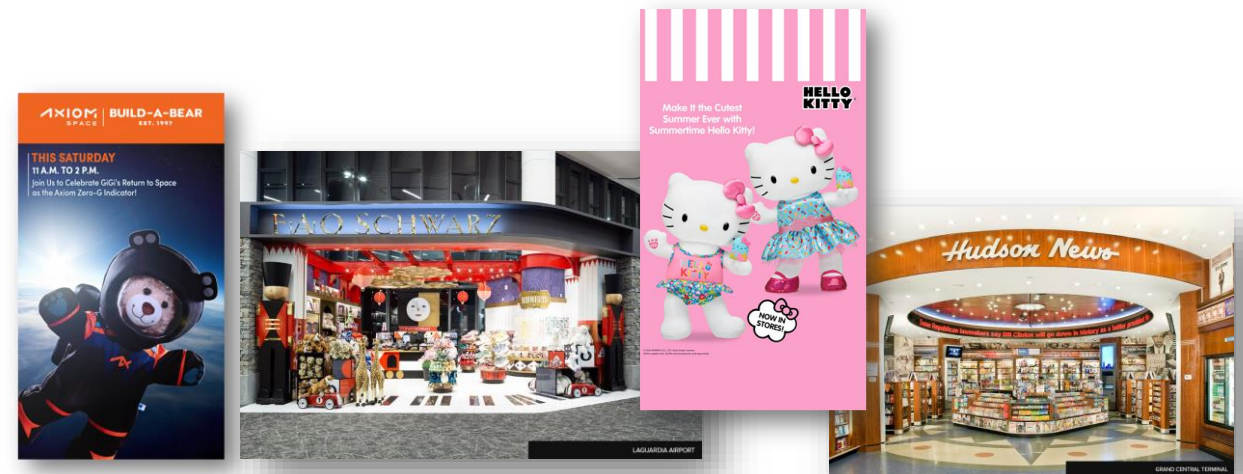
The specialty toy company that helped define experiential retail in the late '90s has not only survived but thrived. From inspiring viral moments, generating products that leverage pop culture IP and building a variety of store formats, everyone's favorite cuddly retailer may be developing an empire.\*

## World-Class Licenses



...the brand has remained relevant for almost three decades— from the fall of the shopping mall to the rise of e-commerce.\*\*

## World-Class Relationships



Build-A-Bear Workshop has been one of the most recognizable and beloved toy brands in the world since opening in 1997.\*\*\*



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\*<https://www.marketingdive.com/news/build-a-bear-business-empire-transformation/699425/>

\*\*<https://toybook.com/build-a-bear-documentary-streaming-news/>

\*\*\*[Celebrating the Holidays With Build-A-Bear Workshop \(cheddar.com\)](https://cheddar.com/celebrating-the-holidays-with-build-a-bear-workshop/)

# Financial Review



# Fiscal 2023 was **the most profitable year in Build-A-Bear history**

Revenue	\$486.1M, +3.9%
Pretax Income	\$66.3M, +7.1%
Net New Unit Growth*	37 units
Gross Profit Margin	54.4%, + 190 BPS
EBITDA	\$79.1M, 16.3% margin
YE Cash	\$44.3M

Free Cash Flow	\$46.0M
Cash Returned	\$42.6M

2023 was our third consecutive year of record growth and profits



\*Net New Unit Growth includes Corporate, Partner-Operated, and International Franchise stores.



# Q2 2024 was **our most profitable second quarter**

Revenue	\$111.8M, +2.4%
Pretax Income	\$11.5M, +10.2%
Net New Unit Growth*	17 units
Gross Profit Margin	54.2%, + 50 BPS
EBITDA	\$15.0M, 13.4% margin
Quarter-end Cash	\$25.2M

1H Free Cash Flow	\$6.7M
1H Cash Returned	\$24.0M



\*Net New Unit Growth includes Corporate, Partner-Operated, and International Franchise stores.



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# Fiscal 2024 Guidance calls for **net new unit growth acceleration**

Revenue	LSD-MSD growth*
Pretax Income	LSD growth
Net New Unit Growth**	At least 50 units

Capital Expenditures	\$18M-\$20M
Depreciation & Amortization	\$15M-\$16M
Tax Rate	≈26%

Fiscal 2024 Guidance vs. Fiscal 2023 on a 52-week basis\*\*\*

Revenue	MSD growth
Pretax Income	MSD growth



\*LSD = low-single-digit; MSD = mid-single-digit.

\*\*Net New Unit Growth includes Corporate, Partner and Franchised Stores.

\*\*\*Fiscal 2024 is a 52-week year compared to a 53-week year in fiscal 2023; the 53rd week added approximately \$7 million revenue and \$3.5 million Pretax income in fiscal 2023.



