

BUILD A BEAR WORKSHOP INC
Form 10-Q
August 12, 2010
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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 July 3, 2010

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)

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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)

(314) 423-8000

63114
(Zip Code)

(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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 August 6, 2010, there were 20,142,176 issued and outstanding shares of the registrant's common stock.

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

	July 3, 2010	January 2, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 31,168	\$ 60,399
Inventories	57,115	44,384
Receivables	3,513	5,337
Prepaid expenses and other current assets	17,370	19,329
Deferred tax assets	7,231	6,306
Total current assets	116,397	135,755
Property and equipment, net of accumulated depreciation of \$155,494 and \$144,413, respectively	92,634	101,044
Goodwill	31,742	33,780
Other intangible assets, net	2,813	3,601
Other assets, net	10,740	10,093
Total Assets	\$ 254,326	\$ 284,273
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 30,341	\$ 32,822
Accrued expenses	6,597	11,185
Gift cards and customer deposits	22,891	29,301
Deferred revenue	9,131	8,582
Total current liabilities	68,960	81,890
Deferred franchise revenue	1,792	2,027
Deferred rent	31,686	34,760
Other liabilities	806	816
Stockholders' equity:		
Preferred stock, par value \$0.01, Shares authorized: 15,000,000; No shares issued or outstanding at July 3, 2010 and January 2, 2010		
Common stock, par value \$0.01, Shares authorized: 50,000,000; Issued and outstanding: 20,272,578 and 20,447,343 shares, respectively	203	204
Additional paid-in capital	78,130	80,122
Accumulated other comprehensive loss	(11,244)	(6,336)
Retained earnings	83,993	90,790
Total stockholders' equity	151,082	164,780

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Total Liabilities and Stockholders	Equity	\$ 254,326	\$ 284,273
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See accompanying notes to condensed consolidated financial statements.

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

(Unaudited)

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

	Thirteen weeks ended		Twenty-six weeks ended	
	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Revenues:				
Net retail sales	\$ 72,488	\$ 81,307	\$ 172,274	\$ 177,623
Franchise fees	661	612	1,344	1,209
Licensing revenue	985	915	1,951	1,666
Total revenues	74,134	82,834	175,569	180,498
Costs and expenses:				
Cost of merchandise sold	50,334	55,017	109,440	116,391
Selling, general and administrative	36,403	37,508	75,935	74,427
Store preopening	77	17	88	17
Store closing		230		731
Equity losses from investment in affiliate		533		533
Interest expense (income), net	(77)	(23)	(108)	(47)
Total costs and expenses	86,737	93,282	185,355	192,052
Loss before income taxes	(12,603)	(10,448)	(9,786)	(11,554)
Income tax benefit	(4,126)	(4,479)	(2,987)	(4,760)
Net loss	\$ (8,477)	\$ (5,969)	\$ (6,799)	\$ (6,794)
Loss per common share:				
Basic	\$ (0.45)	\$ (0.32)	\$ (0.36)	\$ (0.36)
Diluted	\$ (0.45)	\$ (0.32)	\$ (0.36)	\$ (0.36)
Shares used in computing common per share amounts:				
Basic	18,866,448	18,871,415	18,920,494	18,827,665
Diluted	18,866,448	18,871,415	18,920,494	18,827,665

See accompanying notes to condensed consolidated financial statements.

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BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Twenty-six weeks ended	
	July 3, 2010	July 4, 2009
Cash flows from operating activities:		
Net loss	\$ (6,799)	\$ (6,794)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,629	14,089
Stock-based compensation	2,458	2,061
Deferred taxes	(1,661)	(948)
Impairment of store assets	306	289
Equity losses from investment in affiliate		533
Loss on disposal of property and equipment	71	44
Change in assets and liabilities:		
Inventories	(13,026)	3,318
Receivables	1,425	3,606
Prepaid expenses and other assets	1,179	(2,949)
Accounts payable	(1,308)	(9,855)
Accrued expenses and other liabilities	(14,111)	(14,199)
Net cash used in operating activities	(17,837)	(10,805)
Cash flows from investing activities:		
Purchases of property and equipment	(5,997)	(2,543)
Purchases of other assets and other intangible assets	(413)	(1,170)
Investment in affiliate		(365)
Cash used in investing activities	(6,410)	(4,078)
Cash flows from financing activities:		
Exercise of employee stock options and employee stock purchases	46	
Purchases of Company's common stock	(3,286)	
Cash used in financing activities	(3,240)	
Effect of exchange rates on cash	(1,744)	(1,405)
Net decrease in cash and cash equivalents	(29,231)	(16,288)
Cash and cash equivalents, beginning of period	60,399	47,000
Cash and cash equivalents, end of period	\$ 31,168	\$ 30,712
Supplemental disclosure of cash flow information:		
Cash received during the period for income taxes, net of income taxes paid	\$ 2,918	\$ 233
Noncash Transactions:		
Return of common stock in lieu of tax withholdings	\$ 704	\$ 311

See accompanying notes to condensed consolidated financial statements.

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Notes to Condensed 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 January 2, 2010 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 January 2, 2010 included in the Company's annual report on Form 10-K filed with the SEC on March 18, 2010.

Certain revenues within the Licensing and Entertainment segment were previously reported net of the related cost of sales and are now reported on a gross revenue basis. Prior year amounts have been conformed to match the current year's presentation. The impact for the thirteen and twenty-six weeks ended July 4, 2009 was an increase to both licensing revenue and cost of sales of \$0.4 million and \$0.8 million, respectively.

2. Prepaid Expenses and Other Assets

Prepaid expe