

Consumer Group Winter 2025 Stock Pitch

Build-A-Bear | NYSE: BBW

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Build-A-Bear Overview



BBW's consistent profitability is driven by its strong management and experience-based differentiation.

BBW: Experience-Based Differentiation

Build-A-Bear Workshop was founded in 1997 as a mall-based, **experiential specialty retailer** where guests have the opportunity to create their own stuffed animals by participating in the stuffing, fluffing, dressing, accessorizing, and naming of personalized teddy bears.

The hands-on and interactive nature of experience locations, as well as the **personal service model** and **engaging digital shopping experiences**, result in guests forming an emotional connection with the brand. Over the last 26 years, 240 million furry friends have been sold around the world.



Year Founded: 1997

Headquarters: St. Louis, MO

Employees: 1,000 full-time &
3,550 regular part-time

Three Profitable Business Segments

Business Segments	% of Revenue	Revenue Growth YoY	Gross Margin
Direct-to-Consumer (DTC) Corporately-managed stores located in the U.S., Canada, the U.K., Ireland, and two e-commerce sites.	93.9%	2.2%	54.7%
Commercial Transactions with other businesses, primarily wholesale product sales and licensing IP, including entertainment property for third-party use.	5.2%	37.2%	52.4%
International Franchising Royalties, as well as product and fixture sales from other international operations under franchise agreements.	0.9%	40.4%	37.9%

Leadership Highlights



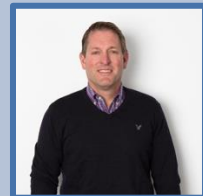
Sharon Price John
President and Chief Executive Officer

- Has served as President & CEO of BBW since June 2013
- Proven track record of growing children's brands, with prior experience at Mattel, Hasbro, and Wolverine World Wide
- Led the company through a financial turnaround, refreshing and expanding the beloved brand



Voin Todorovic
Chief Financial Officer

- Has served as CFO of BBW since September 2014
- Served as Head of Finance & Operations for the Lifestyle Group at Wolverine World Wide, managing brands like Sperry Top-Sider, Hush Puppies, Keds, and Stride Rite



J. Christopher Hurt
Chief Operations and Experience Officer

- Has served as COO of BBW since April 2015 and acquired title of Chief Operations and Experience Officer in June 2020
- Previously held senior roles at American Eagle Outfitters, Polo Ralph Lauren, and The Procter & Gamble Company



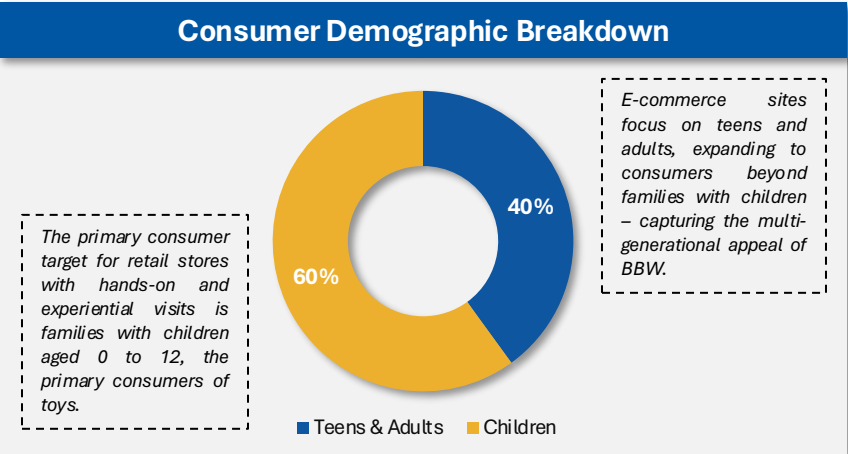
Kim Utlaut
Chief Brand Officer and Senior Vice President

- Has served as Chief Brand Officer since October 2024
- The role focuses on strategic partnerships and connecting with evolving brand and connecting with diverse customer base
- Previously held GM in Franchise Leadership & Head of Amateur Sports in N.A. Operating Unit at The Coca-Cola Company

Consumer and Store Type Breakdown



BBW's ability to cater to different ages and operate a variety of store models contributes to its growth.

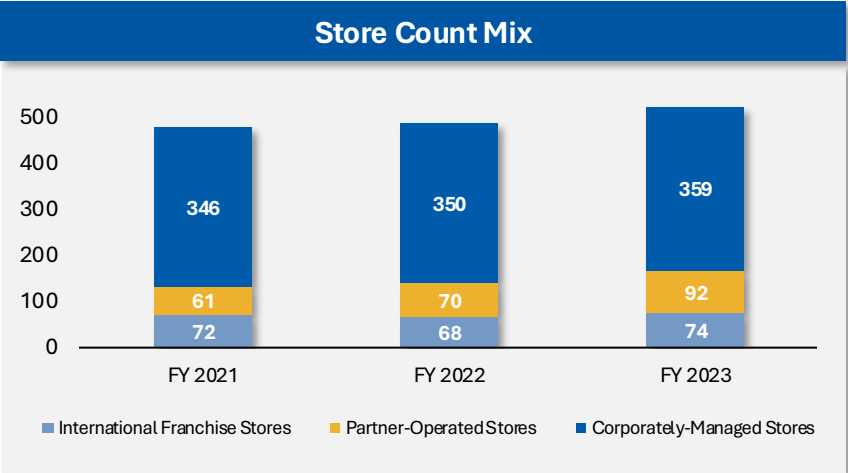


Expansion to More Ages

Build-A-Bear hopes to expand **beyond children** and appeal to more ages (older consumers) through pop culture, licensed relationships, and the Bear Cave microsite.

Through **BuildaBear.com**, BBW can sell to collectors and gift givers who are teens and adults. Web demand has grown over 140% from 2019 – 2023, allowing for online expansion beyond physical stores.

