1-800-FLOWERS.COM, INC.

2019 ANNUAL REPORT

DRIVING GROWTH BUILDING MOMENTUM

OUR VISION

[To Inspire More Human Expression, Connection and Celebration]

OUR MISSION

[Deliver Smiles!]

1-800-FLOWERS.COM, Inc. is a leading provider of gifts designed to inspire more human expression, connection and celebration. The Company's Celebrations Ecosystem features our all-star family of brands, including: 1-800-Flowers.com®, 1-800-Baskets.com®, Cheryl's Cookies®, Harry & David®, Shari's Berries®, FruitBouquets.com®, Moose Munch®, The Popcorn Factory®, Wolferman's Bakery℠, Personalization Universe®, Simply Chocolate®, and Goodsey®. We also offer top-quality steaks and chops from Stock Yards®. Through the Celebrations Passport® loyalty program, which provides members with free standard shipping and no service charge across our portfolio of brands, 1-800-FLOWERS.COM, Inc. strives to deepen relationships with customers. The Company also operates BloomNet®, an international floral wire service providing a broad-range of products and services designed to help professional florists grow their businesses profitably; Napco℠, a resource for floral gifts and seasonal décor; and DesignPac Gifts, LLC, a manufacturer of gift baskets and towers. 1-800-FLOWERS.COM, Inc. was recognized as the 2019 Mid-Market Company of the Year by CEO Connection. In addition, Harry & David was named to the Internet Retailer 2019 "The Hot 100" list. Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

FINANCIAL HIGHLIGHTS

(From Continuing Operations)

	JUNE 30, 2019	JULY 1, 2018	JULY 2, 2017	JULY 3, 2016	JUNE 28, 2015
	(in millions, except percentages and per share data)				
Total Net Revenues	$1,248.6	$1,151.9	$1,193.6	$1,173.0	$1,121.5
Gross Profit Margin	42.1%	42.5%	43.6%	44.1%	43.4%
Operating Expense Ratio	38.5%	38.9%	39.7%	40.4%	40.1%
Adjusted EBITDA(1)	$ 82.1	$ 78.9(2)	$ 87.2(4)	$ 85.7(6)	$ 80.7(8)
Adjusted EPS	$ 0.52	$ 0.44(3)	$ 0.43(5)	$ 0.43(7)	$ 0.34(9)

(1) Excludes stock-based compensation and non-qualified supplementary retirement plan investment appreciation and depreciation.

(2) Adjusted EBITDA for fiscal 2018 excludes the items included in footnote (1), as well as litigation settlement costs and severance.

(3) Adjusted EPS for fiscal 2018 excludes litigation costs and severance as well as the impact of the re-valuation of the Company's deferred tax liability of $12.2 million, or $0.18 per diluted-share, resulting from the Tax Cut and Jobs Act. Fiscal 2018 EPS as reported was $0.61.

(4) Adjusted EBITDA for fiscal 2017 excludes the items included in footnote (1), as well as Harry & David severance costs.

(5) Adjusted EPS for fiscal 2017 excludes Harry & David severance charges and the gain on the sale of Fannie May Confections Brands. Fiscal year 2017 EPS as reported was $0.65.

(6) Adjusted EBITDA for fiscal 2016 excludes the items included in footnote (1), as well as litigation settlement costs and integration costs, including severance, associated with Harry & David and the rightsizing of Fannie May.

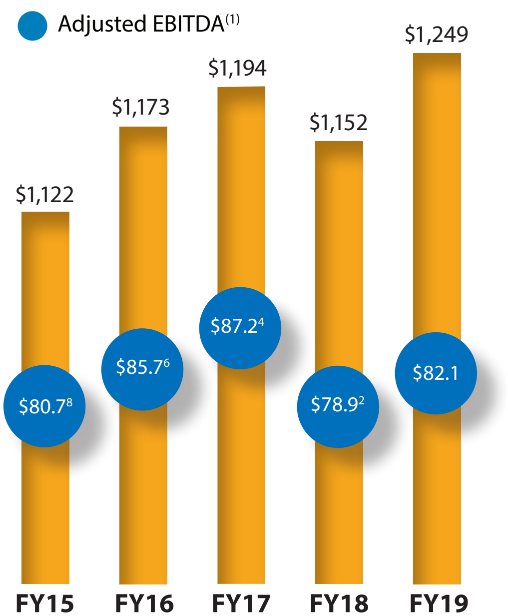
(7) Adjusted EPS for fiscal 2016 excludes the gain from insurance recovery on the Fannie May warehouse fire, loss on the sale of iFlorist, the impairment of foreign equity method investment, Harry & David integration costs, litigation settlement costs, as well as severance associated with Harry & David and the rightsizing of Fannie May. Fiscal year 2016 EPS as reported was $0.55.

(8) Adjusted EBITDA for fiscal 2015 excludes the items in footnote (1), and includes Harry & David 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.

(9) Adjusted EPS for fiscal 2015 includes Harry & David 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. Fiscal year 2015 EPS, as reported, was $0.30.

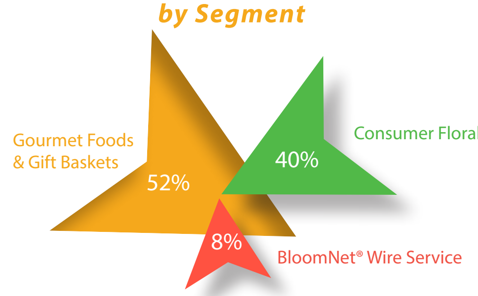
TOTAL REVENUES

(From Continuing Operations In Millions)

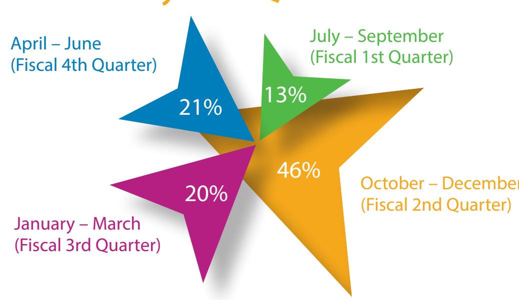


FY19 % REVENUES

by Segment



by Fiscal Quarter



FISCAL 2019 ACHIEVEMENTS

- Grew Total Revenues 8.4 percent to $1.25 billion with strong growth across all three business segments
- Grew Adjusted EBITDA to $82.1 million
- Generated Free Cash Flow of $45.5 million
- Grew Enterprise Customer File more than 10 percent

FINANCIAL REPORT INSERT

See inside rear cover pocket

TO OUR SHAREHOLDERS

The pace of change in the world today can be dizzying at times. New technological advancements offer ever increasing ways for people to communicate, yet somehow people seem to be less connected than ever. Our vision as a company is to change that – to leverage innovative technology and the relationships we have with our millions of customers to inspire more human expression, connection and celebration. Toward this goal, we are intensely focused on continually evolving our Celebrations Ecosystem by expanding our product offerings, adding new and exciting brands and creating engagement and experiential opportunities that will help deliver smiles.

As we drive toward this goal, our results for fiscal 2019 were very strong. We entered the year with a plan to invest in our lead brands and drive accelerated revenue growth to between five and seven percent and we exceeded our goals, with total revenues increasing more than eight percent to $1.25 billion. We also exceeded our goals for bottom-line results, with solid growth in Adjusted EBITDA, EPS and Free Cash Flow for the year. This reflects a combination of factors, including the strength of our all-star family of brands, our focus on innovative marketing and merchandising programs and our ability to leverage our unique business platform.

STRONG REVENUE GROWTH ACROSS ALL THREE BUSINESS SEGMENTS

In our Gourmet Foods and Gift Baskets segment, we invested in digital marketing programs for Harry & David to build on the strong growth momentum we saw in fiscal 2018 – particularly in everyday gifting. As a result, Harry & David's ecommerce business grew more than nine percent for the year, and every-day gifting occasions grew even faster.

In our Consumer Floral segment, we invested in our 1-800-Flowers.com brand to take advantage of favorable market conditions and accelerate revenue growth. Throughout the year, the 1-800-Flowers.com brand further extended its market leadership position, growing revenues nine percent by focusing on our unparalleled brand strength, truly original product designs and dedication to providing exemplary customer service.

We also continued to invest in BloomNet – to capture more order volume and expand our offering of products and services designed to help professional florists grow their businesses profitably. This focus enabled BloomNet to grow its revenues nearly 15 percent for the year, passing the $100 million milestone and gaining significant market share.

FOCUS ON INNOVATION

Our results for the year – across all our business segments – reflected our continued focus on innovation and execution in:

- Our digital marketing programs, including our mobile-first strategy;
- Our merchandising programs that emphasize new and truly original product development; and
- Our adoption of innovative technologies – such as Progressive Web Application (PWA), voice recognition and chat bots – that help enhance our number one product: the customer experience.

In addition to strong revenue growth, this focus, along with the investments we made during the year, helped drive significant growth in our customer file. For the year, new customer growth across the enterprise was up more than ten percent, reflecting double-digit increases for both the Harry & David and the 1-800-Flowers.com brands.

We also drove solid, double-digit growth in membership in our Celebrations Passport program and in multi-brand customers – which we define as customers who buy from more than one of our brands within the year. As we have noted in the past, both multi-brand customers and Celebrations Passport members represent our best performing customer cohorts – with the highest purchase frequency, retention and lifetime value metrics in our customer file. Importantly, we saw these customer growth trends continuing and gaining momentum throughout the fiscal year and continuing as we entered fiscal 2020.

KEY STRATEGIC INITIATIVES IN FISCAL 2019

In terms of technology innovations, during the year:

- We expanded our category-leading position in Conversational Commerce, where we are now one of the few companies that has applications running on all five of the leading platforms, including: Apple Business Chat, Samsung Bixby, Facebook Messenger, Google Assistant and Amazon Alexa;
- We continued to roll out PWA technology across our mobile platforms. This initiative was completed in the first quarter of fiscal 2020 and customers are already experiencing significantly increased site speeds and an enhanced customer experience;
- We expanded our integration of SmartGift – a highly personalized, experiential gifting feature that allows customers to notify their recipient via text, email or any messaging platform that a gift is on the way – and then gives the recipient the option of modifying their delivery preference, further involving them in the total gifting experience;
- We launched an interactive, telephonic virtual assistant, integrating artificial intelligence and human understanding to reduce average time on hold and increase our already high customer satisfaction metrics; and
- We continued to invest in new technology innovations designed to help our customers express themselves with the launch of *SmartMessage* – an augmented-reality, gift-messaging feature available on our iOS mobile app.

FOCUS ON TRULY ORIGINAL PRODUCT DESIGNS

On the merchandising front, we continued to focus on developing truly original gifts at both entry level and luxury price points. Some of the customer-favorite hits during the year included:

- The expansion of our Unicorn line – based on the success of our Enchanting Unicorn floral arrangement – including Magical Unicorn Truffle Cake Pops and the Dazzling Unicorn Fruit Bouquet;
- Our 1-800-Flowers.com succulents collection – popular with millennials;
- New flavor profiles, including the Cheryl's Cookies Chocolate-Chip Brookie (a unique brownie-cookie combo) and The Popcorn Factory's Cookies & Cream and Texas Toast flavors; and
- The continued expansion of the Harry & David Gourmet line, including charcuterie platters, fully prepared meals and award-winning Harry & David wines, that customers have embraced for both gifting and home entertaining.

We also introduced our enterprise-wide *gifts that give back* collection in support of our Smile Farms philanthropic initiative, which is focused on creating meaningful employment opportunities for individuals with developmental disabilities – an organization that we are proud to support as our signature philanthropic partner.

EXPANDING OUR CELEBRATIONS ECOSYSTEM

Further illustrating our focus on expanding our Celebrations Ecosystem was the recent acquisition of the Shari's Berries brand. Shari's Berries has strong customer awareness as a leading provider of dipped berries and other gourmet treats and we see it as an excellent fit in our all-star family of brands. It is worth noting that we had the Shari's Berries brand up on our multi-brand platform – and helping customers deliver smiles – literally within hours of having closed the acquisition in August, 2019. This is a testament to our culture of teamwork and our focus on execution.

CONTINUING OUR MOMENTUM INTO FISCAL 2020

As we enter the new fiscal year, we expect to continue the momentum we have in our revenue growth and accelerate our bottom-line growth. Our financial guidance for the fiscal year calls for total consolidated revenue growth of eight-to-nine percent, including approximately six-to-seven percent organic revenue growth combined with anticipated contributions from the acquisition of the Shari's Berries brand. On the bottom line, we expect Adjusted EBITDA and EPS to grow in a range of eight-to-ten percent and we expect to generate Free Cash Flow for the year of approximately $45 million. We also continue to target achieving Adjusted EBITDA of approximately $100 million in fiscal 2021.

Toward these goals, we got off to a strong start in our fiscal 2020 first quarter, with revenue growth of more than ten percent and significant improvements in Adjusted EBITDA and EPS, compared with the prior year period. These results reflect the benefits from the investments that we made in fiscal 2019 – and will continue to make in fiscal 2020 – in our key Harry & David and 1-800-Flowers.com brands, as well as in our BloomNet business. In addition, we have initiatives across all our business segments to help drive top and bottom-line growth. In merchandising, during the first quarter, we launched:

- *The Plant Shop,* within the 1-800-Flowers.com brand, building on the strong growth that we are seeing in plants, for both gifting and self-consumption. The Plant Shop features a collection of on-trend, customer favorites of house plants and an expanded selection of succulents. We are quickly becoming an authority in this fast-growing category, a favorite of millennial customers.
- The *Cards With Pop* line from The Popcorn Factory – specially-designed, envelope-shaped cards available with uniquely curated sentiments printed on the outside and gourmet popcorn on the inside. *Cards With Pop* are designed for customers who wish to express their thoughts through witty and relevant sentiments for everyday occasions, cultural moments and holidays, all for $9.99, shipping included; and
- We launched the repositioning of our Wolferman's brand as *Wolferman's Bakery*, featuring an expansive assortment of exceptional baked goods perfect for entertaining, self-consumption and gifting. The new positioning reflects how Wolferman's has evolved from a brand best-known for its super-thick English muffins to a full online bakery offering sweet and savory items baked from scratch daily. As a result of its repositioning, we are experiencing a significant increase in demand for these exciting products.

In terms of innovations to enhance the customer experience:

- We have completed the roll out of PWA technology across our brands, significantly increasing site speeds for our customers on their mobile devices;
- We launched our new *Magic Link* capability, enhancing our customer's sign-in experience by allowing them to log in to their accounts with a single click, even if they don't remember their username and password; and
- We deployed new 3D capabilities for a collection of top products on the 1-800-Flowers.com site, enabling customers to not only preview our products in three dimensions on both desktop and mobile, but also to see what their gifts will look like on a table or in a room via augmented reality on their mobile devices.

Looking ahead, we are excited by the many opportunities we see to further expand our Celebrations Ecosystem and provide our customers with the innovative products and services that inspire more human expression, connection and celebration.

I would like to take this opportunity to thank all our associates across the Company for their unwavering focus on our customers and enhancing the experience we provide for them; for their hard work and dedication to constantly innovating; and for their passion in helping our customers *deliver smiles*. I would also like to thank our suppliers and vendors, as well as our shareholders, for their continued support.

Chris

Chris McCann, President and CEO

2020

JANUARY

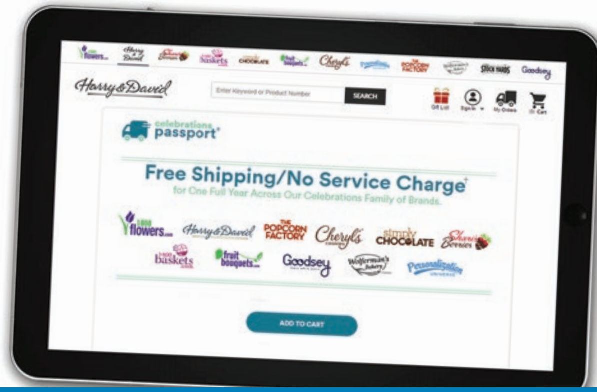
1-800-FLOWERS.COM, Inc. is the leading provider of gifts designed to inspire more human expression, connection and celebration. Our Celebrations Ecosystem features an all-star family of brands with products across a broad array of categories, including gourmet foods, gift baskets and floral gifts for every occasion, making us a one-stop destination for all our customers' gifting needs. Our brands, many of which are iconic names beloved by millions of people, include 1-800-Flowers.com®, Harry & David®, 1-800-Baskets.com®, FruitBouquets.com®, Cheryl's Cookies®, The Popcorn Factory®, Moose Munch® and Wolferman's Bakery℠. Solidifying our market leadership in the gifting industry and helping to drive our growth is our commitment to constantly expanding our product offerings and broadening the ways we assist our customers in delivering smiles to more recipients for more gifting occasions throughout the year.

SUNDAY	MONDAY	TUESDAY
5	6	7
12	13	14
19	20 *Martin Luther King Jr.'s Birthday (observed)*	21
26	27	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1 New Year's Day DELIVER SMILES TODAY	2	3	4
8	9	10	11
15	16	17	18
22	23	24	25
29	30	31	

[2020]

FEBRUARY



February is a month devoted to love and our customers have told us how much they love the 1-800-FLOWERS.COM, Inc. Celebrations Passport® loyalty program. The enterprise-wide program offers free standard shipping and no service charge across our family of brands – providing exceptional value on thoughtful gifts such as Magnificent Roses®, Shari's Berries®, delectable sweets from Simply Chocolate® and much more for Valentine's Day and other occasions all year long. Importantly, through programs like Celebrations Passport we're seeing that customer behavior profiles are further enhanced, underscored by increased purchase frequency, greater retention and higher life-time value metrics. Our loyalty members also show a high propensity to become multi-brand customers, who are our best customers.

SUNDAY	MONDAY	TUESDAY
2 *Groundhog Day*	3	4
9	10	11
16	17 *Presidents Day*	18
23	24	25

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1
5	6	7	8
12	13	14 *Valentine's Day* DELIVER SMILES TODAY	15
19	20	21	22
26	27	28	29

[2020]

MARCH

As the floral industry's leading wire service innovator, BloomNet® provides an unmatched breadth of programs and products designed to help thousands of professional florists optimize their profitability and grow their businesses. Among the expertise BloomNet offers is a comprehensive digital marketing services program that can help florists more effectively attract new customers through online ad campaigns, engage customers via social media, and increase their search ranking with Search Engine Optimization (SEO). Another key advantage for florists is the BloomNet digital directory, which highlights unique floral arrangements and helps drive incoming orders from sending florists. In addition, the Floriology® Institute powered by BloomNet is the floral industry's premier education center. It provides world-class design instruction, complemented by Floriology® Magazine, which delivers ongoing floral design inspiration, plus strategies for increasing florists' sales and revenues.

