

Today's featured company is:



# 1.800.FLOWERS.COM, INC.

## *Innovation Is In Our DNA*

**1-800-FLOWERS.COM, Inc.** (FLWS:NASDAQ) is a leading provider of gifts for all celebratory occasions. The company's focus on customer experience as its "number one product" has enabled it to become its customers' go-to destination for gifting solutions across e-commerce, mobile, and social-commerce channels. In addition, its commitment to investing and innovating to enhance customer engagement has placed the company at the forefront of the fast-growing "conversational commerce" space, which leverages "big data" and artificial intelligence (AI) technology. The 1-800-FLOWERS.COM, Inc. family of brands includes Harry & David®, The Popcorn Factory®, Cheryl's Cookies®, 1-800-Baskets.com®, Wolferman's®, Moose Munch®, Personalization Universe®, Simply Chocolate<sup>SM</sup>, Stock Yards® and FruitBouquets.com<sup>SM</sup>.

- Annual revenues exceeding \$1.1 billion
- Strong balance sheet and growing free cash flow
- Broad and leverageable operating platform
- An experienced management team aligned with shareholders

[Click here to view the 1-800-FLOWERS.COM, Inc. Fact Sheet.](#)

[Click here to view the 1-800-FLOWERS.COM, Inc. Investor Presentation.](#)

Advisor Access spoke with president and CEO **Chris McCann**.



**Advisor Access:** *1-800-FLOWERS.COM has a variety of offerings under its retail umbrella. Can you describe these, and how they fit into the company's overall retail strategy?*

**Chris McCann:** We offer the broadest selection of gift products for all life's celebrations, from everyday gifting to special celebratory events. We help our customers connect with important people in their lives with truly original gifts. We are laser-focused on constantly enhancing our customers' experience by introducing them to our "All Star" family of gift brands; providing them with value-added loyalty programs, including Celebrations Rewards, Reminders, and Passport; and always investing and innovating how and where we engage with our customers.

We operate in three business segments:

- **Gourmet Food and Gift Baskets** (Harry & David, Cheryl's Cookies, Wolferman's, 1-800-Baskets, DesignPac, The Popcorn Factory, Stock Yards, Berrylicious, and Simply

Chocolate): We are a leading player in this highly fragmented >\$22 billion\* market category, and revenue is generated from the sale of gourmet fruits, cookies, baked gifts, premium chocolates and confections, gourmet popcorn, gift baskets, and prime steaks and chops. The products are available through the company's e-commerce and mobile channels and through company-owned and operated retail stores under the Harry & David and Cheryl's Cookies brand names, as well as through wholesale operations.



• **Consumer Floral:** We are the category leader in this business segment, with powerful brand equity through our 1-800-Flowers® brand name. We continue to extend our market leading position in this area by providing truly original product designs as well as innovative marketing programs focused on customer engagement. We are also growing our FruitBouquets.com<sup>SM</sup> carved fruit gifts business in this segment.



• **BloomNet Wire Service:** This segment includes revenues from membership fees as well as from other products and services sold to local florists. BloomNet provides a broad range of offerings designed to help professional florists grow their businesses profitably. BloomNet's focus on innovative technologies and services for florists has enabled it to expand its market position and drive strong contribution margins.



#### AA: What are 1-800-FLOWERS.COM's strongest brand assets?

**CM:** 1-800-FLOWERS.COM is a leading gourmet foods and floral gift provider for all occasions, with more than \$1 billion in annual revenues, strong top- and bottom-line metrics, and a solid balance sheet.

With more than a forty-year history in the floral business, 1-800-Flowers.com is a clear leader in the floral category, and is top-of-mind for consumers who are looking for ways to deliver a smile. Our strong floral position is complemented by leadership in the gourmet food and gift basket categories. With iconic and trusted brands such as Harry & David, Cheryl's Cookies, Moose Munch, The Popcorn Factory, 1-800-Baskets, and more, consumers value our product offerings, our customer service, and the benefits of our loyalty programs.

We have a dedicated and caring team that helps our customers deliver smiles to the important people in their lives, with customer satisfaction metrics at historic highs.

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***"Consumers value our product offerings, our customer service, and the benefits of our loyalty programs."***

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**AA: Purchasing flowers, candy, and other seasonal gifts for holidays such as Mother's Day is a cornerstone of 1-800-FLOWERS.COM's business model. How does the company approach these seasonal markets, and the lulls that come between?**

**CM:** While holiday sales comprise a sizeable portion of our annual revenue, we have a wide range of products targeted at non-holiday events for personal expression. Our everyday gifting strategy enables us to be the one-stop destination for all of our customers' gifting needs, maximizing our share of our customers' year-round gifting wallet. For example, we offer gifts targeted at events such as birthday, new baby, sympathy, get well, and anniversaries, among others.