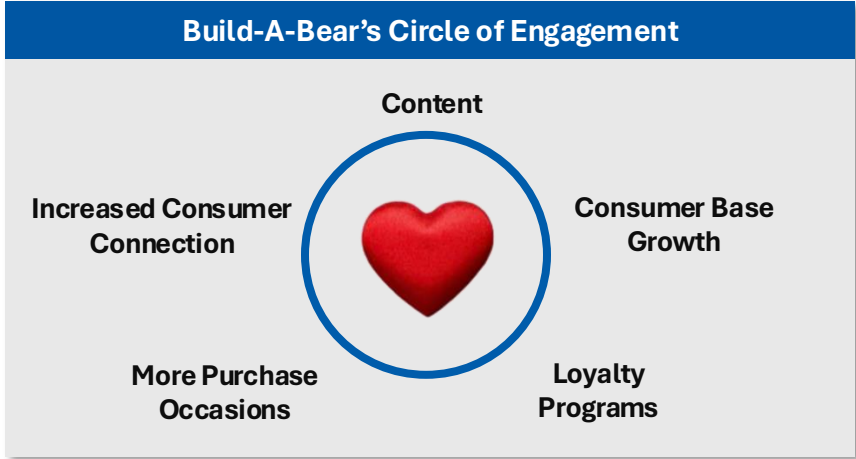
Types of Stores & Store Activity	
Corporately-Managed Stores	Build-A-Bear has 359 corporately-managed stores in the U.S., Canada, U.K., and Ireland. BBW primarily operates through a vertical channel with these stores that feature a combination of experiences and products in which guests can make their own stuffed animals.
Partner-Operated Stores	Build-A-Bear has 92 partner-operated locations with the "third-party retail" model in which they sell products on a wholesale basis to other companies that execute the retail experience. They hope to enter international markets via partner-operated models as well.
International Franchise Stores	Build-A-Bear has 74 international franchise stores across the world. All franchised stores generally have similar store layouts and merchandise as corporately-managed locations. As of February 2024, they had five master franchise agreements.



Build-A-Bear's Impact and Growth Potential



BBW leverages brand engagement, business expansion, and ESG initiatives to drive growth and consumer loyalty.



Levers of Business Growth	
Increase in Store Growth	BBW plans to grow domestic, international, and wholesale stores under all of the business segments (DTC, commercial, and international franchising).
New Category Introductions	BBW aims to attract new audiences via licensed offerings on the Bear Cave™ website, filled with unexpected collaborations and unique gifts intended for shoppers 18 and older.
Web Growth & Gifting	BBW aims to undergo digital transformation through their website, which focuses on gift-giving collectible merchandise and licensed products.

Recent Collaborations

BBW has recently collaborated with well-known brands, popular TV shows, and big names within pop culture, including *Lord of the Rings*, *Disney Princesses*, *Pokémon*, *Marvel*, *Star Wars*, *The Office*, and more. Through these collaborations, they strategically leverage partnerships to expand their product offerings, increase brand visibility, and appeal to a diverse audience of collectors, pop culture enthusiasts, and gift buyers across age demographics beyond just children, driving engagement, customer loyalty, and revenue growth.

Environmental, Social, and Governance (ESG)		
Environmental	Social	Governance
BBW has been reducing its environmental footprint. While all products use sourced materials, some are made from 100% recycled material. The company has reduced their GHG by 65x fewer emissions.	BBW's giving strategy is seen through their Build-A-Bear Foundation, Literacy Programs, and The Hearts' 'n' 'Hugs Fund. They have donated 1.5M bears and \$22M since its formation.	Aside from Directors, BBW sees oversight by 3 different committees: the Audit Committee, the Compensation and Human Capital Committee, and the Nominating and Corporate Governance Committee.
Total ESG Risk Score: 17.5 (Low)		

Annotated Stock Chart



BBW's stock price has seen many ups and downs throughout the past 12 years.