SUNDAY	MONDAY	TUESDAY
1	2	3
8	9	10
15	16	17 *Saint Patrick's Day*
22	23	24
29	30	31

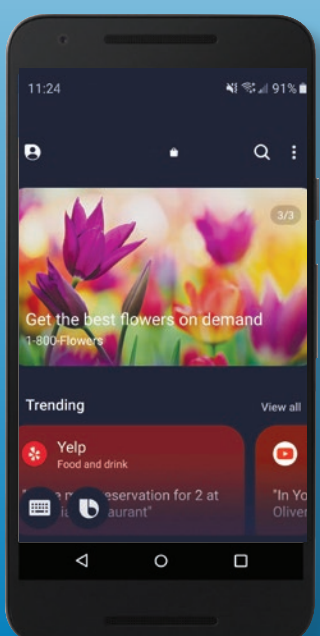
 

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
4	5	6	7
11	12	13	14
18	19	20 *First Day of Spring*	21 *National Flower Day* DELIVER SMILES TODAY
25	26	27	28

[2020]

APRIL

At 1-800-FLOWERS.COM, Inc., embracing the latest technological innovations to enhance how we engage with customers is a key component of our growth strategy. During fiscal 2019, we expanded our category-leading position in conversational commerce, becoming one of the first retailers with user-friendly applications on all five of the leading conversational platforms: Apple Business Chat; Facebook Messenger Bots; Amazon Alexa; Google Assistant; and Samsung Bixby. We also continued to roll out Progressive Web App (PWA) technology across our mobile platforms, significantly increasing site speeds and optimization across our brands. The same dedication to continuous technology innovation extends to our product offerings, where we constantly launch delicious new offerings throughout our Gourmet Foods and Gift Baskets segment, as well as truly original floral arrangements from our 1-800-Flowers.com® brand.



SUNDAY	MONDAY	TUESDAY
5	6	7
12 *Easter*	13	14
19	20 *Administrative Professionals' Week Begins*	21
26	27	28

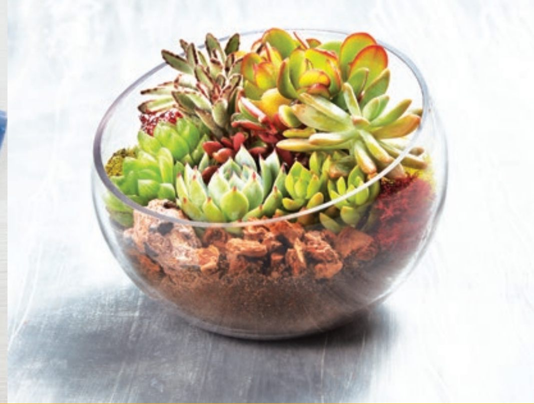
WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1 *April Fools Day*	2	3	4
8 *Passover Begins at Sunset*	9	10	11
15	16	17	18
22 *Administrative Professionals' Day* DELIVER SMILES TODAY	23 *National English Muffin Day* DELIVER SMILES TODAY	24	25
29	30		

[2020]

MAY

When it comes to opportunities for people to express their feelings through thoughtful gifting, perhaps no other occasion can match Mother's Day. 1-800-FLOWERS.COM, Inc. offers an unparalleled selection of gifts that convey just the right sentiments for Mom's big day. Whether it's a beautiful floral arrangement or vibrant blooming plant from 1-800-Flowers.com®, a spectacular gift basket from 1-800-Baskets.com®, or scrumptious gourmet foods from Harry & David®, Cheryl's Cookies®, The Popcorn Factory® and Simply Chocolate®, we are the source our customers depend on for gifts designed to touch hearts and stir emotions. Further extending the gift-giving choices for our customers are unique products from Goodsey® along with personalized gifts available from our brands, including Personalization Universe®.

SUNDAY	MONDAY	TUESDAY
3	4	5 *Cinco dé Mayo*
10 *Mother's Day* DELIVER SMILES TODAY	11	12
17	18	19
24 / 31	25 *Memorial Day (observed)*	26



WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2
6	7	8 *Bring Your Mom to Work Day*	9
13	14	15	16
20	21	22	23
27	28	29	30

2020

JUNE

1-800-FLOWERS.COM, Inc. is always exploring and developing new and innovative gift products, continually providing gift-givers and recipients with new and exciting ways to celebrate every occasion. During fiscal 2019, The Popcorn Factory® introduced several distinctive flavor profiles, including such taste-tempting choices as Cookies & Cream and Texas Toast – ideal for Father's Day. Additionally, the brand has been expanding its offering of single-serve popcorn packages, targeting the growing self-consumption trend. Other outstanding ideas for Dad's gift list include mouthwatering steaks, chops, burgers and seafood from Stock Yards®, superb wine and flavorful cuisine from Harry & David Gourmet®, tasty treats from Cheryl's Cookies®, Shari's Berries®, Wolferman's Bakery℠ and Moose Munch®, plus freshly-carved fruit arrangements from FruitBouquets.com®.

SUNDAY	MONDAY	TUESDAY
	1	2
7	8	9
14 *Flag Day*	15	16
21 *Father's Day* DELIVER SMILES TODAY	22	23
28	29	30

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4	5	6
10	11	12	13
17	18	19	20 *First Day of Summer*
24	25	26	27

[2020]

JULY

In fiscal 2019, 1-800-FLOWERS.COM, Inc. grew its customer file by more than ten percent, reflecting double-digit increases for both the Harry & David® and 1-800-Flowers.com® brands. Helping spur that growth is our relentless focus on customer satisfaction complemented by continual enhancements to how customers are able to do business with us. Our online Customer Service Hub offers self-service and live chat support for order tracking, enabling shoppers across our family of brands to conveniently access delivery windows that enable them to easily and rapidly modify their order, schedule specific hours for order arrival, and make changes to delivery addresses and dates.

SUNDAY	MONDAY	TUESDAY
5	6	7
12	13	14 *Bastille Day*
19	20	21
26 *Parents' Day* DELIVER SMILES TODAY	27	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4 *Independence Day* DELIVER SMILES TODAY
8	9	10	11
15	16	17	18
22	23	24	25
29	30	31	

[2020]

AUGUST

At 1-800-FLOWERS.COM, Inc., our growth strategies include placing a strong focus on everyday gifting through cross-brand marketing and merchandising. To optimize those strategies, we are leveraging the market dominance of Harry & David® and 1-800-Flowers.com® and extending that leadership to all our other brands, enabling us to solve more of our customers' everyday gifting and celebratory needs year-round such as Birthdays, Anniversaries, Sympathy, Thank You, Get Well, New Baby and "Just Because." Additionally, in our Gourmet Foods and Gift Baskets segment, we are creating product collections specifically targeted for everyday occasions and revenues are subsequently growing in double-digits for those occasions.

SUNDAY	MONDAY	TUESDAY
2 *National Friendship Week Begins*	3	4
9	10	11
16	17	18
23 / 30	24 / 31	25

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1
5	6	7	8
12	13	14	15
19	20	21	22
26	27	28	29

[2020]

SEPTEMBER

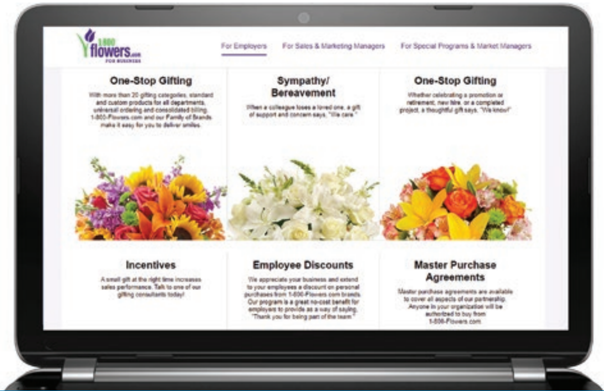
There is no substitute for quality, and the highest quality epitomizes what our customers and their lucky recipients enjoy with Royal Riviera® Pears and Oregold® Peaches from Harry & David®. Harvesting of these cherished gifts takes place toward the end of each summer among thousands of trees in the sprawling Harry & David orchards located in Medford, Oregon. Meticulous care is taken by our highly experienced agricultural experts to assure that only the juiciest and best tasting pears and peaches are deemed "gift quality." It's the way it's always been, ever since brothers Harry and David Holmes first took over the family orchard in 1914 and started selling pears as gourmet gifts.

SUNDAY	MONDAY	TUESDAY
		1
6	7 *Labor Day*	8
13 *Grandparents Day*	14	15
20	21	22 *First Day of Fall*
27 *Yom Kippur Begins at Sunset*	28	29


WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
2	3	4	5
9	10	11 *Patriot Day*	12
16	17	18 *Rosh Hashanah Begins at Sunset*	19
23	24	25	26 *National Singles Day*
30			

[2020]

OCTOBER



During fiscal 2019, the 1-800-FLOWERS.COM, Inc. Business Gift Services division enhanced its everyday gifting capabilities through a newly designed website, enabling corporate accounts to access our extensive family of brands more efficiently. The new site offers custom set-up capability for each account and also supports bulk upload functionality, reducing the time it takes for busy corporate buyers to place orders – a vital benefit during the hectic holiday gifting season. The division has also been very successful in growing its "Surprise and Delight" program, helping corporate accounts build stronger relationships with their customers and employees. Our Business Gift Services division has seen growth through its loyalty programs which support partners offering benefits to their members for personal gifting needs. The division has also experienced significant growth through new account acquisition within the financial services, healthcare and manufacturing sectors, as well as through partnership marketing initiatives.

SUNDAY	MONDAY	TUESDAY
4	5	6
11	12 *Columbus Day (observed)*	13
18	19	20
25	26	27

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2	3
7	8	9	10
14	15	16 National Boss's Day DELIVER SMILES TODAY	17 Sweetest Day DELIVER SMILES TODAY
21	22	23	24
28 National Chocolate Day DELIVER SMILES TODAY	29	30	31 Halloween DELIVER SMILES TODAY

2020

NOVEMBER

Among the many reasons for the growth of 1-800-FLOWERS.COM, Inc. is our continual concentration on customer engagement. Exemplifying that effort is our focus on offering customers a wider range of price points, including products that are highly innovative yet lower priced. This includes our new $9.99 "Cards with Pop" collection from The Popcorn Factory®, which allows customers to cleverly express sentiments for many different occasions, and our ever-popular $5.99 cookie cards from Cheryl's Cookies® featuring thoughtful messages. Product line expansions such as these boost our ability to engage more customers through a broader array of gifting products and brands. These offerings span top quality value-priced gifts in several product categories, to beautiful floral arrangements from 1-800-Flowers.com® and appetizing gourmet selections from Harry & David®, to luxury gifts such as artisanal chocolates from Simply Chocolate®.

SUNDAY	MONDAY	TUESDAY
1	2	3 *Election Day*
8	9	10
15	16	17
22	23	24
29	30	

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
4	5	6	7
11 *Veterans Day*	12	13	14
18	19	20	21
25	26 *Thanksgiving Day* DELIVER SMILES TODAY	27	28

2020

DECEMBER

Much of the ongoing growth of 1-800-FLOWERS.COM, Inc. can be attributed to our strong commitment to enhancing the customer experience. In fiscal 2019 we expanded our platform with SmartGift, a highly personalized gifting feature that enables customers to notify their recipient (via text, email or any messaging platform) that their gift is on the way – and then give the recipient the option of modifying their delivery preference, further involving them in the total gifting experience. We also launched an interactive telephonic virtual assistant, integrating artificial intelligence and human understanding to reduce average time on hold and increase our already high customer satisfaction metrics. And we continued to invest in new technology innovations designed to help our customers express themselves with the launch of SmartMessage, an augmented reality (AR) gift messaging feature available on our iOS mobile app.

SUNDAY	MONDAY	TUESDAY
		1
6	7	8
13	14	15
20	21 *First Day of Winter*	22
27	28	29

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
2	3	4 *National Cookie Day* DELIVER SMILES TODAY	5
9	10 *Hanukkah Begins at Sunset* DELIVER SMILES TODAY	11	12
16	17	18	19
23	24	25 *Christmas Day* DELIVER SMILES TODAY	26 *First Day of Kwanzaa*
30	31 *New Year's Eve* DELIVER SMILES TODAY		

BOARD OF DIRECTORS

James F. McCann
Founder and
Executive Chairman
1-800-FLOWERS.COM, Inc.

Christopher G. McCann
President and
Chief Executive Officer
1-800-FLOWERS.COM, Inc.

Geralyn R. Breig
Chief Executive Officer
AnytownUSA.com

Celia R. Brown
Executive Vice President
Group HR Director
Willis Group
Retired

James A. Cannavino
IBM Company
Senior Vice President
Retired

Eugene F. DeMark C.P.A.
Area Managing Partner
KPMG, LLP, Retired

Leonard J. Elmore
Senior Lecturer
Columbia University
Retired Attorney at Law
Network TV Sports Analyst

Sean P. Hegarty
Managing Partner
Hegarty & Company

Adam Hanft
Chief Executive Officer
Hanft Projects LLC

Katherine Oliver
Principal
Bloomberg Associates

Larry Zarin
Senior Vice President
Chief Marketing Officer
Express Scripts, Inc.
Retired

Fiscal Year 2019
Financial Report

1·800·FLOWERS.COM, INC.

Selected Financial Data

1-800-FLOWERS.COM, Inc. and Subsidiaries

The selected consolidated statement of income data for the fiscal years ended June 30, 2019, July 1, 2018 and July 2, 2017 and the consolidated balance sheet data as of June 30, 2019 and July 1, 2018, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statement of income data for the fiscal years ended July 3, 2016 and June 28, 2015, and the selected consolidated balance sheet data as of July 2, 2017, July 3, 2016 and June 28, 2015, are derived from the Company's audited consolidated financial statements, which are not included in this Annual Report.

The following tables summarize the Company's consolidated statement of income and balance sheet data. The Company acquired Harry & David in September 2014, acquired iFlorist in December 2013 (subsequently disposed of in October 2015), Pingg Corp. in May 2013 (subsequently disposed of in June 2015), and Fine Stationery, Inc. in May 2011 (subsequently disposed of in June 2015). The following financial data reflects the results of operations of these subsidiaries since their respective dates of acquisition. In May 2017, the Company completed the disposition of its Fannie May business. The following data reflects the results of operations of these subsidiaries until their dates of disposition. This information should be read together with the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes to those statements included elsewhere in this Annual Report.

	Years Ended				
	June 30, 2019	July 1, 2018	July 2, 2017	July 3, 2016	June 28, 2015
Consolidated Statement of Income Data:	*(in thousands, except per share data)*				
Net revenues	**$ 1,248,623**	$ 1,151,921	$ 1,193,625	$ 1,173,024	$ 1,121,506
Cost of revenues	**722,502**	662,896	673,344	655,566	634,311
Gross profit	**526,121**	489,025	520,281	517,458	487,195
Operating expenses:					
Marketing and sales	**319,636**	298,810	317,527	318,175	299,801
Technology and development	**43,758**	39,258	38,903	39,234	34,745
General and administrative	**87,654**	77,440	84,116	84,383	85,908
Depreciation and amortization	**29,965**	32,469	33,376	32,384	29,124
Total operating expenses	**481,013**	447,977	473,922	474,176	449,578
Operating income	**45,108**	41,048	46,359	43,282	37,617
Interest expense, net	**2,769**	3,631	5,821	6,674	5,753
Other income (expense), net	**644**	605	15,471	14,839	(1,550)
Income before income taxes	**42,983**	38,022	56,009	51,447	30,314
Income tax expense (benefit)	**8,217**	(2,769)	11,968	15,579	10,930
Net income	**34,766**	40,791	44,041	35,868	19,384
Less: Net loss attributable to noncontrolling interest	**–**	–	–	(1,007)	(903)
Net income attributable to 1-800-FLOWERS.COM, Inc.	**$ 34,766**	$ 40,791	$ 44,041	$ 36,875	$ 20,287
Basic net income per common share attributable to 1-800-FLOWERS.COM, Inc.					
Basic net income per common share	**$ 0.54**	$ 0.63	$ 0.68	$ 0.57	$ 0.31
Diluted net income per common share attributable to 1-800-FLOWERS.COM, Inc.					
Diluted net income per common share	**$ 0.52**	$ 0.61	$ 0.65	$ 0.55	$ 0.30
Weighted average shares used in the calculation of net income per common share:					
Basic	**64,342**	64,666	65,191	64,896	64,976
Diluted	**66,457**	66,938	67,735	67,083	67,602

1-800-FLOWERS.COM, Inc. and Subsidiaries

	June 30, 2019	July 1, 2018	July 2, 2017	July 3, 2016	June 28, 2015
			As of (in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	**$ 172,923**	$ 147,240	$ 149,732	$ 27,826	$ 27,940
Working capital	**175,741****	148,222	132,227	45,798	36,361
Total assets	**606,440****	570,889	552,470	502,941*	501,946
Long-term liabilities	**136,232**	131,186	145,056	139,494*	168,083
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	**342,711****	314,904	282,239	242,586	208,449

**In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which amends ASC 835-30, "Interest – Imputation of Interest." The Company adopted this ASU in fiscal 2017, and the impact of the adoption of the new guidance was to reclassify $3.6 million of deferred financing costs previously included within "Other Assets" to "Long-term debt" in the consolidated balance sheets as of July 1, 2018 – see Note 2. in Item 15 below for details. We have not reclassified previous fiscal years for the purposes of this presentation.*

***In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." amending revenue recognition guidance ("ASC 606"). The Company adopted this ASU effective July 2, 2018 for all revenue contracts with our customers using the modified retrospective approach and increased retained earnings by $0.3 million, reduced accrued expenses by $1.1 million and decreased prepaid expense by $0.8 million– see Note 2. in Item 15 below for details . The comparative information presented in this Form 10-K has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of the new revenue standard did not have a material impact to our net income for the fiscal year 2019.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

1-800-FLOWERS.COM, Inc. and Subsidiaries

Business Overview

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company") is a leading provider of gifts designed to help customers express, connect and celebrate. For more than 40 years, 1-800-Flowers.com has been delivering smiles to customers with gifts for every occasion, including fresh flowers and the best selection of plants, gift baskets, gourmet foods, confections, jewelry, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee backs every gift.

The Company's Celebrations Ecosystem includes the following brands: 1-800-Flowers.com, 1-800 Baskets.com, Cheryl's Cookies, FruitBouquets.com, Harry & David, Moose Munch, The Popcorn Factory, Wolferman's, Personalization Universe, Simply Chocolate, Goodsey, DesignPac, and Stock Yards. Through the Celebrations Passport loyalty program, which provides members with free standard shipping and no service charge across our portfolio of brands, 1-800-FLOWERS.COM, Inc. strives to deepen its relationships with its customers. The Company also operates BloomNet, an international floral wire service providing a broad-range of products and services designed to help professional florists grow their businesses profitably; as well as Napco, a resource for floral gifts and seasonal décor.

1-800-FLOWERS.COM, Inc. received the Gold award in the "Mobile Payments and Commerce" category at the Mobile Marketing Association 2018 Global Smarties Awards. In addition, Harry & David was named to the Internet Retailers 2019 "The Hot 100" list. In 2017, 1-800-FLOWERS.COM, Inc. was named to the Stores® 2017 Hot 100 Retailers list. This prestigious list, compiled annually by the National Retail Federation (NRF), ranks the nation's fastest-growing retailers by year-over-year domestic sales growth. The Company also received the Gold award in the "Best Artificial Intelligence" category at the Data & Marketing Association's 2017 International ECHO Awards.

As a provider of gifts to consumers and wholesalers for resale to consumers, the Company is subject to changes in consumer confidence and the economic conditions that impact our customers. Demand for the Company's products is affected by the financial health of our customers, which, in turn, is influenced by macro economic issues such as unemployment, fuel and energy costs, trends in the housing market and availability of consumer credit. As such, the Company expects that its revenues will continue to be closely tied to changes in consumer sentiment.

The Company has organized its operations into three categories, or segments: Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets, reflecting the way the Company evaluates its business performance and manages its operations.