# BBW Key Statistics

Share Price – Aug. 30	\$33.38
Shares Out. 2Q-end	13.6M
Market Capitalization	\$454M
Cash 2Q-end	25.2M
Qtly. Dividend/Yield	\$0.20/2.4%
Float (est.)	91.7%
Avg. Daily Vol. (3 mos.)	217,000



Source: BAB, NYSE Connect



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# Appendix



# Build-A-Bear Non-GAAP Reconciliations

## Systemwide Sales, Free Cash Flow, EBITDA

Fiscal Year-End (\$ millions)	2019	2020	2021	2022	2023
<b>Systemwide Sales:</b>					
Net retail sales	323.5	249.2	397.7	446.2	456.2
Third-party sales	<u>47.9</u>	<u>23.3</u>	<u>42.3</u>	<u>62.3</u>	<u>78.9</u>
Total Systemwide sales	\$ 371.4	\$ 272.5	\$ 440.0	\$ 508.5	\$ 535.0

Fiscal Year-End (\$ millions)	2021	2022	2023
<b>Calculation of Free cash flow</b>			
Net cash provided by operating activities	\$ 27.3	\$ 47.3	\$ 64.3
Net cash used in investing activities	<u>(8.1)</u>	<u>(13.6)</u>	<u>(18.3)</u>
Free cash flow	\$ 19.2	\$ 33.6	\$ 46.0

Fiscal Year-End (\$ millions)	2023
<b>Calculation of EBITDA</b>	
Income before income taxes	\$ 66.3
Interest (income expense, net)	\$ (0.9)
Depreciation and amortization expense	<u>\$ 13.7</u>
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 79.1

13 Weeks Ended August 3, 2024 (\$ millions)	Q2 2024
<b>Calculation of EBITDA</b>	
Income before income taxes	\$ 11.5
Interest (income expense, net)	\$ (0.2)
Depreciation and amortization expense	<u>\$ 3.6</u>
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 15.0

Discovery Store Model Class of 2019 (\$ millions)	2023
<b>Calculation of EBITDA</b>	
Income before income taxes	\$ 0.334
Interest (income expense, net)	\$ -
Depreciation and amortization expense	<u>\$ 0.048</u>
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 0.382

Concourse/SIS Store Model Class of 2019 (\$ millions)	2023
<b>Calculation of EBITDA</b>	
Income before income taxes	\$ 0.149
Interest (income expense, net)	\$ -
Depreciation and amortization expense	<u>\$ 0.005</u>
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 0.155

# Build-A-Bear Non-GAAP Reconciliations

## Return on invested capital, Segment ROIC

Fiscal Year-End (\$ millions)	2021	2022	2023
<b>Calculation of Return on Invested Capital</b>			
<b>Numerator</b>			
Net income	\$ 47.3	\$ 48.0	\$ 52.8
Operating lease interest	7.1	5.5	5.5
Interest expense (income)	(0.0)	0.0	(0.9)
Lease adjusted net operating profit after tax	\$ 54.4	\$ 53.5	\$ 57.4
<b>Denominator: (operating approach)</b>			
Current Assets	\$ 130.0	\$ 147.4	\$ 127.8
Current Liabilities	97.4	101.2	83.7
Excess Cash (cash in excess of \$20m)	12.8	22.2	24.3
Net Working Capital	19.8	24.1	19.7
Operating Leases	77.7	71.8	73.4
Property + Equipment	49.0	50.8	55.3
Other Assets	2.1	4.2	7.2
Total Invested Capital	148.5	150.9	155.6
Average Invested Capital	\$ 151.5	\$ 149.7	\$ 153.2
<b>Return on invested capital</b>	<b>35.9%</b>	<b>35.7%</b>	<b>37.5%</b>

Fiscal Year-End (\$ millions)	2023
<b>Calculation of Return on Invested Capital</b>	
<b>Commercial</b>	
Numerator:	
Pretax Income	\$ 8.2
Tax rate, adj.	20.4%
Taxes	1.7
Net operating profit after tax	\$ 6.5
Commercial Assets	8.8
Average Commercial Assets	\$ 8.1
<b>Return on invested capital</b>	<b>80%</b>
<b>Intl Franchise</b>	
Numerator:	
Pretax Income	\$ 1.6
Tax rate	20.4%
Taxes	0.3
Net operating profit after tax	\$ 1.2
Intl Franchise Assets	1.2
Avg Intl Franchise Assets	\$ 1.2
<b>Return on invested capital</b>	<b>106%</b>

Fiscal Year-End (\$ millions)	2023
<b>Calculation of Return on Invested Capital</b>	
<b>Net Retail</b>	
Numerator:	
Pretax Income	\$ 56.6
Tax rate	20.4%
Taxes	11.5
NI	45.1
Operating lease interest	5.5
Interest Expense	(0.9)
Lease adjusted net operating profit after tax	\$ 49.6
Average Invested Capital	153.2
Net Retail Avg Invested Capital (Company IC I)	\$ 143.9
<b>Return on invested capital</b>	<b>34%</b>

# Contact Information



**Gary  
Schnierow**



**VP, Investor Relations  
& Corporate Finance**  
GaryS@buildabear.com

**Katie  
Gonzales**



**Manager,  
Public Relations**  
KatieG@buildabear.com



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