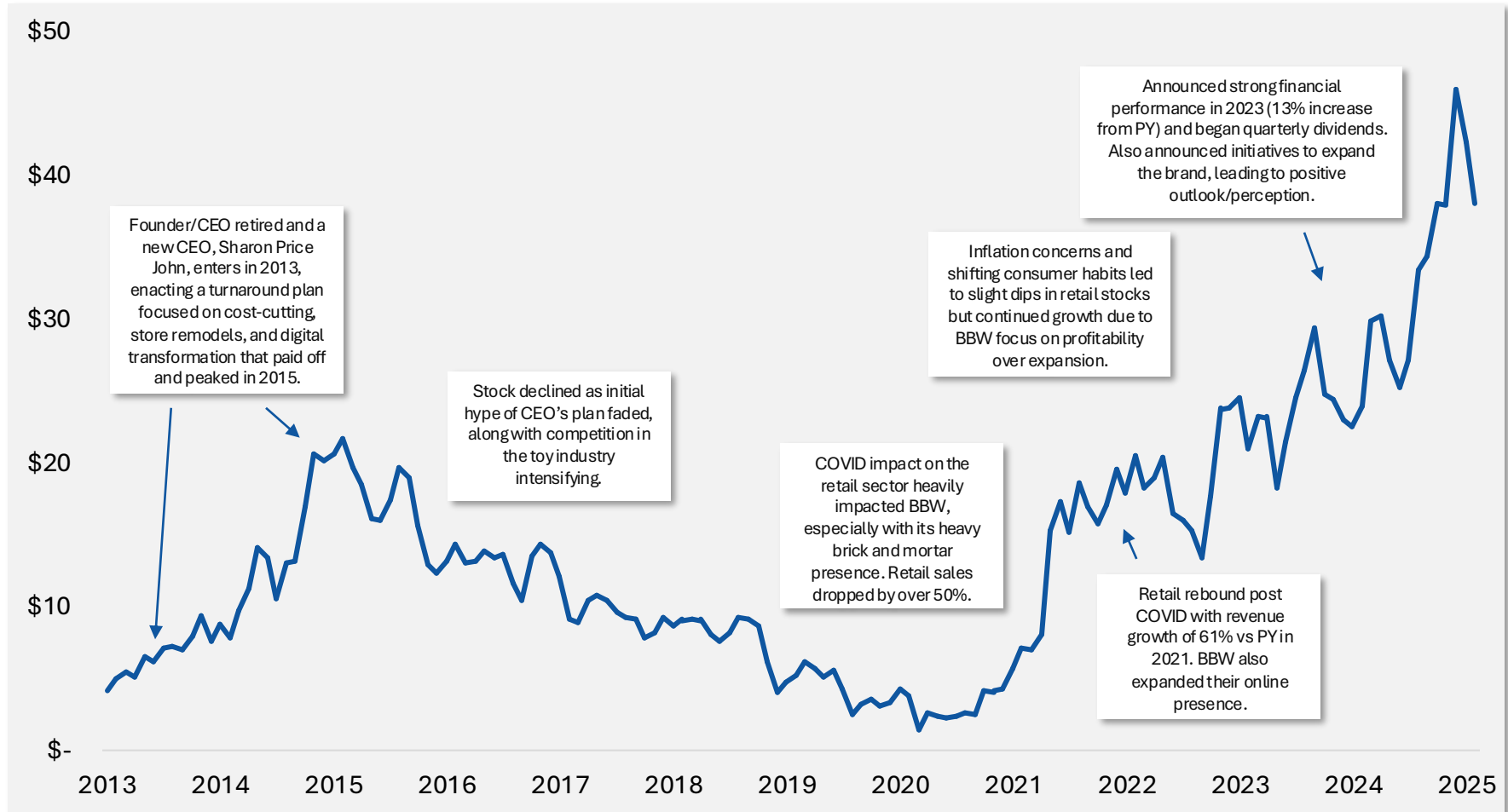


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Industry Overview

The toy industry's ability to infiltrate different preferences, regions, and ages has contributed to its growth.

Demographics



The global toy market size is **valued at about \$100B** with strong consumer demand across a variety of categories. It is, with some bigger players such as **Mattel** (Barbie, Hot Wheels, American Girl Dolls) and **Hasbro** (Monopoly, Nerf, My Little Pony, etc.).



The **US** has led the toy market, accounting for 30-40% of revenue, followed by **China** at about 20%. **Asia-Pacific is the largest growth driver**, along with emerging markets in Latin America and Southeast Asia.



The toy industry primarily targets **children ages 0-12**, with preschool (0-5) and elementary (6-12) aged kids making up the majority of sales. However, in recent years there has been a wave of nostalgia, leading to an **influx of adults (18+)** **buying toys**, making up 20-25% of sales.

Growth Drivers and Trends

1

Online growth is a major driver in the toy industry, with e-commerce making up almost 40% of total toy sales in the US, up 15 percentage points from pre-COVID, driven by convenience, wider selection, and digital marketing strategies.

2

Influx of **adults buying kids toys**, accounting for 20-25% of sales. Fueled by nostalgia and a desire for collectibles, this age group has contributed around \$10B sales globally.

3

A strong **influence of social media** on toy trends, especially leading to a resurgence of popularity for plush toys. This has had a significant influence on the toy industry compared to pre-COVID.

Market Share

Toy Categories

Plush/Traditional | 10%

Electronic/Interactives
| 30%

Outdoor/Sports | 20%

Dolls/Action Figures | 20%

Educational | 20%

Major Players in Plush Toys



Challenges

1

Toys are a category of consumer products that **rely heavily on imports from China**. Due to recent tariffs, the toy industry will likely suffer as a result. Mattel, one of the major toy companies, has 50% of their manufacturing done in China. While they and many other companies are working to reduce this number, it is a growing problem.

2

The **retail apocalypse** poses a challenge for the toy industry, especially for those that are traditionally brick-and-mortar retailers. Many smaller toy companies rely on in-store visits, especially in malls where many are located. In addition, toy purchases are largely impulsive, which goes hand in hand with in-person shopping. As the toy industry shifts online, these companies need to adapt their business models.

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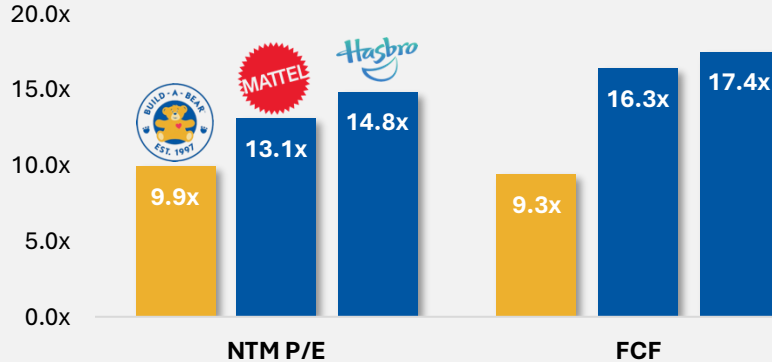
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Thesis #1a: Misunderstanding The New Business Model

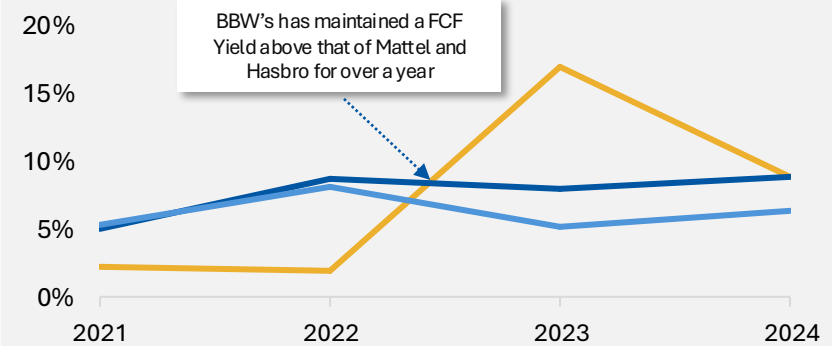


BBW's transition into an IP licensing business represents a significant opportunity for growth.

BBW Currently Trading At Significant Discount...



...Despite Outperforming In FCF Yield



Partner Operated Stores...

7.5%
of Revenue

36%
of Net Income

50%
Pre-Tax Margin



BBW's third-party units are extremely profitable because there is practically no cost other than manufacturing the inventory that they wholesale to their partners.