On May 30, 2017, the Company completed the sale of the outstanding equity of Fannie May Confections Brands, Inc., including its subsidiaries, Fannie May Confections, Inc. and Harry London Candies, Inc. ("Fannie May") to Ferrero International S.A., a Luxembourg corporation ("Ferrero"). The operations of Fannie May were previously included within the Company's Gourmet Foods & Gift Baskets segment.

In fiscal 2015, the Company acquired Harry & David, whose iconic brands transformed the Company into a destination for premier gifting. Having successfully completed the integration of Harry & David, and generating synergistic operating cost savings in fiscal 2016 and 2017, the Company turned its focus towards unlocking the revenue growth potential of its family of brands. During fiscal 2018, the 1-800-Flowers.com and BloomNet brands increased their marketing and promotional spending to take advantage of favorable competitive circumstances, knowing that efforts to take market share would hurt short term earnings performance, but improve their customer file, and ultimately their respective longer-term earnings outlooks. While these efforts were successful in accelerating annual comparable revenue growth to 3.7%, highlighted by second half growth of 5.8%, and positioned the Company for continued future growth, operational issues within the Gourmet Foods & Gift Baskets segment, in addition to the increased marketing spending, and sale of Fannie May, negatively impacted the Company's earnings during fiscal 2018. As a result, Adjusted EBITDA declined from $85.9 million in fiscal 2017 to $78.9 million in fiscal 2018.

Prior to the setback in fiscal 2018, since fiscal 2010, the Company had been successful in achieving steady annualized Adjusted EBITDA improvement, primarily through cost reductions, efficiency improvements, and modest revenue growth. However, the Company understood that in order to increase its pace of earnings, it needed to accelerate its rate of revenue growth, which in turn required a period of investment in marketing and branding, that has temporarily slowed short-term EBITDA growth, but, is ultimately expected to result in higher longer-term profitability. Given the market landscape and competitive advantage earned by the 1-800-Flowers brand, as well as the successful efforts to re-invigorate Harry & David's performance, coming into fiscal 2019, the Company believed that it was well positioned to capture additional market share and generate incremental growth. The Company executed on its growth strategy during fiscal 2019, generating a revenue increase of 8.4% in comparison to fiscal 2018's adjusted growth rate of 3.7%, and despite the incremental marketing and merchandising investment spend behind the 1-800-Flowers and Harry & David brands, as well as the launch of the Goodsey marketplace, combined with the restoration of a full performance bonus payout, fiscal 2019 Adjusted EBITDA improved to $82.1 million, compared to $78.9 million in the prior year.

In terms of strategic initiatives, during fiscal 2019, the Company:

- *Invested behind our lead brands to accelerate revenue growth* – some of the Company's more significant initiatives included mobile-first digital and social commerce marketing programs, merchandising assortments emphasizing new and original product development, including new flavor profiles, and our gourmet lines, which in our Gourmet Food & Gift Baskets segment enabled us to increase our "every day" gifting volume,
- *Multi-Brand Customer Initiatives* – The Company continued to expand its multi-brand customer initiatives, a key ingredient in our strategy to enhance customer engagement and facilitate long-term growth. The multi-brand website provides the customer with an enriched shopping experience using cross-brand marketing and merchandising programs and by providing access to the Company's Celebrations suite of services, including Passport free shipping and Reminders membership programs, as well as our digital self-service portal. These customers exhibit the highest purchase frequency, retention, and life-time value metrics in our customer files,
- *Invested in operations* – the Company continued to invest in the key areas that will provide for growth in the future, including:
  - Manufacturing, production and distribution – warehouse expansion and production improvements for Cheryl's; manufacturing production, orchard and facility improvements for Harry & David,
  - Technology – multi-brand website redesign and customer experience improvements, mobile platform upgrades, mobile and desktop Progressive Web Application (PWA) upgrades, and
  - Business Intelligence – customer database mining to effectively market and target key demographics,
- *Innovation and positioning for emerging technologies* – The Company has built a reputation as an innovator and an early adopter of new technologies. This was illustrated by the Company's initiatives, including:
  - expanding our category-leading position in Conversational Commerce, where we are now one of the few companies that have applications running on all five of the leading platforms, including: Apple, Samsung, Facebook, Google and Amazon,

- continuing to roll out PWA technology across our mobile and desktop platforms, significantly increasing site speeds and enhancing the customer experience,
- expanding our integration with SmartGift – a highly personalized, experiential gifting feature that allows customers to notify their recipient via text, email or any messaging platform, that a gift is on the way – and then gives the recipient the option of modifying their delivery preference, further involving them in the total gifting experience,
- launching an interactive, telephonic virtual assistant, integrating artificial intelligence and human under standing to reduce average time on hold and increase our already high customer satisfaction metrics; and
- launching *Smart Message* – an augmented-reality, gift-messaging feature available on our iOS mobile app, and

• *Strengthened its balance sheet* - the Company was able to fund its Christmas holiday working capital requirements primarily through the use of cash on hand, and continued to pay down its outstanding term loan. During May 2019, the Company amended its credit facility to, among other modifications: (i) increase the amount of the outstanding term loan ("Term Loan") from approximately $97 million to $100 million, (ii) extend the maturity date of the outstanding Term Loan and the revolving credit facility ("Revolver") by approximately 29 months to May 31, 2024, and (iii) decrease the applicable interest rate margins for LIBOR and base rate loans by 25 basis points. The Company also continued to repurchase shares, while investing capital to grow its businesses utilizing cash generated from operations. When combined with the Company's amended credit facility, the Company believes that its strong balance sheet, and growing cash flows, provide it with significant liquidity and flexibility to invest and enhance future growth, both organically, as well as through potential acquisitions.

For fiscal 2020, the Company's guidance reflects its plans to continue to invest in strategic marketing and merchandising programs to take advantage of market conditions and build on the revenue growth momentum it generated across all three of its business segments during fiscal 2019. Based on these factors, in fiscal 2020, the Company anticipates:

• Total consolidated revenue growth of 8% to 9%, compared with the prior year, comprised of organic revenue growth of approximately 6% to 7%, and revenue attributable to the Shari's Berries brand, acquired in August 2019;

• Adjusted EBITDA and EPS growth in a range of 8% to 10%, and;

• Free Cash Flow for the year of approximately $45 million.

Definitions of non-GAAP financial measures:

We sometimes use financial measures derived from consolidated financial information, but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain of these are considered "non-GAAP financial measures" under the SEC rules. See below for definitions and the reasons why we use these non-GAAP financial measures. Where applicable, see the Segment Information and Results of Operations sections below for reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures. These non-GAAP financial measures are referred to as "adjusted" or "on a comparable basis" below, as these terms are used interchangeably.

EBITDA and adjusted EBITDA

We define EBITDA as net income (loss) before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for the impact of stock-based compensation, Non-Qualified Plan Investment appreciation/depreciation, and certain items affecting period to period comparability. See Segment Information for details on how EBITDA and adjusted EBITDA were calculated for each period presented.

The Company presents EBITDA and adjusted EBITDA because it considers such information meaningful supplemental measures of its performance and believes such information is frequently used by the investment community in the evaluation of similarly situated companies. The Company uses EBITDA and adjusted EBITDA as factors used to determine the total amount of incentive compensation available to be awarded to executive officers and other employees. The Company's credit agreement uses EBITDA and adjusted EBITDA to measure compliance with covenants such as interest coverage and debt incurrence. EBITDA and adjusted EBITDA are also used by the Company to evaluate and price potential acquisition candidates.

EBITDA and adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of the limitations are: (a) EBITDA and adjusted EBITDA do not reflect changes in, or cash requirements for, the Company's working capital needs; (b) EBITDA and adjusted EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debts; and (c) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future and EBITDA does not reflect any cash requirements for such capital expenditures. EBITDA should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

Segment contribution margin

We define segment contribution margin as earnings before interest, taxes, depreciation and amortization, before the allocation of corporate overhead expenses. See Segment Information for details on how segment contribution margin was calculated for each period presented.

When viewed together with our GAAP results, we believe segment contribution margin provides management and users of the financial statements meaningful information about the performance of our business segments.

Segment contribution margin is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. The material limitation associated with the use of the segment contribution margin is that it is an incomplete measure of profitability as it does not include all operating expenses or non-operating income and expenses. Management compensates for these limitations when using this measure by looking at other GAAP measures, such as operating income and net income.

Adjusted net income and adjusted net income per common share

We define adjusted net income and adjusted net income per common share as net income and net income per common share adjusted for certain items affecting period to period comparability. See Segment Information below for details on how adjusted net income and adjusted net income per common share were calculated for each period presented.

We believe that adjusted net income and adjusted net income per common share are meaningful measures because they increase the comparability of period to period results.

Since these are not measures of performance calculated in accordance with GAAP, they should not be considered in isolation of, or as a substitute for, GAAP net income and net income per common share, as indicators of operating performance and they may not be comparable to similarly titled measures employed by other companies.

Free Cash Flow

We define Free Cash Flow as net cash provided by operating activities, less capital expenditures. The Company considers Free Cash Flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of fixed assets, which can then be used to, among other things, invest in the Company's business, make strategic acquisitions, strengthen the balance sheet and repurchase stock or retire debt. Free Cash Flow is a liquidity measure that is frequently used by the investment community in the evaluation of similarly situated companies.

Since Free Cash Flow is not a measure of performance calculated in accordance with GAAP, it should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the Company's cash balance for the period.

Segment Information

The following table presents the net revenues, gross profit and segment contribution margin from each of the Company's business segments, as well as consolidated EBITDA, adjusted EBITDA and adjusted net income, for fiscal years ended June 30, 2019 and July 1, 2018. For segment information for the fiscal year ended July 2, 2017, please refer to our Annual Report on Form 10-K for the fiscal year ended July 2, 2017, filed on September 15, 2017.

	Years Ended					
	June 30, 2019	July 1, 2018	Severance Costs	Litigation Settlement	As Adjusted - Non GAAP July 1, 2018	% Change
Net revenues:						
1-800-Flowers.com Consumer Floral	**$ 497,765**	$ 457,460	$ –	$ –	$ 457,460	8.8%
BloomNet Wire Service	**102,876**	89,569			89,569	14.9%
Gourmet Food & Gift Baskets	**648,418**	605,523			605,523	7.1%
Corporate	**1,105**	1,114			1,114	-0.8%
Intercompany eliminations	**(1,541)**	(1,745)			(1,745)	11.7%
Total net revenues	**$ 1,248,623**	$ 1,151,921	$ –	$ –	$ 1,151,921	8.4%
Gross profit:						
1-800-Flowers.com Consumer Floral	**$ 195,100**	$ 181,601	$ –	$ –	$ 181,601	7.4%
	39.2%	39.7%			39.7%	
BloomNet Wire Service	**51,970**	48,604			48,604	6.9%
	50.5%	54.3%			54.3%	
Gourmet Food & Gift Baskets	**278,113**	257,803			257,803	7.9%
	42.9%	42.6%			42.6%	
Corporate	**938**	1,017			1,017	-7.8%
	84.9%	91.3%			91.3%	
Total gross profit	**$ 526,121**	$ 489,025	$ –	$ –	$ 489,025	7.6%
	42.1%	42.5%			42.5%	
EBITDA (non-GAAP): Segment Contribution Margin (non-GAAP) (a):						
1-800-Flowers.com Consumer Floral	**$ 49,653**	$ 50,808	$ –	$ –	$ 50,808	-2.3%
BloomNet Wire Service	**34,705**	31,683			31,683	9.5%
Gourmet Food & Gift Baskets	**82,319**	70,927			70,927	16.1%
Segment Contribution Margin Subtotal	**166,677**	153,418	–	–	153,418	8.6%
Corporate (b)	**(91,604)**	(79,901)	429	426	(79,046)	-15.9%
EBITDA (non-GAAP)	**75,073**	73,517	429	426	74,372	0.9%
Add: Stock-based compensation	**6,310**	3,726			3,726	69.4%
Add: Comp charge related to NQ Plan Investment Appreciation	**729**	797			797	-8.5%
Adjusted EBITDA (non-GAAP)	**$ 82,112**	$ 78,040	$ 429	$ 426	$ 78,895	4.1%

Reconciliation of net income to adjusted net income (non-GAAP):

	Years Ended	
	June 30, 2019	July 1, 2018
Net income	**$ 34,766**	$ 40,791
Adjustments to reconcile net income to adjusted net income (non-GAAP)		
Add: Litigation Settlement	–	426
Add: Severance costs	–	429
Deduct: Income tax benefit on adjustments	–	211
Deduct: U.S. tax reform benefit on deferred taxes (c)	–	12,158
Adjusted net income (non-GAAP)	**$ 34,766**	$ 29,277
Basic and diluted net income per common share		
Basic	**$ 0.54**	$ 0.63
Diluted	**$ 0.52**	$ 0.61
Basic and diluted adjusted net income per common share (non-GAAP)		
Basic	**$ 0.54**	$ 0.45
Diluted	**$ 0.52**	$ 0.44
Weighted average shares used in the calculation of net income and adjusted net income per common share		
Basic	**64,342**	64,666
Diluted	**66,457**	66,938

Reconciliation of net income to adjusted EBITDA (non-GAAP):

	Years Ended	
	June 30, 2019	July 1, 2018
Net income	**$ 34,766**	$ 40,791
Add:		
Interest expense, net	**2,125**	3,026
Depreciation and amortization	**29,965**	32,469
Income tax expense (benefit)	**8,217**	(2,769)
EBITDA	**75,073**	73,517
Add: Severance costs	**–**	429
Add: Litigation Settlement	**–**	426
Add: Compensation charge related to NQ plan investment appreciation	**729**	797
Add: Stock-based compensation	**6,310**	3,726
Adjusted EBITDA	**$ 82,112**	$ 78,895

(a) Segment performance is measured based on segment contribution margin or segment Adjusted EBITDA, reflecting only the direct controllable revenue and operating expenses of the segments, both of which are non-GAAP measurements. As such, management's measure of profitability for these segments does not include the effect of corporate overhead, described above, depreciation and amortization, other income (net), and other items that we do not consider indicative of our core operating performance.

(b) Corporate expenses consist of the Company's enterprise shared service cost centers, and include, among other items, Information Technology, Human Resources, Accounting and Finance, Legal, Executive and Customer Service Center functions, as well as Stock-Based Compensation. In order to leverage the Company's infrastructure, these functions are operated under a centralized management platform, providing support services throughout the organization. The costs of these functions, other than those of the Customer Service Center, which are allocated directly to the above categories based upon usage, are included within corporate expenses as they are not directly allocable to a specific segment.

(c) The adjustment to deduct the impact of the U.S. tax reform from net income, for the fiscal year ended July 1, 2018, includes the impact of the re-valuation of the Company's deferred tax liability of $12.2 million or $0.18 per diluted share, but does not include the ongoing impact of the lower federal corporate tax rate.

Results of Operations

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2019, 2018, and 2017, which ended on June 30, 2019, July 1, 2018, and July 2, 2017, respectively, consisted of 52 weeks.

Net Revenues

	Years Ended				
	June 30, 2019	**% Change**	July 1, 2018	% Change	July 2, 2017
	(dollars in thousands)				
Net revenues:					
E-Commerce	**$ 998,359**	**8.3%**	$ 921,848	2.8%	$ 896,762
Other	**250,264**	**8.8%**	230,073	-22.5%	296,863
	$1,248,623	**8.4%**	$1,151,921	-3.5%	$1,193,625

Net revenues consist primarily of the selling price of the merchandise, service or outbound shipping charges, less discounts, returns and credits.

During fiscal 2019, net revenues increased 8.4% in comparison to the prior year, due to strong customer demand for both holiday and everyday gifting occasions in our Gourmet Food & Gift Baskets and Consumer Floral segments, as well as membership, transaction and services growth in the BloomNet Wire Service segment.

During fiscal 2018, net revenues decreased 3.5% in comparison to the prior year. On a comparable basis, adjusting fiscal 2017 net revenues to reflect the May 30, 2017 disposition of Fannie May, net revenues increased 3.7% during fiscal 2018, driven by growth across all business segments.

Disaggregated revenue by channel follows:

	Years Ended											
	June 30, 2019				July 1, 2018				July 2, 2017			
	Consumer Floral	**BloomNet Wire Service**	**Gourmet Food & Gift Baskets**	**Consolidated**	Consumer Floral	BloomNet Wire Service	Gourmet Food & Gift Baskets	Consolidated	Consumer Floral	BloomNet Wire Service	Gourmet Food & Gift Baskets	Consolidated
						(in thousands)						
Net revenues												
E-commerce	**$ 489,463**	**$ –**	**$508,897**	**$ 998,360**	$448,943	$ –	$472,905	$ 921,848	$427,831	$ –	$468,931	$ 896,762
Retail	**4,706**	**–**	**45,862**	**50,568**	4,743	–	46,860	51,603	4,769	–	76,321	81,090
Wholesale	**–**	**29,744**	**93,659**	**123,403**	–	28,747	85,758	114,505	–	27,033	125,425	152,458
BloomNet services	**–**	**73,132**	**–**	**73,132**	–	60,822	–	60,822	–	60,667	–	60,667
Other	**3,596**	**–**	**–**	**3,596**	3,774	–	–	3,774	4,532	–	–	4,532
Corporate	**–**	**–**	**–**	**1,105**	–	–	–	1,114	–	–	–	1,102
Eliminations	**–**	**–**	**–**	**(1,541)**	–	–	–	(1,745)	–	–	–	(2,986)
Total net revenues	**$ 497,765**	**$ 102,876**	**$648,418**	**$ 1,248,623**	$457,460	$ 89,569	$605,523	$ 1,151,921	$437,132	$ 87,700	$670,677	$ 1,193,625

Revenue by sales channel:

- **E-commerce revenues (combined online and telephonic)** increased 8.3% during fiscal 2019, comprised of 9.0% growth within the Consumer Floral segment and 7.6% growth in the Gourmet Foods & Gift Baskets segment. During fiscal 2019, the Com pany fulfilled approximately 13.2 million e-commerce orders, at an average order value of $75.44, repre senting increases of 6.4% and 1.8%, respectively, compared to fiscal 2018.

  E-commerce revenues increased 2.8% during fiscal 2018 compared to the fiscal 2017. On a comparable basis, adjusting fiscal 2017 e-commerce revenues to exclude the revenues of Fannie May, e-commerce revenues increased 4.3% during fiscal 2018, due to growth within the Company's Consumer Floral segment, as well as growth in the Gourmet Foods & Gift Baskets segment, reflecting year-over-year growth by Harry & David and 1-800-Baskets. During fiscal 2018, the Company fulfilled approximately 12.4 million e-commerce orders, at an average order value of $74.04, representing increases of 2.4% and 0.4%, respectively, compared to fiscal 2017. Adjusted to exclude Fannie May's revenue and orders, in fiscal 2018, orders increased 5.2%, while average order value decreased 0.9%, in comparison to fiscal 2017.

- **Other revenues** are comprised of the Company's BloomNet Wire Service segment, as well as the whole-sale and retail channels of its 1-800-Flowers.com Consumer Floral and Gourmet Food & Gift Baskets segments. Other revenues increased 8.8% during fiscal 2019, primarily as a result of 14.9% growth within the BloomNet Wire Service segment, and 5.2% growth within the Gourmet Foods & Gift Baskets segment, driven primarily by increased wholesale volume, partially offset by a decline in

Harry & David retail store volume due to a reduction in store count and a decline in customer traffic.

