

BUILD A BEAR WORKSHOP INC
Form 10-Q/A
November 14, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q/A

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2007

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)

1954 Innerbelt Business Center Drive

St. Louis, Missouri
(Address of Principal Executive Offices)

43-1883836
(I.R.S. Employer

Identification No.)

63114
(Zip Code)

(314) 423-8000

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(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 3, 2007, there were 20,637,487 issued and outstanding shares of the registrant's common stock.

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EXPLANATORY NOTE

This Amendment No. 1 to the quarterly report on Form 10-Q/A (Form 10-Q/A) is being filed to amend our quarterly report on Form 10-Q for the thirteen weeks ended June 30, 2007, which was originally filed on August 9, 2007 (Original Form 10-Q).

The Items of the Company's Form 10-Q/A for the thirteen weeks ended June 30, 2007 are amended and restated as follows: Part 1 Financial Information, Item 1 Financial Statements; Part 1 Financial Information, Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations; and Part 1 Financial Information, Item 4 Controls and Procedures.

During the 2007 third quarter, the Company determined that depreciation and amortization and purchases of property and equipment, net, were incorrectly reported in the Company's consolidated statements of cash flows for the twenty-six weeks ended June 30, 2007. The net change in cash and cash equivalents was not impacted. Capital expenditures and depreciation and amortization for the retail segment and in total as presented in the segment footnote were also incorrectly reported. As a result, we have restated our consolidated statements of cash flows for the twenty-six weeks ended June 30, 2007.

The Company also determined that comprehensive income, as presented in the notes to consolidated financial statements, was misstated for the thirteen and twenty-six weeks ended June 30, 2007 and July 1, 2006. As a result, comprehensive income has been restated.

These restatements had no impact on the previously issued condensed consolidated balance sheets, consolidated statements of operations or the net decrease in cash and cash equivalents reported in the consolidated statements of cash flows.

This amendment does not reflect events occurring after the filing of the Original Form 10-Q, and does not modify or update the disclosures therein in any way other than as required to reflect the adjustments described above. Such events include, among others, the events described in our quarterly report on Form 10-Q for the thirteen and thirty-nine weeks ended September 29, 2007, and the events described in our current reports on Form 8-K filed after the filing of the Original Form 10-Q.

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BUILD-A-BEAR WORKSHOP, INC.

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Table of Contents**PART I-FINANCIAL INFORMATION****Item 1. Financial Statements.****BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

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

	June 30, 2007	December 30, 2006 (Revised)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,205	\$ 53,109
Inventories	55,665	50,905
Receivables	7,101	7,389
Prepaid expenses and other current assets	21,541	11,805
Deferred tax assets	2,529	2,388
Total current assets	104,041	125,596
Property and equipment, net	133,002	130,347
Goodwill	42,500	41,827
Other intangible assets, net	2,863	2,873
Other assets, net	10,254	4,027
Total Assets	\$ 292,660	\$ 304,670
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 40,491	\$ 45,561
Accrued expenses	5,932	16,301
Gift cards and customer deposits	18,636	28,128
Deferred revenue	6,686	6,454
Total current liabilities	71,745	96,444
Deferred franchise revenue	2,645	2,297
Deferred rent	38,004	34,754
Other liabilities	1,363	352
Deferred tax liabilities	470	459
Stockholders' equity:		
Preferred stock, par value \$0.01, Shares authorized: 15,000,000; No shares issued or outstanding at June 30, 2007 and December 30, 2006		
Common stock, par value \$0.01, Shares authorized: 50,000,000; Issued and outstanding: 20,632,606 and 20,537,421 shares, respectively	206	205
Additional paid-in capital	86,016	88,866
Accumulated other comprehensive income	6,364	5,103
Retained earnings	85,847	76,190

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Total stockholders' equity	178,433	170,364
Total Liabilities and Stockholders' Equity	\$ 292,660	\$ 304,670

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	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenues:				
Net retail sales	\$ 99,102	\$ 92,962	\$ 214,985	\$ 190,692
Franchise fees	677	636	1,372	1,326
Licensing revenue	604	59	840	270
Total revenues	100,383	93,657	217,197	192,288
Costs and expenses:				
Cost of merchandise sold	57,649	52,190	119,789	102,050
Selling, general and administrative	39,283	34,783	80,827	70,234
Store preopening	1,369	1,582	2,057	2,197
Interest expense (income), net	(356)	(299)	(901)	(1,165)
Total costs and expenses	97,945	88,256	201,772	173,316
Income before income taxes	2,438	5,401	15,425	18,972
Income tax expense	846	2,402	5,768	7,627
Net income	\$ 1,592	\$ 2,999	\$ 9,657	\$ 11,345
Earnings per common share:				
Basic	\$ 0.08	\$ 0.15	\$ 0.48	\$ 0.56
Diluted	\$ 0.08	\$ 0.15	\$ 0.47	\$ 0.56
Shares used in computing common per share amounts:				
Basic	20,222,624	20,152,761	20,252,222	20,115,818
Diluted	20,427,858	20,447,945	20,476,603	20,424,661

See accompanying notes to condensed consolidated financial statements.