The only bottleneck to the licensing business is BBW's ability to find good partners. Partners are free to open new stores at their own pace.

...Are Nothing Like The Traditional Retail Model

Pre-Tax Margins



***Because Hasbro was not profitable in 2023, we examined its 2022 pre-tax net income.*

9%



***50%**



While the licensing portion is still a small part of BBW's revenue, its margins are significantly higher than Hasbro and Mattel's. Hasbro and Mattel also own high-margin brands such as Magic The Gathering and Barbie, yet they still fall short of BBW's third-party unit margins.

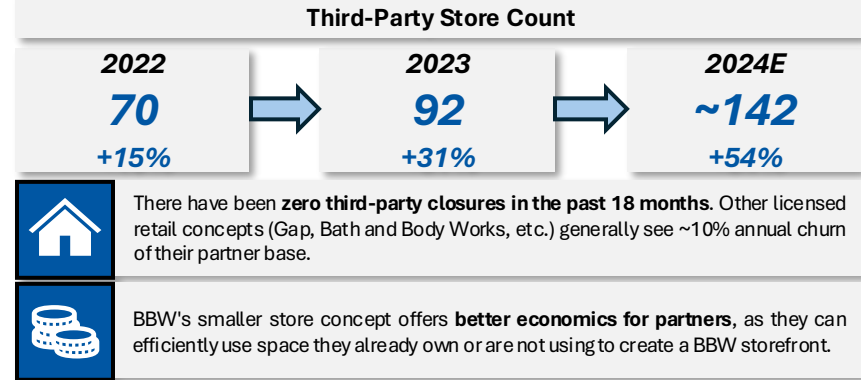
Thesis #1b: Leveraging Strong Partnerships

Build-A-Bear's transition into an IP licensing business represents a significant opportunity for growth.

Strategically Chosen Partners...

Partner	Strategic Rationale
	With a fleet of 27 ships, Carnival Cruises is the largest cruise line in the world. BBW stores located on-site receive access to a steady flow of foot traffic anywhere from 2-29 days at a time.
	With over four locations worldwide, SeaWorld highlights BBW's synergistic partnership with theme parks. BBW stores offer consumers the opportunity to create personalized souvenirs.
	As North America's largest family indoor resort, Great Wolf Lodge is one of many hospitality partners BBW has access to. GWL's family-oriented audience provides the perfect demographic for BBW stores.

...Provide A Significant Opportunity For Growth

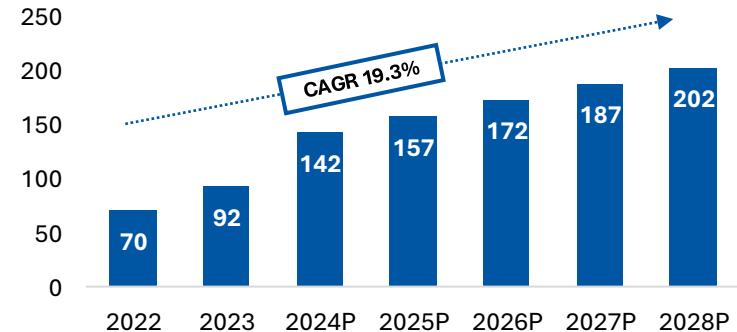


Selecting Strong Partners Provides Easy Access To International Markets



Management has stated that **over half of the new third-party stores in 2024 will be opened internationally**. Recent geographical expansions include Columbia and France. The market size of **Europe, Japan, and South Korea** alone justify a 300+ third-party store count once this business segment matures.

Forecasting Third-Party Store Count



Thesis #1c: Patents And Trademarks

BBW's patents and trademarks create a strong competitive moat to protect their intellectual property.

Patents And Trademarks

Patent

1

Display Facade: A patent for the distinctive storefront used in BBW locations.

Patent

2

Novelty Bath Tub: A patent for the unique bath tub used in the store's interactive processes.

Patent

3

Stuffing Machine: A patent for the specific design of stuffing machine used in BBW stores.

Image
Trademark

4

Toy Heart: Image trademark for the placement of a heart-shaped object inside a plush toy animal.

Image
Trademark

5

Cub Condo: Toy playhouses and carrying cases for stuffed toys, animals, and accessories.

By 2010, BBW Obtained Over 275 U.S. Trademarks

Defending Their Intellectual Property

In 1999, BBW sued Vermont Teddy Bear, Friends 2B Made, and Basic Brown Bears, alleging that these brands infringed on BBW's trademarks. **Only Vermont Teddy Bear remains in business.**

In 2002, BBW sued teddy bear manufacturer The Bear Factory, forcing the company to change the way they sewed their bears.

Squishmallow vs. Build-A-Bear

Squishmallows Products



Skoosherz Products



In Feb 2024, Squishmallows (Kelly Toys) filed an **intellectual property lawsuit against BBW**, claiming that its new "Skoosherz" line has the same **"Asian style Kawaii faces"** as their own products.

BBW fired back with its own complaint, **challenging the claim** that the company violated Squishmallows' distinctive trade dress.

Thesis #2: The Emerging Experience Economy

Shifting consumer sentiment towards experiences instead of materialistic purchases represent a strong tailwind for BBW.

Overview Of The Experience Economy

The experience economy pertains to products and services that are sold to consumers through a memorable and engaging experience, such as amusement parks, concerts, and sporting events. Experiential retail also falls into this category, with a **pleasant store experience being the #1 factor that is most likely to drive repeat visits**.



Concert tickets hit an all-time high last year, with the average ticket price being \$123.25. Nonetheless, **concert sales have increased 65%** since 2019.

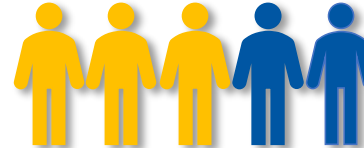


One in every ten dollars globally was spent on travelling in 2024. **\$11.1 trillion was spent on travel** globally, which was 12% more than the previous year.