Other revenues decreased 22.5% during fiscal 2018, primarily as a result of the May 2017 disposition of Fannie May, which generated most of its revenues through its retail and wholesale operations. On a comparable basis, adjusting fiscal 2017 to exclude the revenues of Fannie May, other revenues increased 2.0% during fiscal 2018, as a result of growth within the BloomNet Wire Service segment as well as the Gourmet Foods & Gift Baskets segment, driven by 1-800-Baskets and Cheryl's wholesale growth, partially offset by declines in Harry & David retail store volume due to a reduction in store count and a decline in customer traffic.

Revenue by segment:

- **1-800-Flowers.com Consumer Floral** – this segment includes the operations of the 1-800-Flowers.com brand, which derives revenue from the sale of consumer floral products through its e-commerce sales channels (telephonic and online sales), retail stores, and royalties from its franchise operations.

  Net revenues increased 8.8% during fiscal 2019 due to stable growth throughout the year, driven by a combination of organic growth and increased investment in strategic marketing and merchandising programs designed to accelerate growth and increase market share across its "everyday" gifting occasions, which focuses on "Birthday", "Anniversary", " Sympathy" and "Just Because" occasions. New product introductions at both the entry level and luxury price points, such as the expanded Unicorn and succulents collections, attract new customers to grow the brand's "everyday" business, while supporting continued growth during the key Christmas, Valentine's and Mother's Day holidays.

  Net revenues increased 4.7% during fiscal 2018 due to strength in everyday gifting driven by the Company's investments in strategic marketing and merchandising programs designed to accelerate growth and increase market share, while also expanding its offerings of original gifts. The brand continued its strong Valentine's Day growth trend, driven in part by the brand's ability to take advantage of a Wednesday date placement, building off fiscal 2017's Tuesday date placement, compared to Fiscal 2016's Sunday Valentine's Day date placement, which is the lowest performing date placement within the week for the Company. While Mother's Day growth was also strong, annual growth in fiscal 2018 was negatively impacted by hurricanes Harvey and Irma.

- **BloomNet Wire Service** – revenues in this segment are derived from membership fees as well as other product and service offerings to florists.

  Net revenues increased 14.9% during fiscal 2019, primarily due to higher services revenues, including membership, clearinghouse, directory and transaction fees, monetizing the increased 1-800-Flowers and florist-to-florist orders being sent through the network, building on the efforts begun during the second half of fiscal 2018 to capture a greater share of orders from local flower shops and third-party, online floral companies.

  Net revenues increased 2.1% during fiscal 2018, due to higher wholesale product revenues, and higher transaction fees due to fee increases, partially offset by lower membership and ancillary fees resulting from an unfavorable network shop count. During fiscal 2018, the Company made investments in BloomNet where it enhanced its digital marketing programs, offering Search Engine Optimization ("SEO") and Search Engine Marketing ("SEM") capabilities to our florists for their websites, introduced new digital directory features designed to help florists highlight their unique offerings and drive additional incoming orders from sending florists, and in the second half of the year, expanded efforts to capture a growing volume of orders from local flower shops and third-party, online floral companies, resulting in improved second half growth.

- **Gourmet Food & Gift Baskets** – this segment includes the operations of Harry & David, Wolferman's, Stock Yards, Cheryl's, The Popcorn Factory and 1-800-Baskets/DesignPac. Revenue is derived from the sale of gourmet fruits, cookies, baked gifts, premium chocolates and confections, gourmet popcorn, gift baskets, and prime steaks and chops through the Company's e-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Harry & David and Cheryl's brand names, as well as wholesale operations.

  Net revenues increased 7.1% during fiscal 2019, attributable to growth from nearly all brands, but primarily due to: (i) strong growth from Harry & David, driven by improved merchandising assortments, increased investments in digital marketing programs, and its "Share More" messaging which resonated with customers, contributing to new customer acquisition and increases in its "everyday" business, and (ii) 1-800-Baskets/DesignPac, which generated year-over-year growth from new and existing wholesale customers, as well through its e-commerce business attributable to its Simply Chocolate product line.

  Net revenues during fiscal 2018 were unfavorable by 9.7%, in comparison to prior year, due to the disposition of Fannie May on May 30, 2017. On a comparable basis, adjusting fiscal 2017 to exclude Fannie May results, fiscal 2018 net revenues were favorable in comparison to adjusted prior year revenues by 3.2%, driven primarily by continued growth in everyday gifting in Harry & David and 1-800-Baskets. Comparable segment revenue growth was attributable to several initiatives implemented during the year, including: (i) the

Company's successful efforts to grow the "everyday" volume of its Gourmet Foods & Gift Baskets brands through expanded *Birthday*, *Sympathy* and *Thank You* merchandise, (ii) development of merchandising assortments and digital marketing programs that helped to broaden the demographic reach of the brands within the segment, and, (iii) the launch of the Simply Chocolate product line, which is managed by 1-800-Baskets. Comparable revenue growth was negatively impacted by a temporary disruption in operations at our Cheryl's brand, related to the implementation of a new production and warehouse management system, which, in turn, led to the brand's decision to stop taking orders eight days prior to the Christmas holiday.

For fiscal 2020, the Company plans to continue to invest in strategic marketing and merchandising programs to take advantage of market conditions and build on the revenue growth momentum. The Company expects to grow revenues across all three of its business segments with consolidated revenue growth of 8.0%-to-9.0% compared with fiscal 2019, including approximately 6.0%-to-7.0% percent organic revenue growth, combined with anticipated contributions from the acquisition of the Shari's Berries brand (acquired in August 2019).

Gross Profit

	Years Ended				
	June 30, 2019	**% Change**	July 1, 2018	% Change	July 2, 2017
	(dollars in thousands)				
Gross profit	**$526,121**	**7.6%**	$489,025	-6.0%	$520,281
Gross margin %	**42.1%**		42.5%		43.6%

Gross profit consists of net revenues less cost of revenues, which is comprised primarily of florist fulfillment costs (fees paid directly to florists), the cost of floral and non-floral merchandise sold from inventory or through third parties, and associated costs including inbound and outbound shipping charges. Additionally, cost of revenues includes labor and facility costs related to direct-to-consumer and wholesale production operations.

Gross profit increased 7.6% during the fiscal 2019 due to the increase in revenues noted above, partially offset by a lower gross profit percentage. Gross profit decreased 40 basis points during fiscal 2019, reflecting BloomNet's lower gross margin percentage, as well as hourly labor, particularly seasonal labor, and the growth of our Celebrations Passport free-shipping program, partially offset by Gourmet Food & Gift Baskets logistics initiatives, which reduced per order transportation costs, as well as manufacturing initiatives, including automation and shifting some production to earlier in the season to better utilize our core workforce.

Gross profit decreased 6.0%, while gross profit percentage decreased 110 basis points during fiscal 2018. On a comparable basis, adjusting fiscal 2017 to exclude the gross profit of Fannie May, which was disposed of on May 30, 2017, gross profit increased 0.3% during fiscal 2018, while gross profit percentage decreased 140 basis points. The higher comparable gross profit is due to the increase in comparable revenues noted above, partially offset by a lower gross profit percentage, primarily reflecting the growth of the Company's Passport free-shipping program, higher promotional competitive landscape particularly during Valentine's Day and Mother's Day, and higher transportation and hourly labor costs. Gross profit during fiscal 2018 was also negatively impacted by the operational issue at Cheryl's during the Christmas holiday season.

Consumer Floral segment – Gross profit increased 7.4% during fiscal 2019, due to the aforementioned revenue growth, partially offset by a decrease in gross profit percentage of 50 basis points to 39.2%. The lower gross profit percentage reflects higher product costs, an increased Celebrations Passport program participation, which has been driving improved customer loyalty and purchase frequency, and increased transportation costs. Gross profit increased by 2.3% during fiscal 2018, due to the aforementioned revenue growth, partially offset by a decrease in gross profit percentage of 90 basis points, to 39.7%. The lower gross profit percentage reflects increased promotional activity in order to increase market share, especially during the critical Valentine's Day and Mother's Day holidays, and the growth of the Company's Passport free-shipping program.

BloomNet Wire Service segment – Gross profit increased 6.9% during fiscal 2019, due to the increase in revenues noted above, partially offset by a decrease in gross profit percentage of 380 basis points to 50.5%. The lower gross profit percentage is due to the increase in the volume of lower margin florist-to-florist orders, on membership and transaction fee margins, as a result of an increase in rebates to support the brand's efforts to gain market share. Gross profit decreased 1.9% during fiscal 2018, due to a decline in gross profit percentage of 220 basis points to 54.3%, partially offset by the increase in revenues noted above. The lower gross profit percentage was due to sales mix, with a decline in higher margin membership and related services, offset by an increase in lower margin wholesale product sales, as well as increased transportation costs, and higher rebates, as a result of the Company's strategy to capture market share.

Gourmet Foods & Gift Baskets segment – Gross profit increased by 7.9% during fiscal 2019, due to the increase in revenues noted above, as well as increased margins. Gross profit percentage increased 30 basis points to 42.9% during fiscal 2019, due to logistics initiatives which reduced shipping and transportation costs, combined with strategic pricing initiatives, and improved operational performance at Cheryl's, partially offset by rising labor costs, and penetration of the Celebrations Passport program.

Gross profit decreased by 11.8% during fiscal 2018, while gross profit percentage decreased 100 basis points to 42.6%, over the same period. On a comparable basis, adjusting prior year to exclude the gross profit of Fannie May, which was disposed of on May 30, 2017, gross profit declined 0.7% and gross profit percentage decreased 160 basis points, to 42.6%, during fiscal 2018 in comparison to fiscal 2017. The lower gross profit percentage was due to the impact of the operational issue at Cheryl's during the second quarter, which caused increased labor, expedited shipping and product write-downs, but also due to the lingering effects experienced in the third quarter as a result of customer "win-back" promotional programs and liquidation of inventory which was sold in place of full margin product. In addition, although revenue growth provided for improved gross profit at Harry & David, higher transportation costs at our Harry & David and wholesale 1-800-Baskets brand, negatively impacted gross profit percentage.

In fiscal 2020, the Company expects its gross profit to improve due to sales growth, with gross margins that are consistent with fiscal 2019, as productivity and logistical improvements are expected to largely offset labor and tariff increases.

Marketing and Sales Expense

	Years Ended				
	June 30, 2019	**% Change**	July 1, 2018	% Change	July 2, 2017
	(dollars in thousands)				
Marketing and sales	**$319,636**	**7.0%**	$298,810	-5.9%	$317,527
Percentage of sales	**25.6%**		25.9%		26.6%

Marketing and sales expense consists primarily of advertising and promotional expenditures, catalog costs, online portal and search costs, retail store and fulfillment operations (other than costs included in cost of revenues) and customer service center expenses, as well as the operating expenses of the Company's departments engaged in marketing, selling and merchandising activities.

Marketing and sales expense increased 7.0% during fiscal 2019, primarily due to increased advertising spend within the Consumer Floral and Gourmet Food & Gift Baskets segments, associated with the Company's incremental marketing efforts designed to accelerate revenue growth and capture market share, coupled with an increase in performance-based bonuses. Increased efficiency around our digital marketing programs generated strong revenue growth, which in turn, enabled us to leverage our platform, while automation initiatives in our service centers drove lower customer service costs. As a result, marketing and sales as a percentage of net revenues, during fiscal 2019 decreased to 25.6% compared with 25.9% in fiscal 2018.

Marketing and sales expense decreased 5.9% during fiscal 2018, compared to fiscal 2017, due to the disposition of Fannie May on May 30, 2017. On a comparable basis, adjusting fiscal 2017 to exclude Fannie May's marketing and sales expenditures, marketing and sales expense increased 2.0% during fiscal 2018, but decreased as a percentage of net revenue to 25.9% compared to 26.4% during fiscal year 2017. On a comparable basis, the increase in spend came from the Consumer Floral and Gourmet Foods & Gift Baskets segments, commensurate with revenue growth, as a result of the Company's incremental marketing efforts designed to accelerate revenue growth and capture market share during the highly competitive and promotional Valentine's Day and Mother's Day holidays. This increased marketing spend was partially offset by a reduction in performance-based bonuses, resulting in an overall reduction in total marketing and sales spend ratios, as a percentage of net revenues.

During fiscal 2019, the Company added approximately 3.1 million new e-commerce customers, an increase of 10.7% over the prior year. During fiscal 2018, the Company added approximately 2.8 million new e-commerce customers, an increase of 6.6% over fiscal 2017. Approximately 57% of customers who placed e-commerce orders during fiscal 2019 were repeat customers compared to approximately 59% in fiscal 2018.

Technology and Development Expense

	Years Ended				
	June 30, 2019	**% Change**	July 1, 2018	% Change	July 2, 2017
	(dollars in thousands)				
Technology and development	**$43,758**	**11.5%**	$39,258	0.9%	$38,903
Percentage of sales	**3.5%**		3.4%		3.3%

Technology and development expense consists primarily of payroll and operating expenses of the Company's information technology group, costs associated with its websites, including hosting, design, content development and maintenance and support costs related to the Company's order entry, customer service, fulfillment and database systems.

Technology and development expenses increased by 11.5% during fiscal 2019, as a result of increased license and maintenance costs required to support the Company's technology platform, and higher labor and consulting costs due to annual merit increases and an increase in performance-based bonuses.

Technology and development expenses increased 0.9% during fiscal 2018, primarily due to increased license and maintenance costs related to cloud based contact center telecommunications support, payment gateways, order management systems, and security software, partially offset by a decrease in labor and consulting costs due to reductions in headcount and performance based bonuses.

During fiscal years 2019, 2018 and 2017, the Company expended $65.4 million, $61.2 million and $59.2 million, respectively, on technology and development, of which $21.6 million, $21.9 million and $20.3 million, respectively, has been capitalized.

General and Administrative Expense

	Years Ended				
	June 30, 2019	**% Change**	July 1, 2018	% Change	July 2, 2017
	(dollars in thousands)				
General and administrative	**$87,654**	**13.2%**	$77,440	-7.9%	$84,116
Percentage of sales	**7.0%**		6.7%		7.0%

General and administrative expense consists of payroll and other expenses in support of the Company's executive, finance and accounting, legal, human resources and other administrative functions, as well as professional fees and other general corporate expenses.

General and administrative expense increased 13.2% during fiscal 2019, primarily due to an increase in labor costs related to performance-based bonuses and merit increases, as well as increased health insurance costs, and the reinstatement of the Company's 401k match (See Note 14. in Item 15 for details regarding Employee Retirement Plans).

General and administrative expense decreased 7.9% during fiscal 2018, primarily due to the disposition of Fannie May on May 30, 2017. On a comparable basis, adjusting fiscal 2017 to exclude Fannie May's general and administrative expenditures, general and administrative expense during fiscal 2018, was consistent with fiscal 2017 as higher health insurance costs due to unfavorable medical claims, as well as an increase in legal fees and bad debt expense, due to the bankruptcy of a wholesale customer, was offset by lower labor costs due to a reduction in performance-based bonuses.

Depreciation and Amortization

	Years Ended				
	June 30, 2019	**% Change**	July 1, 2018	% Change	July 2, 2017
	(dollars in thousands)				
Depreciation and amortization	**$29,965**	**-7.7%**	$32,469	-2.7%	$33,376
Percentage of sales	**2.4%**		2.8%		2.8%

Depreciation and amortization expense decreased 7.7% during fiscal 2019, as certain short-lived assets were fully depreciated/amortized early in fiscal 2019, while the timing of certain longer-term capital projects have been extended into fiscal 2020.

Depreciation and amortization expense decreased 2.7% during fiscal 2018, due to the disposition of Fannie May. On a comparable basis, adjusting fiscal 2017 to exclude Fannie May's depreciation and amortization expense, depreciation and amortization expense increased 4.5% during fiscal 2018, as a result of recent shorter-lived IT capital expenditures.

Interest Expense, net

	Years Ended				
	June 30, 2019	**% Change**	July 1, 2018	% Change	July 2, 2017
	(dollars in thousands)				
Interest expense, net	**$2,769**	**-23.7%**	$3,631	-37.6%	$5,821

Interest expense, net consists primarily of interest expense and amortization of deferred financing costs attributable to the Company's credit facility (See Note 9. in Item 15 for details), net of income earned on the Company's available cash balances.

Interest expense, net decreased 23.7% during fiscal 2019, due to an increase in interest income, resulting from higher invested cash balances and associated rates earned on these balances, combined with a declining outstanding Term Loan balance, partially offset by increasing interest rates on the Company's credit facility.

Interest expense, net decreased 37.6% during fiscal 2018, due to the scheduled repayment of term loan borrowings, the funding of Christmas holiday working capital requirements primarily through the use of cash on hand from the sale of Fannie May, in comparison to fiscal 2017, when the Company funded working capital requirements through its revolving credit facility, as well as higher interest income on the Company's outstanding cash balances (associated with cash received from the sale of Fannie May in the prior year).

Other Income, net

	Years Ended				
	June 30, 2019	**% Change**	July 1, 2018	% Change	July 2, 2017
	(dollars in thousands)				
Other income, net	**$644**	**6.4%**	$605	-96.1%	$15,471

Other income, net for fiscal 2019 consists primarily of investment earnings on the Company's Non-Qualified Deferred Compensation Plan assets.

Other income, net for fiscal 2018 consists primarily of investment earnings of the Company's Non-Qualified Deferred Compensation Plan assets, partially offset by a $0.2 million impairment related to the Company's equity method investment in Flores Online (see Note 2. for details).

Other (income) expense, net for fiscal 2017 consists primarily of a $14.6 million gain on the sale of Fannie May (see Note 4. for details), a $1.0 million investment gain related to the Company's Non-Qualified Deferred Compensation Plan (see "General and Administrative" expense above), partially offset by a $0.1 million loss related to the Company's equity in the net loss of Flores Online (see Note 2. for details).

Income Taxes

During the fiscal years 2019, 2018, and 2017, the Company recorded income tax expense (benefit) from continuing operations of $8.2 million, ($2.8) million, and $12.0 million, respectively, resulting in an effective tax rate of 19.1%, -7.3%, and 21.4%, respectively. The Company's effective tax rate for fiscal 2019 differed from the U.S. federal statutory rate of 21% primarily due to the impact of excess tax benefit from stock-based compensation and various tax credits, partially offset by state income taxes and non-deductible executive compensation as a result of recent tax reform from The Tax Cuts and Jobs Act ("Tax Act") which removed the performance based exclusion for determining the deductible limit. The Company's effective tax rate for fiscal 2018 was impacted by the enactment of the Tax Act on December 22, 2017 (see Note 2.). Although the Tax Act was enacted on December 22, 2017, since the Company had a July 1 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal 2018, and 21% for the fiscal 2019. In addition to the impact of the lower transitional rate, during fiscal 2018, the Company recognized a tax benefit of $12.2 million, or $0.18 per diluted share, reflecting a revaluation of deferred tax liabilities at the lower U.S. federal statutory rate of 21%. Adjusted for the benefit of $12.2 million, the Company's effective tax rate would have been 24.8%, reflecting various tax credits and return to provision adjustments related to the filing of the Company's fiscal 2017 tax return. The Company's effective tax rate for fiscal 2017 differed from the U.S. federal statutory rate of 35% primarily due to the impact of state income taxes, valuation allowance changes, rate differences, tax settlements, various tax credits/deductions including deductible stock-based compensation, and the tax effect of the Fannie May disposition in fiscal 2017 (see Note 11. for details).