Table of Contents**BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(in thousands)

	Twenty-six weeks ended	
	June 30,	July 1,
	2007	2006
	(As restated)	
Cash flows from operating activities:		
Net income	\$ 9,657	\$ 11,345
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	12,625	10,869
Deferred taxes	(530)	(2,009)
Tax benefit from stock option exercises	(225)	(685)
Loss on disposal of property and equipment	230	65
Stock-based compensation	1,381	1,262
Change in assets and liabilities:		
Inventories	(4,750)	(4,566)
Receivables	287	(3,466)
Prepaid expenses and other assets	(9,737)	(3,928)
Accounts payable	(5,857)	(5,772)
Accrued expenses and other liabilities	(15,020)	(14,286)
Net cash used in operating activities	(11,939)	(11,171)
Cash flows from investing activities:		
Purchases of property and equipment, net	(14,410)	(31,353)
Purchases of other assets and other intangible assets	(5,833)	(1,466)
Purchases of business, net of cash acquired		(38,320)
Cash flow used in investing activities	(20,243)	(71,139)
Cash flows from financing activities:		
Exercise of employee stock options and employee stock purchases	683	1,162
Purchases of Company's common stock	(4,670)	
Tax benefit from stock option exercises	225	685
Cash flow (used in) from financing activities	(3,762)	1,847
Effect of exchange rates on cash	40	67
Net decrease in cash and cash equivalents	(35,904)	(80,396)
Cash and cash equivalents, beginning of period	53,109	90,950
Cash and cash equivalents, end of period	\$ 17,205	\$ 10,554
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 15,633	\$ 15,211

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Noncash Transactions:

Return of common stock in lieu of tax withholdings and option exercises	\$	501	\$	211
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See accompanying notes to condensed consolidated financial statements.

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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 30, 2006 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 30, 2006 included in the Company's annual report on Form 10-K filed with the SEC on March 15, 2007.

2. Restatement

During the third quarter of 2007, the Company determined that it had incorrectly reported depreciation and amortization and purchases of property and equipment, net, in the consolidated statements of cash flows for the twenty-six weeks ended June 30, 2007. The net change in cash and cash equivalents was not impacted. This also resulted in an overstatement of capital expenditures and depreciation and amortization for the retail segment as presented in the segment footnote. Additionally, in November 2007, the Company determined that comprehensive income was materially misstated for the thirteen and twenty-six weeks ended June 30, 2007 and July 1, 2006, respectively, as a result of including in comprehensive income for the June 30, 2007 period the foreign currency translation effects of the Company's incorrect accounting for the note receivable and related interest due from Amsbra Limited, the Company's former United Kingdom franchisee acquired by the Company during 2006. The translation effects should have been included in comprehensive income for the thirteen and twenty-six week periods ended July 1, 2006 and the year ending December 30, 2006, respectively. The errors were immaterial to the December 30, 2006 balance sheet which has been revised, resulting in an increase in goodwill of \$4.9 million, an increase in other comprehensive income and comprehensive income of \$6.1 million and a reduction in accounts payable of \$1.2 million. The errors had no impact to the consolidated balance sheet as of June 30, 2007, the consolidated statement of operations (including earnings per share) for the thirteen and twenty-six weeks ended June 30, 2007, or the net decrease in cash and cash equivalents reported in the consolidated statement of cash flows as of June 30, 2007.

The effect of the restatement on specific items in the consolidated statement of cash flows is as follows (in thousands):

	Twenty-six weeks ended June 30, 2007	
	As previously reported	As restated
Cash flows from operating activities:		
Depreciation and amortization	\$ 13,965	\$ 12,625
Net cash used in operating activities	(10,599)	(11,939)
Cash flows from investing activities:		
Purchases of property and equipment, net	(15,750)	(14,410)
Net cash used in investing activities	(21,583)	(20,243)
Net decrease in cash and cash equivalents	(35,904)	(35,904)

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The effect of the restatement on the segment information disclosed in Note 11 to the consolidated financial statements is as follows (in thousands):

	Thirteen weeks ended June 30, 2007		Twenty-six weeks ended June 30, 2007	
	As previously reported	As restated	As previously reported	As restated
Retail				
Capital expenditures	\$ 10,270	\$ 11,609	\$ 15,212	\$ 16,551
Depreciation and amortization	7,582	6,243	13,709	12,369
Total				
Capital expenditures	10,270	11,609		