Rise Of The Experience Economy



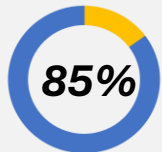
4 in 5 consumers are more likely to buy from a business if it provides them personalized experiences.



3 in 5 consumers prefer paying more for an item better in value rather than a cheaper alternative.

Shopping In A BBW Store Is An Experience Itself

51% of corporately-managed BBW stores are in the Discovery Store format as compared to their traditional Heritage style. Discovery Stores have dominated traditional BBW store fronts in terms of sales and overall customer experience. These are newly remodeled Build-A-Bear stores that tend to be in high-traffic locations, focusing on a **more interactive and immersive experience** for consumers, while allowing for further customization of each bear.



85% of DTC Sales Are In-Person

Licensed Stores Are All Connected To Experiences

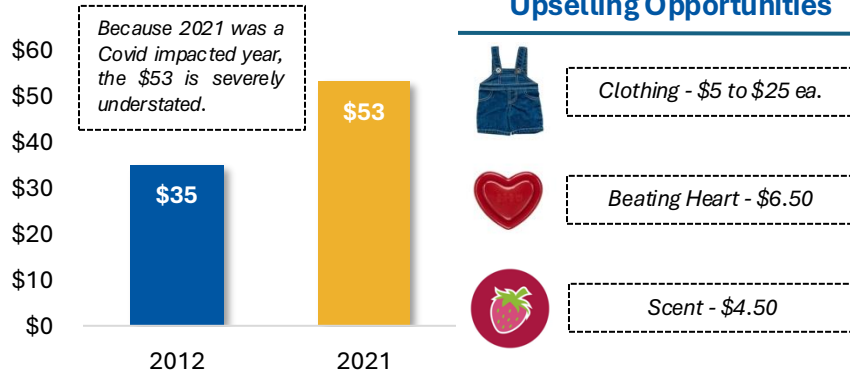


All of Build-A-Bear's licensed stores are located on **hospitality** and **retail** premises. After spending money for the initial experience, consumers are **more inclined to purchase a personalized souvenir** to commemorate the experience.

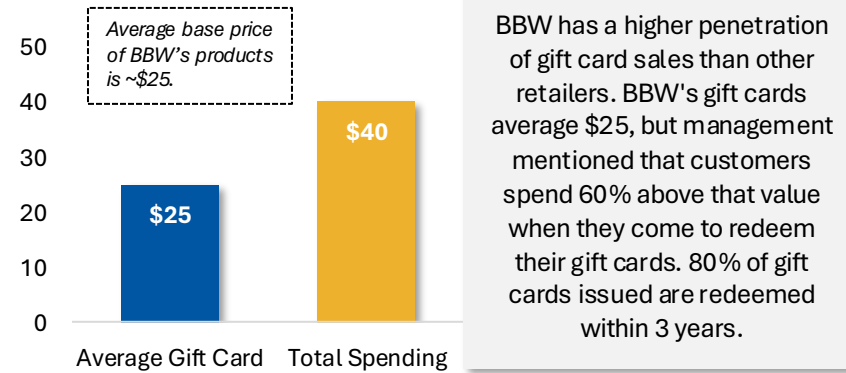
Thesis #3a: Increasing In-Store Profits

BBW has been quietly increasing its in-store spending and reducing costs.

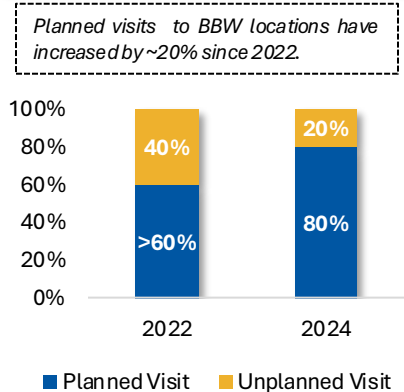
Increasing Average Transaction Size



Upselling Gift Cards

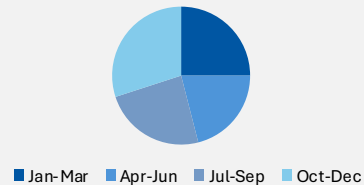


In-Person Drivers



Birthdays make up ~30% of sales, while other top holidays include Christmas, Valentine's Day, and Easter. BBW has expanded this by emphasizing other celebrations like Mother's Day, Graduation, and Baby Showers. More occasions help balance business seasonality.

Sales by Season



Smaller Store Concepts

2019 Store Opening Returns	Discovery Model	Smaller Store Model
Annual Sales per Store	\$1,457K	\$621K
4-Wall EBITDA	\$382K	\$155K
Avg. Net Investment	\$136K	\$45K
CoC Return	282%	341%

BBW began introducing 200 and 1,000-square-foot stores as compared to its traditional 2,000-square-foot model. Smaller stores have lower fixed costs and higher sales per square foot efficiency.

Thesis #3b: Digital Presence Driving Customer Loyalty



BBW's ability to secure first-party customer interaction data assists their marketing and loyalty programs.

Capitalization On Customer Data...

>20M

Customer Records
incl. demographics

85%

Capture Rate of In-Store Visitors

~30B

Annual Media and PR Impressions



Announced in Q1 2024, **BBW hired their first Chief Customer and Digital Officer**, covering their website, loyalty, CRM, and unique in-person experiences through technology.

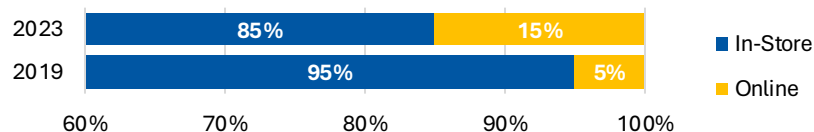


Access to first party data puts BBW ahead of other toy manufacturers who strictly have a wholesale relationship with customers, while BBW is able to gauge consumer interest in new products, supporting inventory management.

Improved Website and Online Presence...

BBW revamped its website in 2022 and created the Bear-Builder Online platform giving consumers the ability to fully customize their own plush toy online. This has allowed Build-A-Bear to reach broader audiences like **adults and collectors, who make up ~75% of e-commerce sales**. Retail stores act as “mini distribution centers,” fulfilling ~70% of online orders, minimizing last-mile shipping costs.