At June 30, 2019, the Company's total federal and state capital loss carryforwards were $27.8 million, which if not utilized, will expire in fiscal 2022. The Company's foreign net operating loss carryforwards were $3.3 million, which if not utilized, will begin to expire in fiscal 2034.

Liquidity and Capital Resources

Liquidity and borrowings

The Company's principal sources of liquidity are cash on hand, cash flows generated from operations and borrowings available under the 2019 Credit Agreement (see Note 9. for details). At June 30, 2019, the Company had working capital of $175.7 million, including cash and cash equivalents of $172.9 million, compared to working capital of $148.2 million, including cash and cash equivalents of $147.2 million at July 1, 2018. As of June 30, 2019, there were no borrowings outstanding under the Company's Revolver. Due to the seasonal nature of the Company's business, and its continued expansion into non-floral products, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, is expected to generate nearly 50% of the Company's annual revenues, and all of its earnings. As a result, the Company expects to generate significant cash from operations during its second quarter, and then utilize that cash for operating needs during its fiscal third and fourth quarters, after which time, the Company expects to borrow against its Revolver to fund pre-holiday manufacturing and inventory purchases. Borrowings under the Revolver typically peak in November, at which time cash generated from operations during the Christmas holiday shopping season are expected to enable the Company to repay working capital borrowings prior to the end of December.

We believe that our sources of funding will be sufficient to meet our anticipated operating cash needs for at least the next 12 months. However, any projections of future cash needs and cash flows are subject to substantial uncertainty. We continually evaluate opportunities to repurchase common stock and we will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services, capital infrastructure, and technologies, which might affect our liquidity requirements or cause us to require additional financing.

Cash Flows

Net cash provided by operating activities of $78.1 million for fiscal 2019 was primarily attributable to the Company's net income, adjusted for non-cash charges for depreciation and amortization and stock-based compensation, as well as increases in accounts payable and accrued expenses as a result of the timing of our seasonal inventory build and performance-based bonus payments, partially offset by the accelerated production of inventory to reduce the operational risk related to production ramp requirements during the holiday and to avoid potential tariff impacts.

Net cash used in investing activities of $32.6 million for fiscal 2019 was primarily attributable to capital expenditures related to the Company's technology initiatives and Gourmet Food & Gift Baskets segment manufacturing production, warehousing and orchard planting equipment.

Net cash used in financing activities of $19.9 million for fiscal 2019 was for the acquisition of $14.8 million of treasury stock, net bank repayments of $4.9 million, debt issuance costs of $1.4 million related to the amended credit agreement (see Note 9 for details), partially offset by $1.2 million in proceeds from the exercise of employee stock options.

Stock Repurchase Program

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In October 2016, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $25 million. In August 2017, the Board of Directors increased the authorization to $30.0 million, and subsequently increased it once more on June 27, 2019 to $30.0 million. The Company repurchased a total of $14.8 million (1,230,303 shares), $12.2 million (1,269,059 shares) and $10.7 million (1,120,706 shares) during fiscal years 2019, 2018 and 2017, respectively, under this program. As of June 30, 2019, $30.0 million remains authorized under the plan.

Contractual Obligations

At June 30, 2019, the Company's contractual obligations from continuing operations consist of:

		Payments due by period *(in thousands)*			
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt obligations (1)	$116,617	$ 8,950	$22,175	$ 85,492	$ —
Operating lease obligations	106,567	16,588	25,571	19,455	44,953
Purchase commitments (2)	105,947	100,479	4,536	932	—
Total	$329,131	$126,017	$52,282	$105,879	$44,953

(1) The payments due for long-term debt include principal and estimated interest payments on the Company's Term Loan (see Note 9. for details). Estimated interest payments are based on outstanding principal amounts, currently effective interest rates as of June 30, 2019 and timing of scheduled principal payments.

(2) Purchase commitments consist primarily of inventory and equipment purchase orders made in the ordinary course of business.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial position and results of operations are based upon the consolidated financial statements of 1-800-FLOWERS.COM, Inc., which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management evaluates its estimates on an ongoing basis, and bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We consider accounting estimates to be critical if both: (i) the nature of the estimate or assumption is material due to the levels of subjectivity and judgment involved, and (ii) the impact within a reasonable range of outcomes of the estimate and assumption is material to the Company's financial condition. Our critical accounting policies relate to goodwill, other intangible assets and income taxes. Management of the Company has discussed the selection of critical accounting policies and the effect of estimates with the Audit Committee of the Company's Board of Directors.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in each business combination, with the carrying value of the Company's goodwill allocated to its reporting units, in accordance with the acquisition method of accounting. Goodwill is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently, if events occur or circumstances change such that it is more likely than not that an impairment may exist. The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components.

In applying the goodwill impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a two-step quantitative test (consisting of "Step 1" and "Step 2"). Under the Step 0 test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value. Qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit, and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the fair value of the reporting unit is less than the carrying value, then performing the two-step quantitative test is necessary.

The first step ("Step 1") of the two-step quantitative test requires comparison of the fair value of each of the reporting units to their respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists and the second step ("Step 2") is not performed. If the carrying value of the reporting unit is higher than the fair value, Step 2 must be performed to compute the amount of the goodwill impairment, if any. In Step 2, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The Company generally estimates the fair value of a reporting unit using an equal weighting of the income and market approaches. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, the Company engages third-party valuation specialists. Under the income approach, the Company uses a discounted cash flow methodology, which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, the Company uses the guideline public company method. Under this method, the Company utilizes information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance of the reporting unit being tested, in order to obtain their respective fair values. The Company also reconciles the aggregate fair values of its reporting units determined in the first step (as described above) to its current market capitalization, allowing for a reasonable control premium.

During fiscal year 2019, the Company did not perform a Step 0 analysis and instead opted to perform a Step 1 analysis, and determined that the estimated fair value of the Company's reporting units significantly exceeded their respective carrying values (including goodwill allocated to each respective reporting unit). As a measure of sensitivity, a 45% decrease in the fair value of the Company's reporting units as of June 30, 2019, would have had no impact on the carrying value of the Company's goodwill. In addition, a decrease of 100 basis points in our terminal (perpetual) growth rate or an increase of 100 basis points in our weighted-average cost of capital would still result in a fair value calculation exceeding our book value for each of our reporting units, as of June 30, 2019. During fiscal years 2018 and 2017, the Company performed a Step 0 analysis and determined that it was not "more likely than not" that the fair values of its reporting units were less than their carrying amounts. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of goodwill. For further discussion of the methods used and factors considered in our estimates as part of the impairment testing for Goodwill, see Note 2 and Note 6.

Other Intangibles, net

Other intangibles consist of definite-lived intangible assets (such as investment in licenses, customer lists, and others) and indefinite-lived intangible assets (such as acquired trade names and trademarks). The cost of definite-lived intangible assets is amortized to reflect the pattern of economic benefits consumed, over the estimated periods benefited, ranging from 3 to 16 years, while indefinite-lived intangible assets are not amortized, but are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable.

The Company tests indefinite-lived intangible assets for impairment at least annually, during the fourth quarter, or whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. In applying the impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a quantitative test. Under the Step 0 test, the Company assesses qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. Qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, financial performance, legal and other entity and asset specific events. If, after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the indefinite-lived intangible asset is impaired, then performing the quantitative test is necessary. The quantitative impairment test for indefinite-lived intangible assets encompasses calculating a fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, impairment is recognized for the difference. To determine fair value of other indefinite-lived intangible assets, the Company uses an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. Other indefinite-lived intangible assets' fair values require significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and royalty rates applied to those cash flows to determine fair value.

During fiscal year 2019, the Company did not perform a Step 0 analysis and instead opted to perform a quantitative test, which determined that the estimated fair value of the Company's intangibles exceeded their respective carrying value in all material respects. During fiscal years 2018 and 2017, the Company performed a Step 0 analysis and determined that it was not "more likely than not" that the fair values of the indefinite-lived intangibles were less than their carrying amounts. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of intangibles. For further discussion of the methods used and factors considered in our estimates as part of the impairment testing for Goodwill, see Note 2 and Note 6.

Income Taxes

The Company uses the asset and liability method to account for income taxes. The Company has established deferred tax assets and liabilities for temporary differences between the financial reporting bases and the income tax bases of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. The Company recognizes as a deferred tax asset, the tax benefits associated with losses related to operations. Realization of these deferred tax assets assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that the Company considers in assessing the likelihood of realization include the forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The amount of unrecognized tax benefits ("UTBs") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. We recognize both accrued interest and penalties, where appropriate, related to UTBs in income tax expense. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes. For further discussion of the methods used and factors considered in our estimates as part of the impairment testing for Goodwill, see Note 2 and Note 11.

Recently Issued Accounting Pronouncements

See Note 2. for details regarding the impact of accounting standards that were recently issued on our consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from the effect of interest rate changes and changes in the market values of its investments.

Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment of available cash balances and its long-term debt. The Company generally invests its cash and cash equivalents in investment grade corporate and U.S. government securities. Due to the currently low rates of return the Company is receiving on its cash equivalents, the potential for a significant decrease in short-term interest rates is low and, therefore, a further decrease would not have a material impact on the Company's interest income. Borrowings under the Company's credit facility bear interest at a variable rate, plus an applicable margin, and therefore expose the Company to market risk for changes in interest rates. The effect of a 50 basis point increase in current interest rates on the Company's interest expense would be approximately $0.5 million during fiscal 2019.

Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent 1-800-FLOWERS.COM, Inc.'s (the "Company") current expectations or beliefs concerning future events and can generally be identified by the use of statements that include words such as "estimate," "expects," "project," "believe," "anticipate," "intend," "plan," "foresee," "likely," "will," or similar words or phrases. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control, which could cause actual results to differ materially from the results expressed or implied in the forward-looking statements, including, among others: the Company's ability to achieve its guidance for revenue, Adjusted EBITDA and EPS; its ability to manage the significant seasonality of its business; its ability to integrate the operations of acquired companies; its ability to cost-effectively acquire and retain customers; the outcome of contingencies, including legal proceedings in the normal course of business; its ability to compete against existing and new competitors; its ability to manage expenses associated with sales and marketing and necessary general and administrative and technology investments and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. Reconciliations for forward looking figures would require unreasonable efforts at this time because of the uncertainty and variability of the nature and amount of certain components of various necessary GAAP components, including for example those related to compensation, tax items, amortization or others that may arise during the year, and the Company's management believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors. The lack of such reconciling information should be considered when assessing the impact of such disclosures. The Company undertakes no obligation to publicly update any of the forward-looking statements, whether as a result of new information, future events or otherwise, made in this annual report or in any of its SEC filings except as may be otherwise stated by the Company. For a more detailed description of these and other risk factors, and a list of definitions of non-GAAP terms, please refer to the Company's SEC filings including the Company's Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q. Consequently, you should not consider any such list to be a complete set of all potential risks and uncertainties.

Definitions of non-GAAP Financial Measures:

We sometimes use financial measures derived from consolidated financial information, but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain of these are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission ("SEC") rules. Non-GAAP financial measures referred to in this document are either labeled as "non-GAAP" or designated as such with a "1". See below for definitions and the reasons why we use these non-GAAP financial measures.

EBITDA and Adjusted EBITDA

We define EBITDA as net income (loss) before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for the impact of stock-based compensation, Non-Qualified Plan Investment appreciation/depreciation, and for certain items affecting period-to-period comparability. The Company presents EBITDA and Adjusted EBITDA because it considers such information meaningful supplemental measures of its performance and believes such information is frequently used by the investment community in the evaluation of similarly situated companies. The Company uses EBITDA and Adjusted EBITDA as factors used to determine the total amount of incentive compensation available to be awarded to executive officers and other employees. The Company's credit agreement uses EBITDA and Adjusted EBITDA to determine its interest rate and to measure compliance with certain covenants. EBITDA and Adjusted EBITDA are also used by the Company to evaluate and price potential acquisition candidates. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of the limitations are: (a) EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, the Company's working capital needs; (b) EBITDA and Adjusted EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debts; and (c) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future and EBITDA does not reflect any cash requirements for such capital expenditures. EBITDA and Adjusted EBITDA should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

Free Cash Flow

We define Free Cash Flow as net cash provided by operating activities less capital expenditures. The Company considers Free Cash Flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of fixed assets, which can then be used to, among other things, invest in the Company's business, make strategic acquisitions, strengthen the balance sheet and repurchase stock or retire debt. Free Cash Flow is a liquidity measure that is frequently used by the investment community in the evaluation of similarly situated companies. Since Free Cash Flow is not a measure of performance calculated in accordance with GAAP, it should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the Company's cash balance for the period.

Quarterly Results of Operations

The following table provides unaudited quarterly consolidated results of operations for each quarter of fiscal years 2019 and 2018. The Company believes this unaudited information has been prepared substantially on the same basis as the annual audited consolidated financial statements and all necessary adjustments, consisting of only normal recurring adjustments, have been included in the amounts stated below to present fairly the Company's results of operations. The operating results for any quarter are not necessarily indicative of the operating results for any future period.

	Jun. 30, 2019	Mar. 31, 2019	Dec 30, 2018	Sep. 30, 2018	Jul. 1, 2018	Apr. 1, 2018	Dec. 31, 2017	Oct. 1, 2017
	(in thousands, except per share data)							
Net revenues:								
E-commerce (telephonic/online)	$ 217,477	$ 204,361	458,821	$ 117,700	$ 192,079	$ 196,866	$ 424,132	$ 108,771
Other	41,921	44,052	112,495	51,796	37,855	41,679	101,961	48,578
Total net revenues	259,398	248,413	571,316	169,496	229,934	238,545	526,093	157,349
Cost of revenues	154,164	150,893	316,489	100,956	136,901	145,090	290,834	90,071
Gross profit	105,234	97,520	254,827	68,540	93,033	93,455	235,259	67,278
Operating expenses:								
Marketing and sales	75,855	71,163	119,664	52,954	67,102	68,215	113,771	49,722
Technology and development	11,062	11,511	10,906	10,279	10,172	10,241	9,175	9,670
General and administrative	23,174	22,447	21,603	20,430	19,312	19,553	19,170	19,405
Depreciation and amortization	7,125	7,028	7,969	7,843	7,823	7,885	8,677	8,084
Total operating expenses	117,216	112,149	160,142	91,506	104,409	105,894	150,793	86,881
Operating income (loss)	(11,982)	(14,629)	94,685	(22,966)	(11,376)	(12,439)	84,466	(19,603)
Interest (income) expense, net	379	(30)	1,430	990	712	662	1,226	1,031
Other income (expense), net	351	1,285	(1,266)	274	290	(31)	86	260
Income (loss) before income taxes	(12,010)	(13,314)	91,989	(23,682)	(11,798)	(13,132)	83,326	(20,374)
Income tax expense (benefit)	(3,705)	(5,073)	23,411	(6,416)	(3,575)	(4,669)	12,627	(7,152)
Net income (loss)	$ (8,305)	$ (8,241)	$ 68,578	$ (17,266)	$ (8,223)	$ (8,463)	$ 70,699	$ (13,222)
Basic net income (loss) per common share	$ (0.13)	$ (0.13)	$ 1.07	$ (0.27)	$ 0.13	$ (0.13)	$ 1.09	$ (0.20)
Diluted net income (loss) per common share	$ (0.13)	$ (0.13)	$ 1.04	$ (0.27)	$ 0.13	$ (0.13)	$ 1.06	$ (0.20)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	64,343	64,194	64,209	64,620	64,583	64,527	64,601	64,954
Diluted	64,343	64,194	66,136	64,620	64,583	64,527	66,782	64,954

The Company's quarterly results may experience seasonal fluctuations – see the Seasonality section in Item 1 for details. Refer above to the Results of Operations section for a discussion of significant events and transactions.

Consolidated Balance Sheets

1-800-FLOWERS.COM, Inc. and Subsidiaries

(in thousands, except share data)

	June 30, 2019	July 1, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 172,923	$ 147,240
Trade receivables, net	12,374	12,935
Inventories	92,361	88,825
Prepaid and other	25,580	24,021
Total current assets	303,238	273,021
Property, plant and equipment, net	166,681	163,340
Goodwill	62,590	62,590
Other intangibles, net	59,615	59,823
Other assets	14,316	12,115
Total assets	$ 606,440	$ 570,889
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 25,704	$ 41,437
Accrued expenses	96,793	73,299
Current maturities of long-term debt	5,000	10,063
Total current liabilities	127,497	124,799
Long-term debt	91,973	92,267
Deferred tax liabilities	28,898	26,200
Other liabilities	15,361	12,719
Total liabilities	263,729	255,985
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued	–	–
Class A common stock, $.01 par value, 200,000,000 shares authorized, 53,084,127 and 52,071,293 shares issued in 2019 and 2018, respectively	530	520
Class B common stock, $.01 par value, 200,000,000 shares authorized, 33,822,823 shares issued in 2019 and 2018	338	338
Additional paid-in capital	349,319	341,783
Retained earnings	108,525	73,429
Accumulated other comprehensive loss	(269)	(200)
Treasury stock, at cost, 17,209,093 and 15,978,790 Class A shares in 2019 and 2018, respectively, and 5,280,000 Class B shares in 2019 and 2018	(115,732)	(100,966)
Total stockholders' equity	342,711	314,904
Total liabilities and stockholders' equity	$ 606,440	$ 570,889

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

1-800-FLOWERS.COM, Inc. and Subsidiaries

(in thousands, except per share data)

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017
Net revenues	**$1,248,623**	$1,151,921	$1,193,625
Cost of revenues	**722,502**	662,896	673,344
Gross profit	**526,121**	489,025	520,281
Operating expenses:			
Marketing and sales	**319,636**	298,810	317,527
Technology and development	**43,758**	39,258	38,903
General and administrative	**87,654**	77,440	84,116
Depreciation and amortization	**29,965**	32,469	33,376
Total operating expenses	**481,013**	447,977	473,922
Operating income	**45,108**	41,048	46,359
Interest expense, net	**2,769**	3,631	5,821
Other income	**644**	605	15,471
Income before income taxes	**42,983**	38,022	56,009
Income tax expense (benefit)	**8,217**	(2,769)	11,968
Net Income	**$ 34,766**	$ 40,791	$ 44,041
Basic net income per common share	**$ 0.54**	$ 0.63	$ 0.68
Diluted net income per common share	**$ 0.52**	$ 0.61	$ 0.65
Weighted average shares used in the calculation of net income per common share:			
Basic	**64,342**	64,666	65,191
Diluted	**66,457**	66,938	67,735

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

1-800-FLOWERS.COM, Inc. and Subsidiaries

(in thousands)

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017
Net income	**$34,766**	$40,791	$44,041
Other comprehensive loss (currency translation)	**(69)**	(13)	(41)
Comprehensive income	**$34,697**	$40,778	$44,000

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

1-800-FLOWERS.COM, Inc. and Subsidiaries

Years ended June 30, 2019, July 1, 2018 and July 2, 2017

(in thousands, except share data)