In addition, our Celebrations Passport®, Celebrations Rewards® and Celebrations Reminders® loyalty programs

help deepen our relationship with customers by providing free shipping, rewarding them for frequent purchases across all of our brands and reminding them when it is time to send gifts to those special people in their lives.

**AA: Please tell us about your growth strategy and expected financial results in fiscal 2018.**

**CM:** We will continue to extend our market leading position by leveraging the strength of our unique floral and gourmet food brands, continuously expanding our original product offerings and striving to provide a customer experience that is second to none.

In fiscal 2018 we will continue to extend our consumer floral market leadership, accelerate growth at Harry & David, and expand BloomNet product offerings to drive growth. We also plan to grow everyday gifting for gourmet food brands, further transforming from a company selling products for celebratory occasions to becoming our customers' indispensable resource for all their celebratory and gifting needs.

In addition, we will continue to grow Celebrations Passport® membership, as well as increase the number of customers who shop across multiple brands.

The company expects its organic revenue growth to accelerate to more than 5 percent in the second half of fiscal 2018 (ending July 1, 2018) as it continues to extend the market leadership position for the 1-800-Flowers.com brand and concurrently expands the market positions for BloomNet and for its gourmet food and gift basket brands.

**AA: The company sold Fannie May Confection Brands in May 2017, but retained distribution rights to the brand. What motivated the sale and agreement, and how has it affected the bottom line?**

**CM:** Ferraro International approached us to purchase the Fannie May brand. Ultimately, we agreed to a strategic partnership that provides us with continued access to Fannie May and Harry London brand products while also enhancing our platform with some of Ferrero's iconic chocolate confectionary brands, including Nutella, Ferrero Rocher, and Raffaello. We continue to offer the iconic Fannie May and Harry London chocolate brands across our e-commerce and wholesale gift basket channels. More importantly, we have leveraged this platform to expand our chocolate offerings by creating the Simply Chocolate marketplace for chocolate lovers.

The sale of Fannie May—for more than \$100 million in cash—further strengthened our balance sheet while concurrently reducing the working capital requirements in our business model.

**AA: Does the company have plans to expand or modify either its retail lines or strategies in 2018?**

**CM:** We will continue to pursue opportunities in the areas where we have a leadership position, particularly in gourmet foods, where we have a unique platform and our operating assets can be leveraged.

In the floral category, we will continue to expand our market leadership through our unique and innovative product offerings, and by leveraging our first-mover advantage in the use of social and mobile technology.

**AA: Can you discuss some of the new technological innovations 1-800-FLOWERS.COM is taking advantage of?**

**CM:** Innovation is in our DNA. We have built a reputation as a leading innovator and an early adopter of new technologies that enhance customer engagement in e-commerce, mobile commerce, and across social platforms. This can be seen in the company's initiatives in the fast-growing area of conversational commerce, including Amazon's Alexa platform, Facebook Messenger, Google Assistant, Apple/Android Pay for web, and the implementation of our own, groundbreaking, artificial-intelligence-powered gift concierge called GWYN (Gifts When You Need them), which uses natural language conversation and is powered by IBM's Watson.

These relationships—with Facebook, Amazon, and IBM—illustrate their collective interest in having our brands visible on their platforms, which in turn provides us with exposure to millions of potential new customers.

Innovation drives our growth and enables our customers to easily fulfill their everyday gifting needs.

**AA: Is there anything else you'd like investors to know about 1-800-FLOWERS?**

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***“The company expects its organic revenue growth rate to accelerate to more than 5 percent during the second half of fiscal 2018.”***

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**CM:** We are deeply focused on product innovation and creating new and truly original designs to offer our customers options for all of their everyday and holiday gifting needs.

We are also technology innovators. We were an early adopter and category leader in the fast-growing mobile and social channels for our products, and we are constantly innovating to enhance customer engagement.

In addition, we have a proven ability to leverage our business platform, which enables us to enhance our operating expense ratio. We have a strong balance sheet and strong free cash flow. And we have an experienced and focused management team that is aligned with shareholders.