DTC Segment Sales



...Enables Execution Of Digital Initiatives

Loyalty



Marketing



“Count Your Candles” applies to BBW Bonus Club members, giving kids 14 and under the option to “pay their age” for a Birthday Treat Bear during their birth month.



While marketing promotions often lead to lower avg. revenue/transaction, they are **key to customer acquisitions** and **favorable transaction value trends of Q3 2024** leave us confident in the sustainability of BBW's promotions.

...Driving Social Media Impressions

Oct.
'24

BBW's social media campaign and event promoting the Halloween-inspired Pumpkin Kitty product, through their Hello Kitty partnership, **spurred roughly 285 million impressions**, supporting its most successful Halloween to date.

Aug.
'24

First-ever BBW x Hello Kitty store announced to open in Los Angeles in conjunction with 50th anniversary customizable Hello Kitty plush, **promoting 640 million social media impressions**.

Nov.
'23

BBW releases its first animated film called “Glisten and the Merry Mission,” which is also a holiday product line that has brought the company over \$150M in revenue since 2014. BBW notes the film and products **created > 4 billion in impressions**.

Feb.
'22

BBW unveils its **After Dark** product line, aimed towards adults as a mature and witty campaign and continues to be advertised each year leading up to **Valentine's Day**. BBW's promotion of the line consistently entices and surprises consumers.

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Risk & Mitigants

Risk Assessment and Strategy for Tariffs and Consumer Spending Impact.

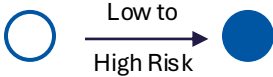
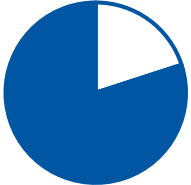
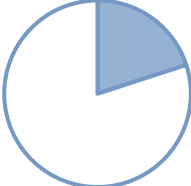
	Risks	Mitigants	Threat Assessment
Tariffs	Bipartisan Political Opposition	Uncertain Legislative Outcome	
	• Trump's imposed tariffs on goods from China, Canada and Mexico (largest US trading partners) would have effect on US consumers • Could see price hikes in children's toys • Tariffs are effectively a tax on businesses and consumers • Build-A-Bear's products are all from Asia and can see an increase in prices paid for supplies, increasing the price Build-A-Bear charges to consumers	• Still unsure of the congressional outcome and if the tariffs will pass • Legal opposition caused many lawsuits and hurt relationships with allies History of Strategic Diversification • Although 2019 China tariffs did not affect toys, BBW shifted its inventory sourcing from 100% reliance on China to 63% by 2021 • ~30% of inventory is currently sourced from Vietnam, which could increase in the future	
Consumer Spending	Discretionary Sensitivity	Strategic Partnerships	
	• Purchases sensitive to changes in consumer spending and preference • Shift to online shopping, especially within Gen Z challenges their traditional in-person retail model • According to Deloitte research, many consumers are also concerned with rising inflation and are hesitant to spend on non-essential goods	• Developed licensing and partnerships with leading companies like NFL, NBA, and Disney, making it an attractive market to a broader age range Expansion Into High Traffic Areas • Grow at localized level and invest in e-commerce to keep up with consumer digital shopping	

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Financial Statements – Income Statement

BBW's income statement and the three distinct revenue channels.

INCOME STATEMENT								
Fiscal year	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
Fiscal year end date	1/29/22	1/28/23	2/3/24	1/31/24	1/31/25	1/31/26	1/31/27	1/31/28
Net Revenue	411,522	467,937	486,114	511,056	526,784	542,956	559,587	576,693
DTC revenue	397,690	446,181	456,163	466,230	476,569	487,159	498,007	509,121
Commercial revenue	11,505	18,523	25,413	39,813	44,679	49,681	54,824	60,110
International franchising revenue	2,327	3,233	4,538	5,012	5,537	6,115	6,755	7,461
Cost of Merchandise Sold	(193,567)	(222,065)	(221,722)	(233,432)	(240,759)	(248,300)	(256,062)	(264,054)
Cost of merchandise sold - retail	(186,382)	(211,489)	(206,815)	(211,379)	(216,067)	(220,868)	(225,786)	(230,825)
Cost of merchandise sold - commercial	(5,648)	(8,591)	(12,091)	(18,942)	(21,257)	(23,637)	(26,084)	(28,599)
Cost of merchandise sold - international franchising	(1,537)	(1,985)	(2,816)	(3,110)	(3,436)	(3,795)	(4,192)	(4,630)
Gross Profit	217,955	245,872	264,392	277,624	286,025	294,656	303,524	312,638
Gross Profit - retail	211,308	234,692	249,348	254,851	260,502	266,291	272,221	278,296
Gross Profit - commercial	5,857	9,932	13,322	20,871	23,421	26,044	28,740	31,511
Gross Profit - international franchising	790	1,248	1,722	1,902	2,101	2,321	2,563	2,831
Selling, general & administrative expenses	(167,250)	(183,929)	(198,992)	(203,384)	(207,894)	(212,513)	(217,246)	(222,094)
Operating profit (EBIT)	50,705	61,943	65,400	74,240	78,131	82,142	86,278	90,544
Interest expense (income), net	5	(19)	929	744	663	757	818	822
Pretax profit	50,710	61,924	66,329	74,984	78,794	82,900	87,096	91,366
Income tax expense	(3,445)	(13,939)	(13,524)	(15,747)	(16,547)	(17,409)	(18,290)	(19,187)
Net income	47,265	47,985	52,805	59,237	62,248	65,491	68,806	72,179
Growth rates & margins								
Revenue Growth		13.7%	3.9%	5.1%	3.1%	3.1%	3.1%	3.1%
Revenue growth - retail		12.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Revenue growth - commercial		61.0%	37.2%	56.7%	12.2%	11.2%	10.4%	9.6%
Revenue growth - international franchising		38.9%	40.4%	10.5%	10.5%	10.5%	10.5%	10.5%
Gross profit margin	53.0%	52.5%	54.4%	54.3%	54.3%	54.3%	54.2%	54.2%

Reflects three revenue channels with COGS as a % of revenue with varying margins across segments

Financial Statements – Balance Sheet



BBW's balance sheet, displays asset growth and how it's funded through liabilities and equity.