	Common Stock				Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Class A		Class B							
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at July 3, 2016	48,846,449	$ 488	35,263,004	$ 353	$ 331,349	$ (11,403)	$ (146)	18,869,025	$ (78,055)	$ 242,586
Net income	–	–	–	–	–	44,041	–	–	–	44,041
Translation adjustment	–	–	–	–	–	–	(41)	–	–	(41)
Conversion of Class B stock into Class A stock	1,361,401	14	(1,361,401)	(14)	–	–	–	–	–	–
Stock-based compensation	965,429	10	–	–	6,092	–	–	–	–	6,102
Exercise of stock options	54,500	1	–	–	285	–	–	–	–	286
Acquisition of Class A treasury stock	–	–	–	–	–	–	–	1,120,706	(10,735)	(10,735)
Balance at July 2, 2017	51,227,779	513	33,901,603	339	337,726	32,638	(187)	19,989,731	(88,790)	282,239
Net income	–	–	–	–	–	40,791	–	–	–	40,791
Translation adjustment	–	–	–	–	–		(13)	–	–	(13)
Conversion of Class B stock into Class A stock	78,780	1	(78,780)	(1)	–	–	–	–	–	–
Stock-based compensation	622,734	5	–	–	3,721	–	–	–	–	3,726
Exercise of stock options	142,000	1	–	–	336	–	–	–	–	337
Acquisition of Class A treasury stock	–	–	–	–	–	–	–	1,269,059	(12,176)	(12,176)
Balance at July 1, 2018	52,071,293	520	33,822,823	338	341,783	73,429	(200)	21,258,790	(100,966)	314,904
Net income	–	–	–	–	–	34,766	–	–	–	34,766
Translation adjustment	–	–	–	–	–	–	(69)	–	–	(69)
Stock-based compensation	411,600	4	–	–	6,306	–	–	–	–	6,310
Exercise of stock options	601,234	6	–	–	1,230	–	–	–	–	1,236
Other	–	–	–	–	330	–	–	–	–	330
Acquisition of Class A treasury stock	–	–	–	–	–	–	–	1,230,303	(14,766)	(14,766)
Balance at June 30, 2019	**53,084,127**	**$ 530**	**33,822,823**	**$ 338**	**$ 349,319**	**$ 108,525**	**$ (269)**	**22,489,093**	**$(115,732)**	**$ 342,711**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

1-800-FLOWERS.COM, Inc. and Subsidiaries

(in thousands)

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017
Operating activities:			
Net income	**$ 34,766**	$ 40,791	$ 44,041
Reconciliation of net income to net cash provided by operating activities, net of acquisitions/dispositions:			
Gain on sale of Fannie May	**–**	–	(14,607)
Depreciation and amortization	**29,965**	32,469	33,376
Amortization of deferred financing costs	**969**	953	1,532
Deferred income taxes	**2,698**	(7,668)	(1,649)
Bad debt expense	**1,383**	1,068	1,158
Stock-based compensation	**6,310**	3,726	6,102
Other non-cash items	**(16)**	565	133
Changes in operating items:			
Trade receivables	**(822)**	70	(6,220)
Inventories	**(3,536)**	(12,963)	(9,277)
Prepaid and other	**(2,313)**	(6,286)	(2,609)
Accounts payable and accrued expenses	**8,846**	5,249	9,132
Other assets	**(344)**	(88)	(36)
Other liabilities	**194**	455	(66)
Net cash provided by operating activities	**78,100**	58,341	61,010
Investing activities:			
Proceeds from sale of business	**–**	–	111,955
Working capital adjustment related to sale of Fannie May	**–**	(8,500)	–
Capital expenditures, net of non-cash expenditures	**(32,560)**	(33,306)	(33,653)
Net cash provided by (used in) investing activities	**(32,560)**	(41,806)	78,302
Financing activities:			
Acquisition of treasury stock	**(14,766)**	(12,176)	(10,735)
Proceeds from exercise of employee stock options	**1,236**	337	286
Proceeds from bank borrowings	**32,250**	30,000	181,000
Repayment of notes payable and bank borrowings	**(37,187)**	(37,188)	(186,451)
Debt issuance costs	**(1,390)**	–	(1,506)
Net cash used in financing activities	**(19,857)**	(19,027)	(17,406)
Net change in cash and cash equivalents	**25,683**	(2,492)	121,906
Cash and cash equivalents:			
Beginning of year	**147,240**	149,732	27,826
End of year	**$172,923**	$147,240	$149,732

Supplemental Cash Flow Information:

- Interest paid amounted to $4.7 million, $4.0 million, and $4.4 million, for the years ended June 30, 2019, July 1, 2018 and July 2, 2017, respectively.
- The Company paid income taxes of approximately $8.8 million, $5.2 million, and $6.8 million, net of tax refunds received, for the years ended June 30, 2019, July 1, 2018, and July 2, 2017, respectively.

See accompanying Notes to Consolidated Financial Statements.

Note 1. Description of Business

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company") is a leading provider of gifts designed to help customers express, connect and celebrate. For more than 40 years, 1-800-Flowers.com has been delivering smiles to customers with gifts for every occasion, including fresh flowers and the best selection of plants, gift baskets, gourmet foods, confections, jewelry, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee backs every gift.

The Company's Celebrations Ecosystem includes the following brands: 1-800-Flowers.com, 1-800-Baskets.com, Cheryl's Cookies, FruitBouquets.com, Harry & David, Moose Munch, The Popcorn Factory, Wolferman's, Personalization Universe, Simply Chocolate, Goodsey, DesignPac, and Stock Yards. Through the Celebrations Passport loyalty program, which provides members with free standard shipping and no service charge across our portfolio of brands, 1-800-FLOWERS.COM, Inc. strives to deepen its relationships with its customers. The Company also operates BloomNet, an international floral wire service providing a broad-range of products and services designed to help professional florists grow their businesses profitably; as well as Napco, a resource for floral gifts and seasonal décor.

Note 2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of 1-800-FLOWERS.COM, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. During fiscal years 2019, 2018 and 2017, approximately 1% of consolidated net revenue came from international sources.

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2019, 2018, and 2017, which ended on June 30, 2019, July 1, 2018, and July 2, 2017, respectively, consisted of 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with banks, highly liquid money market funds, United States government securities, overnight repurchase agreements and commercial paper with maturities of three months or less when purchased.

Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out method of accounting.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives. Amortization of leasehold improvements and capital leases is computed using the straight-line method over the shorter of the estimated useful lives and the initial lease terms. The Company capitalizes certain internal and external costs incurred to acquire or develop internal-use software. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software. Orchards in production, consisting of direct labor and materials, supervision and other items, are capitalized as part of capital projects in progress – orchards until the orchards produce fruit in commercial quantities. Upon attaining commercial levels of production, the capital investments in these orchards are recorded as land improvements. Estimated useful lives are periodically reviewed, and where appropriate, changes are made prospectively.

The Company's property, plant and equipment are depreciated using the following estimated lives:

Building and building improvements (years)	10 - 40
Leasehold improvements (years)	3 - 10
Furniture, fixtures and production equipment (years)	3 - 10
Software (years)	3 - 7
Orchards in production and land improvements (years)	15 - 35

Property, plant and equipment are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in each business combination, with the carrying value of the Company's goodwill allocated to its reporting units, in accordance with the acquisition method of accounting. Goodwill is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist. The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components.

In applying the goodwill impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a two-step quantitative test (consisting of "Step 1" and "Step 2"). Under the Step 0 test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value. Qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is “more-likely-than-not” that the fair value of the reporting unit is less than the carrying value, then performing the two-step quantitative test is necessary.

The first step (“Step 1”) of the two-step quantitative test requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists and the second step (“Step 2”) is not performed. If the carrying value of the reporting unit is higher than the fair value, Step 2 must be performed to compute the amount of the goodwill impairment, if any. In Step 2, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The Company generally estimates the fair value of a reporting unit using an equal weighting of the income and market approaches. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, the Company engages third-party valuation specialists. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, the Company uses the guideline public company method. Under this method the Company utilizes information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance of the reporting unit being tested, in order to obtain their respective fair values. The Company also reconciles the aggregate fair values of its reporting units determined in the first step (as described above) to its current market capitalization, allowing for a reasonable control premium.

During fiscal year 2019, the Company did not perform a Step 0 analysis and instead opted to perform a Step 1 analysis, and determined that the estimated fair value of the Company’s reporting units significantly exceeded their respective carrying values (including goodwill allocated to each respective reporting unit). During fiscal years 2018 and 2017, the Company performed a Step 0 analysis and determined that it was not “more likely than not” that the fair values of its reporting units were less than their carrying amounts. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of goodwill.

Other Intangibles, net

Other intangibles consist of definite-lived intangible assets (such as investment in licenses, customer lists, and others) and indefinite-lived intangible assets (such as acquired trade names and trademarks). The cost of definite-lived intangible assets is amortized to reflect the pattern of economic benefits consumed, over the estimated periods benefited, ranging from 3 to 16 years, while indefinite-lived intangible assets are not amortized.

Definite-lived intangibles are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, then an impairment charge would be recorded for the excess of the carrying value over the fair value, which is determined by discounting future cash flows.

The Company tests indefinite-lived intangible assets for impairment at least annually, during the fourth quarter, or whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. In applying the impairment test, the Company has the option to perform a qualitative test (also known as “Step 0”) or a quantitative test. Under the Step 0 test, the Company assesses qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, financial performance, legal and other entity and asset specific events. If, after assessing these qualitative factors, the Company determines it is “more-likely-than-not” that the indefinite-lived intangible asset is impaired, then performing the quantitative test is necessary. The quantitative impairment test for indefinite-lived intangible assets encompasses calculating a fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, impairment is recognized for the difference. To determine fair value of other indefinite-lived intangible assets, the Company uses an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. Other indefinite-lived intangible assets’ fair values require significant judgments in determining both the assets’ estimated cash flows as well as the appropriate discount and royalty rates applied to those cash flows to determine fair value.

During fiscal year 2019, the Company did not perform a Step 0 analysis and instead opted to perform a quantitative test, which determined that the estimated fair value of the Company’s intangibles exceeded their respective carrying value in all material respects. During fiscal years 2018 and 2017, the Company performed a Step 0 analysis and determined that it was not “more likely than not” that the fair values of the indefinite-lived intangibles were less than their carrying amounts. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of intangibles.

Business Combinations

The Company accounts for business combinations in accordance with ASC Topic 805, which requires, among other things, the acquiring entity in a business combination to recognize the fair value of all the assets acquired and liabilities assumed; the recognition of acquisition-related costs in the consolidated results of operations; the recognition of restructuring costs in the consolidated results of operations for which the acquirer becomes obligated after the acquisition date; and contingent purchase consideration to be recognized at their fair values on the acquisition date with subsequent adjustments recognized in the consolidated results of operations. The fair values assigned to identifiable intangible assets acquired are determined primarily by using an income approach which is based on assumptions and estimates made by management. Significant assumptions utilized in the income approach are based on company specific information and projections which are not observable in the market and are therefore considered Level 3 measurements. The excess of the purchase price over the fair value of the identified assets and liabilities is recorded as goodwill. Operating results of the acquired entity are reflected in the Company's consolidated financial statements from date of acquisition.

Deferred Catalog Costs

The Company capitalizes the costs of producing and distributing its catalogs. Starting in fiscal 2019, with the adoption of ASU No. 2014-09 (see below), these costs are expensed upon mailing, instead of being amortized in direct proportion to actual sales, as was the case in fiscal years 2018 and 2017. Included within prepaid and other current assets was $2.8 million and $3.0 million at June 30, 2019 and July 1, 2018 respectively, relating to prepaid catalog expenses.

Investments

Equity investments accounted for under the equity method

The Company has certain investments in non-marketable equity instruments of private companies. The Company accounts for these investments using the equity method if they provide the Company the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors, are considered in determining whether the equity method is appropriate. The Company records equity method investments initially at cost and adjusts the carrying amount to reflect the Company's share of the earnings or losses of the investee.

The Company's equity method investment is comprised of an interest in Flores Online, a Sao Paulo, Brazil based Internet floral and gift retailer, that the Company originally acquired on May 31, 2012. The Company currently holds 24.9% of the outstanding shares of Flores Online. The book value of this investment was $0.5 million as of June 30, 2019 and $0.6 million as of July 1, 2018, and is included in the "Other assets" line item within the Company's consolidated balance sheets. The Company's equity in the net loss of Flores Online for the years ended June 30, 2019, July 1, 2018 and July 2, 2017 was less than $0.1 million per year. During the quarter ended December 31, 2017, Flores Online entered into a share exchange agreement with Isabela Flores Intermediações Ltda. ("Isabela Flores"), whereby among other changes, the Company exchanged 5% of its interest in Flores Online for a 5% interest in Isabela Flores. This new investment of approximately $0.1 million is currently being accounted for as an equity investment without a readily determinable fair value (see below). In conjunction with this share exchange, the Company determined that the fair value of its investment in Flores Online was below its carrying value and that this decline was other-than-temporary. As a result, the Company recorded an impairment charge of $0.2 million, which is included within "Other (income) expense, net" in the Company's consolidated statement of income during the quarter ended December 31, 2017.

Equity investments without a readily determinable fair value

Investments in non-marketable equity instruments of private companies, where the Company does not possess the ability to exercise significant influence, are accounted for at cost, less impairment (assessed qualitatively at each reporting period), adjusted for observable price changes from orderly transactions for identical or similar investments of the same issuer. These investments are included within "Other assets" in the Company's consolidated balance sheets. The aggregate carrying amount of the Company's cost method investments was $1.6 million as of June 30, 2019 and $1.7 million as of July 1, 2018, including a $1.5 million investment in Euroflorist.

Equity investments with a readily determinable fair value

The Company also holds certain trading securities associated with its Non-Qualified Deferred Compensation Plan ("NQDC Plan"). These investments are measured using quoted market prices at the reporting date and are included within the "Other assets" line item in the consolidated balance sheets (see Note 10.).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentration of credit risk with respect to accounts receivable is limited due to the Company's large number of customers and their dispersion throughout the United States, and the fact that a substantial portion of receivables are related to balances owed by major credit card companies. Allowances relating to consumer, corporate and franchise accounts receivable ($2.8 million at June 30, 2019 and $2.4 million at July 1, 2018) have been recorded based upon previous experience and management's evaluation.

Revenue Recognition

Net revenue is measured based on the amount of consideration that we expect to receive, reduced by discounts and estimates for credits and returns (calculated based upon previous experience and management's evaluation). Service and outbound shipping charged to customers are recognized at the time the related merchandise revenues are recognized and are included in net revenues. Inbound and outbound shipping and delivery costs are included in cost of revenues. Net revenues exclude sales and other similar taxes collected from customers.

A description of our principal revenue generating activities is as follows:

- E-commerce revenues - consumer products sold through our online and telephonic channels. Revenue is recognized when control of the merchandise is transferred to the customer, which generally occurs upon shipment. Payment is typically due prior to the date of shipment.
- Retail revenues - consumer products sold through our retail stores. Revenue is recognized when control of the goods is transferred to the customer, at the point of sale, at which time payment is received.
- Wholesale revenues - products sold to our wholesale customers for subsequent resale. Revenue is recognized when control of the goods is transferred to the customer, in accordance with the terms of the applicable agreement. Payment terms are typically 30 days from the date control over the product is transferred to the customer.
- BloomNet Services - membership fees as well as other service offerings to florists. Membership and other subscription-based fees are recognized monthly as earned. Services revenues related to orders sent through the floral network are variable, based on either the number of orders or the value of orders, and are recognized in the period in which the orders are delivered. The contracts within BloomNet Services are typically month-to-month and as a result no consideration allocation is necessary across multiple reporting periods. Payment is typically due less than 30 days from the date the services were performed.

Deferred Revenues

Deferred revenues are recorded when the Company has received consideration (i.e., advance payment) before satisfying its performance obligations. As such, customer orders are recorded as deferred revenue prior to shipment or rendering of product or services. Deferred revenues primarily relate to e-commerce orders placed, but not shipped, prior to the end of the fiscal period, as well as for monthly subscription programs, including our Fruit of the Month Club and Celebrations Passport program.

Our total deferred revenue as of July 1, 2018 was $13.5 million (included in "Accrued expenses" on our consolidated balance sheets), of which, $13.5 million was recognized as revenue during the year ended June 30, 2019. The deferred revenue balance as of June 30, 2019 was $17.3 million.

Cost of Revenues

Cost of revenues consists primarily of florist fulfillment costs (fees paid directly to florists), the cost of floral and non-floral merchandise sold from inventory or through third parties, and associated costs, including inbound and outbound shipping charges. Additionally, cost of revenues includes labor and facility costs related to manufacturing and production operations.

Marketing and Sales

Marketing and sales expense consists primarily of advertising expenses, catalog costs, online portal and search expenses, retail store and fulfillment operations (other than costs included in cost of revenues), and customer service center expenses, as well as the operating expenses of the Company's departments engaged in marketing, selling and merchandising activities.

The Company expenses all advertising costs, with the exception of catalog costs (see *Deferred Catalog Costs* above), at the time the advertisement is first shown. Advertising expense was $147.8 million, $138.2 million and $137.5 million for the years ended June 30, 2019, July 1, 2018 and July 2, 2017, respectively.

Technology and Development

Technology and development expense consists primarily of payroll and operating expenses of the Company's information technology group, costs associated with its websites, including hosting, content development and maintenance and support costs related to the Company's order entry, customer service, fulfillment and database systems. Costs associated with the acquisition or development of software for internal use are capitalized if the software is expected to have a useful life beyond one year and amortized over the software's useful life, typically three to seven years. Costs associated with repair maintenance or the development of website content are expensed as incurred, as the useful lives of such software modifications are less than one year.

Stock-Based Compensation

The Company records compensation expense associated with restricted stock awards and other forms of equity compensation based upon the fair value of stock-based awards as measured at the grant date. The cost associated with share-based awards that are subject solely to time-based vesting requirements is recognized over the awards' service period for the entire award on a straight-line basis. The cost associated with performance-based equity awards is recognized for each tranche over the service period, based on an assessment of the likelihood that the applicable performance goals will be achieved.

Derivatives and Hedging

The Company does not enter into derivative transactions for trading purposes, but rather, on occasion to manage its exposure to interest rate fluctuations. When entering into these transactions, the Company has periodically managed its floating rate debt using interest rate swaps in order to reduce its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest. The Company did not have any open derivative positions at June 30, 2019 and July 1, 2018.

Income Taxes

The Company uses the asset and liability method to account for income taxes. The Company has established deferred tax assets and liabilities for temporary differences between the financial reporting bases and the income tax bases of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. The Company recognizes as a deferred tax asset, the tax benefits associated with losses related to operations. Realization of these deferred tax assets assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that the Company considers in assessing the likelihood of realization include the forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that has a greater than a 50% likelihood of being realized upon settlement. The amount of unrecognized tax benefits ("UTBs") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. We recognize both accrued interest and penalties, where appropriate, related to UTBs in income tax expense. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes.

Net Income Per Share

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive common equivalent shares (consisting primarily of employee stock options and unvested restricted stock awards) outstanding during the period.

Recently Issued Accounting Pronouncements - Adopted

Revenue from Contracts with Customers. In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." amending revenue recognition guidance ("ASC 606") and requiring more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company determined that the new standard impacted the following areas related to our e-commerce and retail/franchise revenue streams: the costs of producing and distributing the Company's catalogs will be expensed upon mailing, instead of being capitalized and amortized in direct proportion to the actual sales; gift card breakage will be recognized over the expected customer redemption period, rather than when redemption is considered remote; e-commerce revenue will be recognized upon shipment, when control of the merchandise transfers to the customer, instead of upon receipt by the customer; initial and other franchise fees will be recognized over the franchise term (or remaining franchise term), rather than upon store opening (or renewal/transfer).