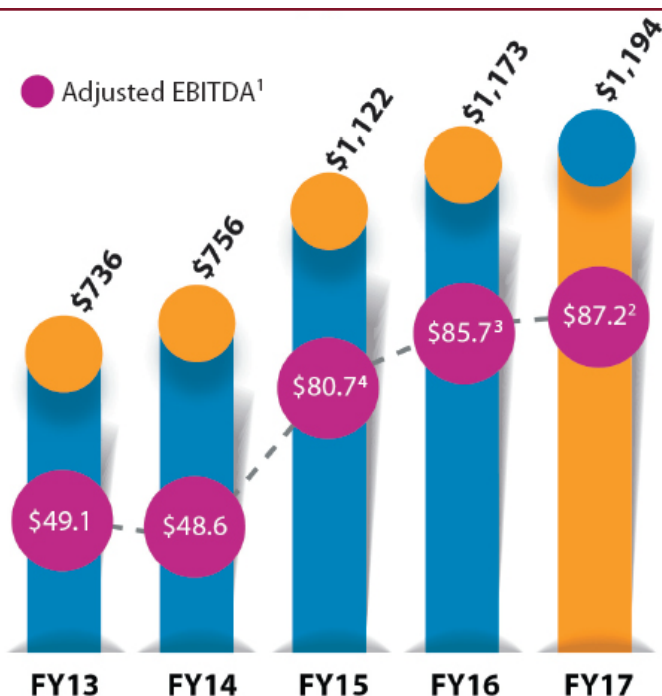
**AA:** *Thank you, Chris.*

Reference: \*Packaged Facts. Food Gifting in the U.S.; 4th edition

## TOTAL REVENUES

(From Continuing Operations In Millions)

- (1) Excludes stock-based compensation and non-qualified supplementary retirement plan investment appreciation and depreciation.  
 (2) Adjusted EBITDA for fiscal 2017 excludes the items included in footnote (1), as well as Harry & David severance costs.  
 (3) Adjusted EBITDA for fiscal 2016 excludes the items included in footnote (1), as well as litigation settlement costs and integration costs, including severance costs, associated with Harry & David and the rightsizing of Fannie May.  
 (4) Adjusted EBITDA for fiscal 2015 excludes the items in footnote (1), and includes Harry & David's fiscal 2015 first quarter loss in order to present comparable full-year results and excludes one-time costs associated with the acquisition and integration of Harry & David and the impact of the Fannie May warehouse fire in November 2014.



Chris McCann, president and chief executive officer of 1-800-FLOWERS.COM, Inc., is responsible for the company's operations across all of its brands and businesses. He oversees the company's strategic, operational, and organizational processes, including the development, implementation, and execution of annual and longer-term strategic, operating, and budget plans. Since joining 1-800-FLOWERS.COM in 1984, Chris has played a pivotal role in helping the company build a reputation as one of the leading e-commerce and omni-channel retailers in the country. He has also become well known for embracing new technology innovations that foster enhanced customer engagement, particularly in the areas of social and mobile commerce, and the fast-emerging area of conversational commerce driven by artificial intelligence (AI) technology. He believes strongly in his company's corporate mantra that their "best product is our customer experience." Chris currently serves as vice chairman of the board of IGHL, a facility dedicated to the enrichment of the lives of developmentally disabled adults, a cause that is near to his heart. He also serves as a member of the board of trustees of Marist College, on the board of advisors for IBM WebSphere, and on the FedEx Ecommerce advisory board.

### Analyst Commentary

**"FLWS will benefit from enhanced operational efficiencies and an acceleration of organic top-line growth driven by likely additional market share gains and a favorable macro backdrop."**

—Anthony C. Lebieczinski, Sidoti & Company  
 May 1, 2018



***“The company is flush with cash, \$173 million at the end of the quarter. As such, the company has fire power to enhance its long term growth appeal through acquisitions.”***

**—Michael Kupinski**, Noble Capital Markets  
May 2, 2018

***“[FLWS] took major market share around one of the most competitive holidays, growing Floral 9% y/y, while seeing ~6% growth in both Harry & David and the GFGB [gourmet food and gift basket] segment as a whole, excluding the Easter shift. We think the company is finally ready to guide to 5% organic top-line growth in FY19, with the outlook stable at least over the medium-term.”***

**—Daniel L. Kurnos**, Benchmark  
May 2, 2018

***“We believe FLWS has a unique opportunity to grow market share over the next year as its top two competitors (FTD and ProFlowers, both owned by FTD) struggle with their turnaround plans . . . We continue to believe FLWS is well positioned for the remainder of FY18, with Mother’s Day still ahead. We believe the sale of Fannie May was a large positive for FLWS, solidifying its balance sheet while expanding its strategic reach across further brands in a more cost effective manner.”***

**—Alex J. Fuhrman**, Craig-Hallum Capital Group  
May 2, 2018

***“FLWS reported F3Q18 sales of \$239M, +6% ex. the Easter shift and higher than consensus of \$231M and our estimate of \$235M, partly due to floral market share gain.”***

**—Linda Bolton Weiser**, D.A. Davidson & Co.  
May 2, 2018

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### **Disclosure**

Investors and others should note that 1-800-FLOWERS.COM, Inc. posts important financial information using the investor relations section of the 1-800-FLOWERS.COM, Inc. website, [www.1-800-FLOWERS.COM](http://www.1-800-FLOWERS.COM), and Securities and Exchange Commission filings.

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### **About Advisor Access**

Advisor-Access LLC was designed to bring compelling investment ideas to investors in the form of in-depth interviews with company management and the latest fact sheets and corporate presentations, in a concise format: the critical pieces of information an investor needs to make an informed investment decision.

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