BALANCE SHEET								
Fiscal year	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
Fiscal year end date	1/29/22	1/28/23	2/3/24	1/31/24	1/31/25	1/31/26	1/31/27	1/31/28
Cash, cash equivalents and restricted cash	32,845	42,198	44,327	34,093	46,445	61,948	80,593	102,534
Inventories, net	71,809	70,485	63,499	70,138	77,472	85,572	94,520	104,403
Receivables, net	11,701	15,374	8,569	8,758	8,952	9,151	9,355	9,564
Prepaid expenses and other current assets	13,643	19,374	11,377	13,247	13,920	14,645	15,387	16,141
Operating lease right-of-use asset	77,671	71,791	73,443	75,064	76,728	78,433	80,180	81,969
Property, plant & equipment, net	48,966	50,759	55,262	56,862	58,662	60,462	62,362	64,262
Deferred tax assets	7,613	6,592	8,682	8,682	8,682	8,682	8,682	8,682
Other assets, net	2,076	4,221	7,166	7,166	7,166	7,166	7,166	7,166
Total assets	266,324	280,794	272,325	274,010	298,027	326,060	358,244	394,721
Accounts payable	21,849	10,286	16,170	16,527	16,893	17,269	17,653	18,047
Accrued expenses	25,543	37,358	19,954	20,394	20,847	21,310	21,784	22,271
Operating lease liability short term	25,245	27,436	25,961	26,534	27,122	27,725	28,342	28,975
Gift cards and customer deposits	20,937	19,425	18,134	18,534	18,945	19,366	19,797	20,239
Deferred revenue and other	3,808	6,646	3,514	4,092	4,299	4,523	4,752	4,985
Operating lease liability long term	73,307	59,080	57,609	63,633	70,286	77,635	85,752	94,718
Other long-term liabilities	1,952	1,446	1,321	1,459	1,612	1,780	1,966	2,172
Total liabilities	172,641	161,677	142,663	151,173	160,004	169,608	180,049	191,408
Common stock	162	148	142	142	142	142	142	142
Additional paid-in-capital	75,490	69,868	66,330	66,330	66,330	66,330	66,330	66,330
Retained earnings	30,501	61,375	75,272	68,447	83,633	102,062	123,806	148,923
Accumulated other comprehensive loss	(12,470)	(12,274)	(12,082)	(12,082)	(12,082)	(12,082)	(12,082)	(12,082)
Total equity	93,683	119,117	129,662	122,837	138,023	156,452	178,196	203,313
<i>Balance check</i>	0	0	0	0	0	0	0	0

Financial Statements – Cash Flow Statement

BBW's cash flow statement, displaying the shareholder return through buybacks and dividends.

CASH FLOW STATEMENT							
Fiscal year	2022A	2023A	2024P	2025P	2026P	2027P	2028P
Fiscal year end date	1/28/23	2/3/24	1/31/24	1/31/25	1/31/26	1/31/27	1/31/28
Net income	47,985	52,805	59,237	62,248	65,491	68,806	72,179
Depreciation and amortization	12,482	13,657	15,000	15,300	15,800	16,300	16,800
Decreases / (Increases) in working capital assets	(8,080)	21,788	(8,698)	(8,201)	(9,025)	(9,893)	(10,846)
Increases / (Decreases) in working capital liabilities	3,769	(17,418)	2,348	2,026	2,086	2,137	2,187
Other assets	4,756	(6,687)	(1,621)	(1,665)	(1,705)	(1,747)	(1,789)
Other non current liabilities	(14,733)	(1,596)	6,162	6,806	7,518	8,304	9,172
Cash from operating activities	46,179	62,549	72,428	76,514	80,165	83,907	87,703
Capital expenditures	(13,634)	(18,295)	(16,600)	(17,100)	(17,600)	(18,200)	(18,700)
Cash from investing activities	(13,634)	(18,295)	(16,600)	(17,100)	(17,600)	(18,200)	(18,700)
Proceeds from exercise of employee equity awards, net of tax	(592)	(1,339)	0	0	0	0	0
Purchases of Company's common stock	(24,172)	(20,500)	(44,000)	(25,000)	(25,000)	(25,000)	(25,000)
Cash dividends paid on vested participating securities	(292)	(22,062)	(22,062)	(22,062)	(22,062)	(22,062)	(22,062)
Cash from financing activities	(25,056)	(43,901)	(66,062)	(47,062)	(47,062)	(47,062)	(47,062)
Net change in cash during period	7,489	353	(10,234)	12,352	15,503	18,645	21,941

\$25M in repurchases of common stock from stock buyback announcement

Revenue Build



Revenue was forecasted via store count and revenue per store.

Revenue Breakdown											
Fiscal year	2018A	2019A	2020A	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
Fiscal year end date	2/2/19	2/1/20	1/30/21	1/29/22	1/28/23	2/3/24	1/31/24	1/31/25	1/31/26	1/31/27	1/31/28
Corporately-Managed Locations	\$326,304	\$323,491	\$249,210	\$397,690	\$446,181	\$456,163	\$466,230	\$476,569	\$487,159	\$498,007	\$509,121
% growth		(0.9%)	(23.0%)	59.6%	12.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Third-Party / Commercial	\$6,560	\$11,892	\$4,426	\$11,505	\$18,523	\$25,413	\$39,813	\$44,679	\$49,681	\$54,824	\$60,110
% growth		81.3%	(62.8%)	159.9%	61.0%	37.2%	56.7%	12.2%	11.2%	10.4%	9.6%
International Franchise Locations	\$3,721	\$3,160	\$1,674	\$2,327	\$3,233	\$4,538	\$5,012	\$5,537	\$6,115	\$6,755	\$7,461
% growth		(15.1%)	(47.0%)	39.0%	38.9%	40.4%	10.5%	10.5%	10.5%	10.5%	10.5%
Total Sales	\$336,585	\$338,543	\$255,310	\$411,522	\$467,937	\$486,114	\$511,056	\$526,784	\$542,956	\$559,587	\$576,693
% growth		0.6%	(24.6%)	61.2%	13.7%	3.9%	5.1%	3.1%	3.1%	3.1%	3.1%