The Company adopted this ASC effective July 2, 2018 for all revenue contracts with our customers using the modified retrospective approach and increased retained earnings by $0.3 million. The adjustment primarily related to the unredeemed portion of our gift cards (breakage income), which increased retained earnings and reduced accrued expenses by $1.9 million; partially offset by the change in accounting for the Company's catalogs, which decreased retained earnings and decreased prepaid expense by $0.8 million; as well as a deferral of initial franchise fees, which decreased retained earnings and increased accrued expenses by $0.8 million. The comparative information presented in this Form 10-K has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of the new revenue standard did not have a material impact to our net income for the fiscal year 2019. However, the adoption of the new revenue standard did result in quarterly fluctuations throughout the fiscal year 2019 (which were disclosed in the respective Form 10-Qs), primarily as a result of the change in accounting for catalog costs, as noted above. The Company's contract liabilities related to gift cards ($1.8 million as of June 30, 2019) are not considered material for purposes of this disclosure. Refer to Note 15 – Business Segments for disclosure of disaggregated revenues.

Financial Instruments – Recognition and Measurement. In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," as amended by ASU No. 2018-03, "Financial Instruments-Overall: Technical Corrections and Improvements," issued in February 2018. The new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income (subject to an exemption for investments that have no readily determinable fair values), requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. Upon adoption of the new guidance, we have elected to measure the investments we hold in certain non-marketable equity securities in which we do not have a controlling interest or significant influence, and that have no readily determinable fair values at cost, less impairment, adjusted for observable price changes from orderly transactions for identical or similar investments of the same issuer. The Company adopted the guidance prospectively effective July 2, 2018. The adoption did not have a significant impact on the Company's consolidated financial position or results of operations.

Statement of Cash Flows. In June 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230), a consensus of the FASB's Emerging Issues Task Force." ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The Company adopted the guidance retrospectively, effective July 2, 2018. The adoption did not have a significant impact on the Company's consolidated financial position or results of operations.

Business Combinations – Definition of a Business. In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01)," which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. The Company adopted the guidance prospectively, effective July 2, 2018. The adoption did not have a significant impact on the Company's consolidated financial position or results of operations.

Nonfinancial Assets – Derecognition. In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets." This update clarifies the scope of accounting for the derecognition or partial sale of nonfinancial assets to exclude all businesses and nonprofit activities. ASU 2017-05 also provides a definition for in-substance nonfinancial assets and additional guidance on partial sales of nonfinancial assets. The Company adopted the guidance retrospectively, effective July 2, 2018. The adoption did not have a significant impact on the Company's consolidated financial position or results of operations.

Stock Compensation – Modification Accounting. In May 2017, the FASB issued ASU No. 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. An entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The Company adopted the guidance prospectively, to awards modified on or after the adoption date, effective July 2, 2018. The adoption did not have a significant impact on the Company's consolidated financial position or results of operations.

Cloud Computing Arrangements – Implementation Costs. In August 2018, the FASB issued ASU No. 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this ASU. The amendments in this ASU also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, require the entity to present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element and also require the entity to present the capitalized implementation costs in the statement of financial position in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. The Company adopted the guidance prospectively, to all implementation costs incurred after the date of adoption, effective July 2, 2018. The adoption did not have a significant impact on the Company's consolidated financial position or results of operations.

Recently Issued Accounting Pronouncements – Not Yet Adopted

Leases. In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

We will adopt the new standard beginning with the first quarter of our fiscal year ending on June 28, 2020. We have elected the optional transition method to apply the standard as of the effective date and therefore, we will not apply the standard to the comparative periods presented in our financial statements. The new standard provides a number of optional practical expedients in transition. We expect to elect the 'package of practical expedients', which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We do not expect to elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to us. Further, we will elect a short-term lease exception policy, permitting us to not apply the recognition requirements of this standard to short-term leases (i.e. leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

We are finalizing the impact of the standard to our accounting policies, processes, disclosures, and internal control over financial reporting and have implemented necessary upgrades to our existing lease system. The Company currently anticipates a material impact to its Consolidated Balance Sheets, but expects no impact to the Consolidated Statements of Income or Consolidated Statements of Cash Flows. We expect to record operating lease liabilities of approximately $80.7 million based on the present value of the remaining minimum rental payments using discount rates as of the effective date. We expect to record corresponding right-of-use assets of approximately $78.7 million, based on the operating lease liabilities adjusted for deferred rent and lease incentives received.

Financial Instruments – Measurement of Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 introduces a new forward-looking "expected loss" approach, to estimate credit losses on most financial assets and certain other instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. ASU 2016-13 is effective for the Company's fiscal year ending July 4, 2021, and the guidance is to be applied using the modified-retrospective approach. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

Goodwill – Impairment Test. In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates Step 2 from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance is effective for the Company's fiscal year ending July 4, 2021, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted significant changes to the U.S. tax law following the passage and signing of the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act revised the future ongoing U.S. corporate income tax by, among other things, lowering U. S. corporate income tax rates from 35% to 21%. Since the Company's fiscal year ends in June, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for fiscal year 2018, and 21% for subsequent fiscal years. The Tax Act also eliminated the domestic production activities deduction and introduced limitations on certain business expenses and executive compensation deductions.

Shortly after the Tax Act was enacted, the SEC staff issued Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" ("SAB 118"), which provided guidance on accounting for the Tax Act's impact. SAB 118 provided a measurement period, which in no case should extend beyond one year from the Tax Act enactment date, during which a company acting in good faith may complete the accounting for the impacts of the Tax Act under ASC Topic 740. In accordance with the expiration of the SAB 118 measurement period, we completed the assessment of the income tax effects of the Tax Act in the second quarter of fiscal 2019, with no adjustments recorded to the provisional amounts.

Reclassifications

Certain balances in the prior fiscal years have been reclassified to conform to the presentation in the current fiscal year.

Note 3 – Net Income Per Common Share from Continuing Operations

The following table sets forth the computation of basic and diluted net income per common share from continuing operations:

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017
	(in thousands, except per share data)		
Numerator:			
Net income	**$34,766**	$40,791	$44,041
Denominator:			
Weighted average shares outstanding	**64,342**	64,666	65,191
Effect of dilutive securities:			
Employee stock options	**1,404**	1,580	1,519
Employee restricted stock awards	**711**	692	1,025
Total effect of dilutive securities	**2,115**	2,272	2,544
Adjusted weighted-average shares and assumed conversions	**66,457**	66,938	67,735
Net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	**$ 0.54**	$ 0.63	$ 0.68
Diluted	**$ 0.52**	$ 0.61	$ 0.65

Note 4. Dispositions

On March 15, 2017, the Company and Ferrero International S.A., a Luxembourg corporation ("Ferrero"), entered into a Stock Purchase Agreement (the "Purchase Agreement") pursuant to which Ferrero agreed to purchase from the Company all of the outstanding equity of Fannie May Confections Brands, Inc., including its subsidiaries, Fannie May Confections, Inc. and Harry London Candies, Inc. ("Fannie May") for a total consideration of $115.0 million in cash, subject to adjustment for seasonal working capital. On May 30, 2017, the Company closed on the transaction, and the working capital adjustment was finalized in August 2017, resulting in an $8.5 million payment to Ferrero during the first quarter of fiscal 2018. The associated gain on sale of $14.6 million, is included within "Other income, net" in the Company's consolidated statement of income in the fourth quarter of fiscal 2017.

The Company and Ferrero also entered into a transition services agreement whereby the Company provided certain post-closing services to Ferrero and Fannie May for a period of approximately 20 months, related to the business of Fannie May, and a commercial agreement with respect to the distribution of certain Ferrero and Fannie May products.

Operating results of Fannie May are reflected in the Company's consolidated financial statements through May 30, 2017, the date of its disposition, within its Gourmet Foods & Gift Baskets segment. During fiscal 2017, Fannie May contributed net revenues of $85.6 million. Operating and pre-tax income during such period were not material.

Note 5. Inventory

The Company's inventory, stated at cost, which is not in excess of market, includes purchased and manufactured finished goods for sale, packaging supplies, crops, raw material ingredients for manufactured products and associated manufacturing labor and is classified as follows:

	June 30, 2019	July 1, 2018
	(in thousands)	
Finished goods	**$36,820**	$33,930
Work-in-process	**17,535**	17,575
Raw materials	**38,006**	37,320
Total Inventory	**$92,361**	$88,825

Note 6. Goodwill and Intangible Assets

The following table presents goodwill by segment and the related change in the net carrying amount:

	Consumer Floral	BloomNet Wire Service	Gourmet Foods & Gift Baskets	Total
		(in thousands)		
Balance at July 2, 2017	$17,441	$ —	$45,149	$62,590
Balance at July 1, 2018	$17,441	$ —	$45,149	$62,590
Balance at June 30, 2019	**$17,441**	**$ —**	**$45,149**	**$62,590**

There were no goodwill impairment charges in any segment during the years ended June 30, 2019, July 1, 2018 and July 2, 2017.

The Company's other intangible assets consist of the following:

		June 30, 2019			July 1, 2018		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
	(in years)			*(in thousands)*			
Intangible assets with determinable lives							
Investment in licenses	14-16	**$ 7,420**	**$ 6,148**	**$ 1,272**	$ 7,420	$ 6,042	$ 1,378
Customer lists	3-10	**12,184**	**9,798**	**2,386**	12,184	9,354	2,830
Other	5-14	**2,946**	**2,280**	**666**	2,946	2,172	774
Total intangible assets with determinable lives		**22,550**	**18,226**	**4,324**	22,550	17,568	4,982
Trademarks with indefinite lives		**55,291**	**—**	**55,291**	54,841	—	54,841
Total identifiable intangible assets		**$77,841**	**$18,226**	**$59,615**	$77,391	$17,568	$59,823

Intangible assets with determinable lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. No material impairments were recognized for the years ended June 30, 2019, July 1, 2018 and July 2, 2017.

The amortization of intangible assets for the years ended June 30, 2019, July 1, 2018 and July 2, 2017 was $0.7 million, $1.4 million and $1.4 million, respectively. Future estimated amortization expense is as follows: 2020 - $0.6 million, 2021 - $0.6 million, 2022 - $0.5 million, 2023 - $0.5 million, 2024 - $0.5 million and thereafter - $1.6 million.

Note 7. Property, Plant and Equipment

	June 30, 2019	July 1, 2018
	(in thousands)	
Land	**$ 30,789**	$ 30,789
Orchards in production and land improvements	**11,339**	10,962
Building and building improvements	**59,236**	58,450
Leasehold improvements	**13,861**	12,997
Production equipment and furniture and fixtures	**61,415**	53,066
Computer and telecommunication equipment	**53,694**	46,925
Software	**132,078**	115,944
Capital projects in progress - orchards	**9,902**	10,789
Property, plant and equipment, gross	**372,314**	339,922
Accumulated depreciation and amortization	**(205,633)**	(176,582)
Property, plant and equipment, net	**$166,681**	$163,340

Depreciation expense for the years ended June 30, 2019, July 1, 2018 and July 2, 2017 was $29.3 million, $31.1 million, and $32.0 million, respectively.

Note 8. Accrued Expenses

Accrued expenses consisted of the following:

	June 30, 2019	July 1, 2018
	(in thousands)	
Payroll and employee benefits	**$28,585**	$12,992
Deferred revenue	**17,305**	13,524
Accrued marketing expenses	**14,423**	12,472
Accrued florist payout	**8,038**	6,890
Other	**28,442**	27,421
Accrued Expenses	**$96,793**	$73,299

Note 9. Long-Term Debt

The Company's current and long-term debt consists of the following:

	June 30, 2019	July 1, 2018
	(in thousands)	
Revolver (1)	**$ —**	$ —
Term Loan (1)	**100,000**	104,938
Deferred financing costs	**(3,027)**	(2,608)
Total debt	**96,973**	102,330
Less: current debt	**5,000**	10,063
Long-term debt	**$ 91,973**	$ 92,267

(1) On May 31, 2019, the Company and certain of its U.S. subsidiaries (collectively, the "Subsidiary Guarantors") entered into a Second Amended and Restated Credit Agreement (the "2019 Credit Agreement") with JPMorgan Chase Bank, N.A. as administrative agent, and a group of lenders. The 2019 Credit Agreement amended and restated the Company's existing amended and restated credit agreement dated as of December 23, 2016 (the "2016 Credit Agreement") to, among other modifications: (i) increase the amount of the outstanding term loan ("Term Loan") from approximately $97 million to $100 million, (ii) extend the maturity date of the outstanding Term Loan and the revolving credit facility ("Revolver") by approximately 29 months to May 31, 2024, and (iii) decrease the applicable interest rate margins for LIBOR and base rate loans by 25 basis points. The Term Loan is payable in 19 quarterly installments of principal and interest beginning on September 29, 2019, with escalating principal payments, at the rate of 5.0% per annum for the first eight payments, and 10.0% per annum for the remaining 11 payments, with the remaining balance of $62.5 million due upon maturity. The Revolver, in the aggregate amount of $200 million, subject to seasonal reduction to an aggregate amount of $100 million for the period from January 1 through August 1, may be used for working capital and general corporate purposes, subject to certain restrictions.

For each borrowing under the 2019 Credit Agreement, the Company may elect that such borrowing bear interest at an annual rate equal to either: (1) a base rate plus an applicable margin varying based on the Company's consolidated leverage ratio, where the base rate is the highest of (a) the prime rate, (b) the New York fed bank rate rate plus 0.5% and (c) a LIBOR rate plus 1% or (2) an adjusted LIBOR rate plus an applicable margin varying based on the Company's consolidated leverage ratio. The 2019 Credit Agreement requires that while any borrowings or commitments are outstanding the Company comply with certain financial covenants and affirmative covenants as well as certain negative covenants that, subject to certain exceptions, limit the Company's ability to, among other things, incur additional indebtedness, make certain investments and make certain restricted payments. The Company was in compliance with these covenants as of June 30, 2019. The 2019 Amended Credit Agreement is secured by substantially all of the assets of the Company and the Subsidiary Guarantors.

Future principal payments under the Term Loan are as follows: $5.0 million – fiscal 2020, $5.0 million – fiscal 2021, $10.0 million – fiscal 2022, $10.0 million – fiscal 2023 and $70.0 million – fiscal 2024.

Note 10. Fair Value Measurements

Cash and cash equivalents, trade and other receivables, prepaids, accounts payable and accrued expenses are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments. Although no trading market exists, the Company believes that the carrying amount of its debt approximates fair value due to its variable nature. The Company's investments in non-marketable equity instruments of private companies are carried at cost and are periodically assessed for other-than-temporary impairment, when an event or circumstances indicate that an other-than-temporary decline in value may have occurred. The Company's remaining financial assets and liabilities are measured and recorded at fair value (see table below). The Company's non-financial assets, such as definite lived intangible assets and property, plant and equipment, are recorded at cost and are assessed for impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred. Goodwill and indefinite lived intangibles are tested for impairment annually, or more frequently, if events occur or circumstances change such that it is more likely than not that an impairment may exist, as required under the accounting standards.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents by level, within the fair value hierarchy, financial assets and liabilities measured at fair value on a recurring basis:

		Fair Value Measurements Assets (Liabilities)		
	Carrying Value	Level 1	Level 2	Level 3
		(in thousands)		
Assets (liabilities) as of June 30, 2019:				
Trading securities held in a "rabbi trust" (1)	**$11,816**	**$11,816**	**$ —**	**$ —**
	$11,816	**$11,816**	**$ —**	**$ —**
Assets (liabilities) as of July 1, 2018:				
Trading securities held in a "rabbi trust" (1)	$ 9,368	$ 9,368	$ —	$ —
	$ 9,368	$ 9,368	$ —	$ —

(1) The Company has established a Non-qualified Deferred Compensation Plan (the "NQDC Plan") for certain members of senior management. Deferred compensation plan assets are invested in mutual funds held in a "rabbi trust," which is restricted for payment to participants of the NQDC Plan. Trading securities held in the rabbi trust are measured using quoted market prices at the reporting date and are included in the "Other assets" line item, with the corresponding liability included in the "Other liabilities" line item in the consolidated balance sheets.

Note 11. Income Taxes

Significant components of the income tax provision are as follows:

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017
		(in thousands)	
Current provision:			
Federal	**$2,809**	$ 3,385	$11,859
State	**2,710**	1,514	1,758
Foreign	**—**	—	—
Current income tax expense	**5,519**	4,899	13,617
Deferred provision (benefit):			
Federal	**3,138**	(9,331)	(1,563)
State	**(427)**	1,648	(90)
Foreign	**(13)**	15	4
Deferred income tax expense (benefit)	**2,698**	(7,668)	(1,649)
Income tax expense (benefit)	**$8,217**	$(2,769)	$11,968

A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate is as follows:

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017
Tax at U.S. statutory rates	**21.0%**	28.0%	35.0%
State income taxes, net of federal tax benefit	**4.4**	5.7	2.3
Valuation allowance change	**(0.3)**	2.6	14.9
Non-deductible compensation	**0.7**	—	—
Excess tax benefit from stock-based compensation	**(4.4)**	(1.6)	(1.6)
Domestic production deduction	**—**	(2.0)	(2.1)
Tax credits	**(1.8)**	(2.5)	(1.7)
Tax Act impact on deferred tax balance (1)	**—**	(32.0)	—
Return to provision	**(1.0)**	(5.8)	—
Tax effect of Fannie May disposition	**—**	—	(25.3)
Other, net	**0.5**	0.3	(0.1)
Effective tax rate	**19.1%**	(7.3)%	21.4%

(1) On December 22, 2017, the U.S. government enacted comprehensive tax legislation pursuant to the Tax Cuts and Jobs Act (the "Tax Act"), which significantly revised the ongoing U.S. corporate income tax law by lowering the U.S. federal corporate income tax rate from 35% to 21%. Due to the Company's fiscal year end, the lower income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for the Company's fiscal year ended July 1, 2018, and 21% for the fiscal year ended June 30, 2019. Accordingly, for the fiscal year ended July 1, 2018, the Company recorded a deferred tax benefit of $12.2 million related to the change in deferred tax liabilities.

Shortly after the Tax Act was enacted, the SEC Staff issued Staff Accounting Bulletin 118, "Income Tax Implications of the Tax Cuts and Jobs Act" ("SAB 118"), which provided guidance on accounting for the Tax Act's impact. SAB 118 provided a measurement period during which a company acting in good faith may complete the accounting for the impacts of the Tax Act. We completed the assessment of the income tax effects of the Tax Act in the second quarter of fiscal 2019, with no adjustments recorded to the provisional amounts.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	Years Ended	
	June 30, 2019	July 1, 2018
	(in thousands)	
Deferred income tax assets:		
Loss and credit carryforwards	**$ 10,955**	$ 11,286
Accrued expenses and reserves	**3,866**	3,871
Stock-based compensation	**1,798**	1,344
Deferred compensation	**2,150**	1,711
Gross deferred income tax assets	**18,769**	18,212
Less: Valuation allowance	**(9,872)**	(9,972)
Deferred tax assets, net	**8,897**	8,240
Deferred income tax liabilities:		
Other intangibles	**(14,664)**	(14,983)
Tax in excess of book depreciation	**(23,131)**	(19,457)
Deferred tax liabilities	**(37,795)**	(34,440)
Net deferred income tax liabilities	**$ (28,898)**	$ (26,200)

A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The Company has established valuation allowances, primarily for certain state and all foreign net operating losses as well as federal and state capital loss carryforwards. The Company does not expect to utilize the federal and state capital loss carryforward prior to expiration and has therefore provided for a full valuation allowance. At June 30, 2019, the Company's total federal and state capital loss carryforwards were $27.8 million, which if not utilized, will expire in fiscal 2022. The Company's foreign net operating loss carryforwards were $3.3 million, which if not utilized, will begin to expire in fiscal 2034.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and various foreign countries. The Company is currently undergoing its U.S. federal examination for fiscal 2017, however, fiscal 2018 remain subject to U.S. federal examination. Due to ongoing state examinations and nonconformity with the U.S. federal statute of limitations for assessment, certain states remain open from fiscal 2015. The Company's foreign income tax filings from fiscal 2014 forward are open for examination by its respective foreign tax authorities, mainly Canada, Brazil, and the United Kingdom.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. At June 30, 2019, the Company has an unrecognized tax benefit, including an immaterial amount of accrued interest and penalties, of approximately $0.9 million. The Company believes that $0.2 million of the unrecognized tax positions will be resolved over the next twelve months.