Third-Party Retail Units											
Fiscal year	2018A	2019A	2020A	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
Fiscal year end date	2/2/19	2/1/20	1/30/21	1/29/22	1/28/23	2/3/24	1/31/24	1/31/25	1/31/26	1/31/27	1/31/28
Third-Party Locations	39	60	56	61	70	92	142	157	172	187	202
% growth	-	-	(6.7%)	8.9%	14.8%	31.4%	54.3%	10.6%	9.6%	8.7%	8.0%
Revenue per store	\$ 168	\$ 198	\$ 79	\$ 189	\$ 265	\$ 276	\$ 280	\$ 285	\$ 289	\$ 293	\$ 298
			(60.1%)	138.6%	40.3%	4.4%	1.5%	1.5%	1.5%	1.5%	1.5%

142 from ER report,
and 15 stores per
year projected for the
future, steady 1.5%
revenue per store in
each stream

Valuation & Targeted Return

DCF valuation assumptions and expected upside

Key DCF Assumptions

2%

Terminal Growth Rate: We assume that BBW will grow roughly in line with global GDP growth and inflation. This is based on BBW maintaining steady pricing power and benefit from modest volume growth. We estimate a 2% long-term growth rate through incremental expansion through DTC, commercial, and international franchise revenue streams.

9.7x

Exit EBITDA Multiples: We believe a 9.7x EBITDA is fair given that a South Korean plush toy brand named Aurora is trading at 9.7x EBITDA in a market with higher macroeconomic and currency risks. This suggests 9.7x EBITDA is conservative given the higher margin experimental retail model and relative stability of the U.S. consumer market.

Significant Expected Upside

58%

*Implied TSR upside
to current levels*

16%

*Implied IRR over a 3
year holding period*

Implied Share Price

	Perpetuity	EBITDA
Enterprise Value	658,299	989,704
Net Debt	(28,955)	(28,955)
Equity Value	13,425	13,425
Equity Value per share	\$51.19	75.88
<i>Implied Upside</i>	33.4%	97.8%

Using the perpetuity and exit EBITDA approach yields a blended price target of **\$63.34**

LTM and Year 1 Multiples

Last twelve months (LTM)

	Perpetuity	EBITDA
EV/Revenue	1.3x	2.0x
EV/EBITDA	8.3x	12.4x
EV/EBIT	10.2x	15.3x

Year 1

	Perpetuity	EBITDA
EV/Revenue	1.3x	1.9x
EV/EBITDA	7.4x	11.1x
EV/EBIT	8.9x	13.3x

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The amount of BBW shares we recommend purchasing.

Costco Sell Proposal

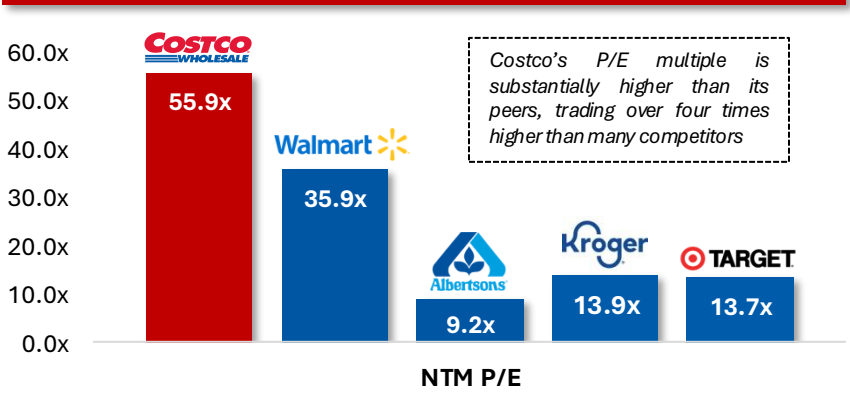


We are trimming our position in Costco, which is currently trading at an all-time high.

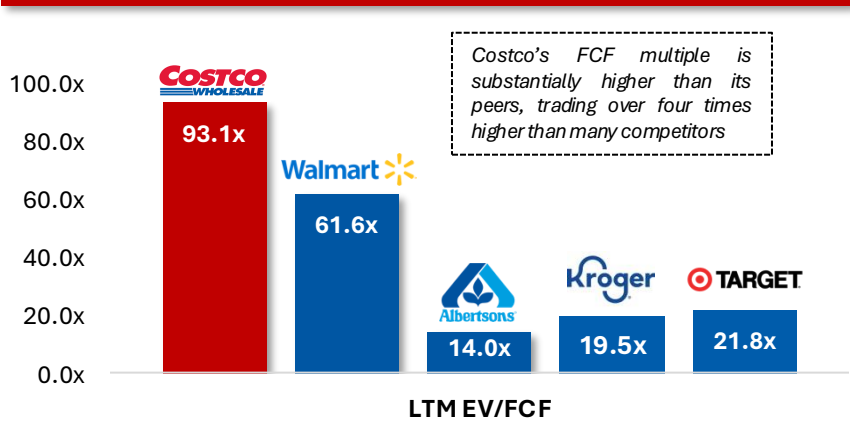
Share Price Currently At An All-Time High



Currently Trading At A High P/E



Currently Trading At A High FCF Multiple



Sell Proposal

Costco is currently trading at a share price of \$1,032. We currently own 17 shares for a total of \$17,544, making up **42% of the Consumer portfolio**.

We recommend **selling 7 shares of Costco** for \$7,224, reducing our position in Costco to \$10,320 (10 shares).

Investment Proposal

We recommend buying 30 shares of BBW for \$40.75 per share using \$1,223 of cash generated from selling 7 shares of COST.

\$6,002 will be returned to IAC's cash balance.