Note 12. Capital Stock

Holders of Class A common stock generally have the same rights as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions. During fiscal 2018, 78,780 shares of Class B common stock were converted into shares of Class A common stock, while none were converted during fiscal 2019.

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In October 2016, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $25 million. In August 2017, the Board of Directors increased the authorization to $30.0 million, and subsequently increased it once more on June 27, 2019 to $30.0 million. The Company repurchased a total of $14.8 million (1,230,303 shares), $12.2 million (1,269,059 shares) and $10.7 million (1,120,706 shares) during the fiscal years ended June 30, 2019, July 1, 2018 and July 2, 2017, respectively, under this program. As of June 30, 2019, $30.0 million remains authorized under the plan.

The Company has stock options and restricted stock awards outstanding to participants under the 1-800-FLOWERS.COM 2003 Long Term Incentive and Share Award Plan (as amended and restated as of October 22, 2009, as amended as of October 28, 2011 and September 14, 2016) (the "Plan"). The Plan is a broad-based, long-term incentive program that is intended to provide incentives to attract, retain and motivate employees, consultants and directors in order to achieve the Company's long-term growth and profitability objectives. The Plan provides for the grant to eligible employees, consultants and directors of stock options, share appreciation rights ("SARs"), restricted shares, restricted share units, performance shares, performance units, dividend equivalents, and other share-based awards (collectively "Awards").

Note 13. Stock Based Compensation

The Plan is administered by the Compensation Committee or such other Board committee (or the entire Board) as may be designated by the Board. At June 30, 2019, the Company has reserved approximately 4.5 million shares of Class A common stock for issuance, including options previously authorized for issuance under the 1999 Stock Incentive Plan.

The amounts of stock-based compensation expense recognized within operating income (1) in the periods presented are as follows:

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017 (2)
	(in thousands)		
Stock options	**$ 315**	$ 429	$ 446
Restricted stock awards	**5,995**	3,297	5,248
Total	**6,310**	3,726	5,694
Deferred income tax benefit	**1,578**	961	2,213
Stock-based compensation expense, net	**$4,732**	$2,765	$3,481

Stock based compensation expense is recorded within the following line items of operating expenses:

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017 (2)
	(in thousands)		
Marketing and sales	**$2,725**	$ 989	$1,624
Technology and development	**411**	198	315
General and administrative	**3,174**	2,539	3,755
Total	**$6,310**	$3,726	$5,694

(1) Stock-based compensation expense has not been allocated between business segments, but is reflected as part of Corporate overhead. (See Note 15. for details).

(2) Excludes approximately $0.4 million of stock-based compensation expense recorded within the gain on the sale of Fannie May, resulting from the acceleration of vesting of shares for Fannie May personnel, upon closing of the disposition.

Stock Options

The Company did not grant stock options during fiscal years 2019, 2018 and 2017. The following table summarizes stock option activity during the year ended June 30, 2019:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
			(in years)	*(in thousands)*
Outstanding beginning of period	1,968,234	$2.35		
Granted	—	$ —		
Exercised	(601,234)	$2.06		
Forfeited/Expired	(2,000)	$2.22		
Outstanding end of period	1,365,000	$2.48	2.1	$22,388
Exercisable at June 30, 2019	1,235,000	$2.43	2.0	$20,312

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of fiscal 2018 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2019. This amount changes based on the fair market value of the Company's stock. The total intrinsic value of options exercised for the years ended June 30, 2019, July 1, 2018 and July 2, 2017 was $7.8 million, $1.1 million and $0.5 million, respectively.

The following table summarizes information about stock options outstanding at June 30, 2019:

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
		(in years)			
$ 1.79	330,000	1.3	$ 1.79	330,000	$ 1.79
$ 2.44	25,000	0.4	$ 2.44	25,000	$ 2.44
$ 2.63	1,000,000	2.3	$ 2.63	875,000	$ 2.63
$10.20	10,000	5.8	$10.20	5,000	$10.20
	1,365,000	2.1	$ 2.48	1,235,000	$ 2.43

As of June 30, 2019, the total future compensation cost related to non-vested options not yet recognized in the statement of operations was $0.1 million and the weighted average period over which these awards are expected to be recognized was 0.4 years.

Restricted Stock

The Company grants shares of Common Stock to its employees that are subject to restrictions on transfer and risk of forfeiture until fulfillment of applicable service conditions and, in certain cases, holding periods (Restricted Stock).

The following table summarizes the activity of non-vested restricted stock during the year ended June 30, 2019:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	962,273	$ 7.72
Granted	953,066	$12.74
Vested	(411,600)	$ 7.91
Forfeited	(65,147)	$11.62
Non-vested – end of period	1,438,592	$10.81

The fair value of non-vested shares is determined based on the closing stock price on the grant date. As of June 30, 2019, there was $9.7 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 1.6 years.

Note 14. Employee Retirement Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all of its eligible employees. All employees who have attained the age of 21 are eligible to participate upon completion of one month of service. Participants may elect to make voluntary contributions to the 401(k) plan in amounts not exceeding federal guidelines. On an annual basis the Company, as determined by its Board of Directors, may make certain discretionary contributions. Employees are vested in the Company's contributions based upon years of service. The Company contributed $0.9 million, $0.0 million and $0.0 million during fiscal years 2019, 2018, and 2017, respectively.

The Company also has a nonqualified supplemental deferred compensation plan for certain executives pursuant to Section 409A of the Internal Revenue Code. Participants can defer from 1% up to a maximum of 100% of salary and performance and non-performance based bonus. Up until December 31, 2016, the Company matched 50% of the deferrals made by each participant during the applicable period, up to a maximum of $2,500. Effective January 1, 2017, the Company suspended contributions. Employees are vested in the Company's contributions based upon years of participation in the plan. Distributions will be made to participants upon termination of employment or death in a lump sum, unless installments are selected. As of June 30, 2019, and July 1, 2018, these plan liabilities, which are included in "Other liabilities" within the Company's consolidated balance sheets, totaled $11.8 million and $9.4 million, respectively. The associated plan assets, which are subject to the claims of the creditors, are primarily invested in mutual funds and are included in "Other assets" within the Company's consolidated balance sheets. Company contributions during the year ended July 2, 2017 were less than $0.1 million. The gains (losses) on these investments which were $0.7 million, $0.8 million and $1.0 million for the years ended June 30, 2019, July 1, 2018 and July 2, 2017, respectively, are included in "Other (income) expense, net," within the Company's consolidated statements of income.

Note 15. Business Segments

The Company's management reviews the results of the Company's operations by the following three business segments:

- 1-800-Flowers.com Consumer Floral,
- BloomNet Wire Service, and
- Gourmet Foods & Gift Baskets

Segment performance is measured based on contribution margin, which includes only the direct controllable revenue and operating expenses of the segments. As such, management's measure of profitability for these segments does not include the effect of corporate overhead (see (a) below), nor does it include depreciation and amortization, other (income) expense, net and income taxes, or stock-based compensation, which is included within corporate overhead. Assets and liabilities are reviewed at the consolidated level by management and not accounted for by segment.

Net Revenues

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017
	(in thousands)		
Net revenues:			
1-800-Flowers.com Consumer Floral	**$ 497,765**	$ 457,460	$ 437,132
BloomNet Wire Service	**102,876**	89,569	87,700
Gourmet Foods & Gift Baskets	**648,418**	605,523	670,677
Corporate	**1,105**	1,114	1,102
Intercompany eliminations	**(1,541)**	(1,745)	(2,986)
Total net revenues	**$1,248,623**	$1,151,921	$1,193,625

Operating Income from Continuing Operations

	Years Ended		
	June 30, 2019	July 1, 2018	July 2, 2017
	(in thousands)		
Segment Contribution Margin:			
1-800-Flowers.com Consumer Floral	**$49,653**	$50,808	$51,860
BloomNet Wire Service	**34,705**	31,683	32,383
Gourmet Foods & Gift Baskets	**82,319**	70,927	77,312
Segment Contribution Margin Subtotal	**166,677**	153,418	161,555
Corporate (a)	**(91,604)**	(79,901)	(81,820)
Depreciation and amortization	**(29,965)**	(32,469)	(33,376)
Operating income	**$45,108**	$41,048	$46,359

(a) Corporate expenses consist of the Company's enterprise shared service cost centers, and include, among other items, Information Technology, Human Resources, Accounting and Finance, Legal, Executive and Customer Service Center functions, as well as Stock-Based Compensation. In order to leverage the Company's infrastructure, these functions are operated under a centralized management platform, providing support services throughout the organization. The costs of these functions, other than those of the Customer Service Center, which are allocated directly to the above categories based upon usage, are included within corporate expenses as they are not directly allocable to a specific segment.

The following tables represent a disaggregation of revenue from contracts with customers, by channel:

	Years Ended											
	June 30, 2019				July 1, 2018				July 2, 2017			
	Consumer Floral	BloomNet Wire Service	Gourmet Food & Gift Baskets	Consolidated	Consumer Floral	BloomNet Wire Service	Gourmet Food & Gift Baskets	Consolidated	Consumer Floral	BloomNet Wire Service	Gourmet Food & Gift Baskets	Consolidated
	(in thousands)											
Net revenues												
E-commerce	$ 489,463	$ –	$508,897	$ 998,360	$448,943	$ –	$472,905	$ 921,848	$427,831	$ –	$468,931	$ 896,762
Retail	4,706	–	45,862	50,568	4,743	–	46,860	51,603	4,769	–	76,321	81,090
Wholesale	–	29,744	93,659	123,403	–	28,747	85,758	114,505	–	27,033	125,425	152,458
BloomNet services	–	73,132	–	73,132	–	60,822	–	60,822	–	60,667	–	60,667
Other	3,596	–	–	3,596	3,774	–	–	3,774	4,532	–	–	4,532
Corporate	–	–	–	1,105	–	–	–	1,114	–	–	–	1,102
Eliminations	–	–	–	(1,541)	–	–	–	(1,745)	–	–	–	(2,986)
Total net revenues	$ 497,765	$ 102,876	$648,418	$ 1,248,623	$457,460	$ 89,569	$605,523	$ 1,151,921	$437,132	$ 87,700	$670,677	$ 1,193,625

Note 16. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various leases through fiscal 2034. As these leases expire, it can be expected that in the normal course of business they will be renewed or replaced. Most lease agreements contain renewal options and rent escalation clauses and require the Company to pay real estate taxes, insurance, common area maintenance and operating expenses applicable to the leased properties. The Company has also entered into leases that are on a month-to-month basis. These leases are classified as either capital leases, operating leases or subleases, as appropriate.

As of June 30, 2019, future minimum rental payments under non-cancelable operating leases with initial terms of one year or more consist of the following:

	Operating Leases
	(in thousands)
2020	$ 16,588
2021	13,490
2022	12,081
2023	9,957
2024	9,498
Thereafter	44,953
Total minimum lease payments	$106,567

At June 30, 2019, the total future minimum sublease rentals under non-cancelable operating sub-leases for land and buildings were $3.7 million. Rent expense (excluding executory costs such as real estate taxes, maintenance, utilities, etc.) was approximately $20.0 million, $19.6 million and $28.7 million for the years ended June 30, 2019, July 1, 2018 and July 2, 2017, respectively.

Other Commitments

The Company's purchase commitments consist primarily of inventory, equipment and technology (hardware and software) purchase orders made in the ordinary course of business, most of which have terms less than one year. As of June 30, 2019, the Company had fixed and determinable off-balance sheet purchase commitments with remaining terms in excess of one year of approximately $5.5 million, primarily related to the Company's technology infrastructure and inventory commitments.

The Company had approximately $1.6 million and $1.8 million in unused stand-by letters of credit as of June 30, 2019 and July 1, 2018, respectively.

Litigation

There are various claims, lawsuits, and pending actions against the Company and its subsidiaries incident to the operations of its businesses. It is the opinion of management, after consultation with counsel, that the ultimate resolution of such claims, lawsuits and pending actions will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effectuated by the Company's Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made in accordance with authorization of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2019.

The Company's independent registered public accounting firm, BDO USA, LLP, audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2019. BDO USA, LLP's report on the effectiveness of the Company's internal control over financial reporting as of June 30, 2019 is set forth below.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
1-800-Flowers.com, Inc.
Carle Place, NY

Opinion on Internal Control over Financial Reporting

We have audited 1-800-FLOWERS.COM, Inc. (the "Company's") internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, based on our audit, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of 1-800-FLOWERS.COM. Inc. and Subsidiaries as of June 30, 2019 and July 1, 2018 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2019, and the related notes and schedule, and our report dated September 13, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

BDO USA, LLP
Melville, New York
September 13, 2019

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
1-800-FLOWERS.COM, Inc.
Carle Place, NY

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of June 30, 2019 and July 1, 2018 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2019, and the related notes and schedule (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at June 30, 2019 and July 1, 2018, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated September 13, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2014.

BDO USA, LLP
Melville, New York
September 13, 2019

Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

1-800-FLOWERS.COM's Class A common stock trades on The NASDAQ Global Select Market under the ticker symbol "FLWS." There is no established public trading market for the Company's Class B common stock.

Rights of Common Stock

Holders of Class A common stock generally have the same rights as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions. During fiscal 2018, 78,780 shares of Class B common stock were converted into shares of Class A common stock, while none were converted during fiscal 2019.

Holders

As of September 6, 2019, there were approximately 230 stockholders of record of the Company's Class A common stock, although the Company believes that there is a significantly larger number of beneficial owners. As of September 6, 2019, there were approximately 7 stockholders of record of the Company's Class B common stock.

Purchases of Equity Securities by the Issuer

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In October 2016, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $25 million, then in August 2017, the Board of Directors increased the authorization to $30.0 million, and subsequently increased it once more on June 27, 2019 to $30.0 million. The Company repurchased a total of $14.8 million (1,230,303 shares), $12.2 million (1,269,059 shares) and $10.7 million (1,120,706 shares) during the fiscal years ended June 30, 2019, July 1, 2018 and July 2, 2017, respectively, under this program. As of June 30, 2019, $30.0 million remains authorized under the plan.

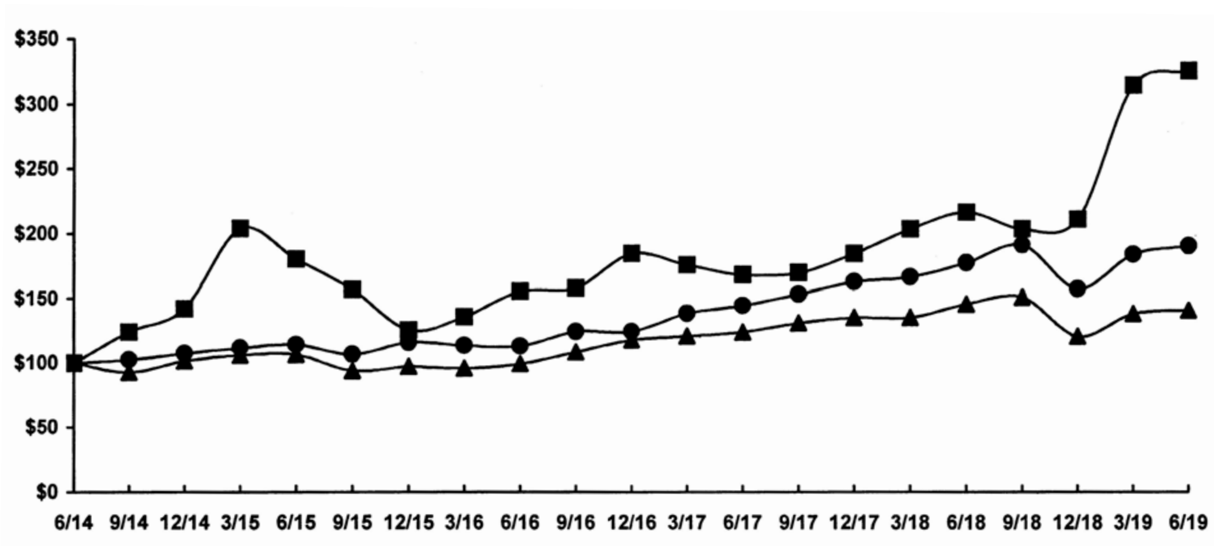
The following table sets forth, for the months indicated, the Company's purchase of common stock during the fiscal year ended June 30, 2019, which includes the period July 2, 2018 through June 30, 2019:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	(in thousands, except average price paid per share)			
07/02/18 - 07/29/18	—	—	—	$19,997
07/30/18 - 08/26/18	—	—	—	$19,997
08/27/18 - 09/30/18	345.6	$11.66	345.6	$15,957
10/01/18 - 10/28/18	318.4	$11.12	318.4	$12,409
10/29/18 - 11/25/18	346.0	$12.70	346.0	$ 8,010
11/26/18 - 12/30/18	115.0	$12.31	115.0	$ 6,591
12/31/18 - 01/27/19	90.0	$12.80	90.0	$ 5,436
01/28/18 - 02/24/19	15.3	$13.34	15.3	$ 5,231
02/25/19 - 03/31/19	—	—	—	$ 5,231
04/01/19 - 04/28/19	—	—	—	$ 5,231
04/29/19 - 05/26/19	—	—	—	$ 5,231
05/27/19 - 06/30/19	—	—	—	$30,000
Total	1,230.3	$11.98	1,230.3	

(1) Average price per share excludes commissions and other transaction fees.

*Comparison of 5 Year Cumulative Total Return**

Among 1-800-Flowers.com, Inc., the Russell 2000 Index and the NASDAQ Non-Financial Index



1-800-FLOWERS.COM, INC. — Russell 2000 — Nasdaq Non-Financial

*$100 invested on 6/30/14 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

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Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent 1-800-FLOWERS.COM, Inc.'s (the "Company") current expectations or beliefs concerning future events and can generally be identified by the use of statements that include words such as "estimate," "expects," "project," "believe," "anticipate," "intend," "plan," "foresee," "likely," "will," or similar words or phrases. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control, which could cause actual results to differ materially from the results expressed or implied in the forward-looking statements, including, among others: the Company's ability to achieve its guidance for revenue, Adjusted EBITDA and EPS; its ability to manage the significant seasonality of its business; its ability to integrate the operations of acquired companies; its ability to cost-effectively acquire and retain customers; the outcome of contingencies, including legal proceedings in the normal course of business; its ability to compete against existing and new competitors; its ability to manage expenses associated with sales and marketing and necessary general and administrative and technology investments and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. Reconciliations for forward looking figures would require unreasonable efforts at this time because of the uncertainty and variability of the nature and amount of certain components of various necessary GAAP components, including for example those related to compensation, tax items, amortization or others that may arise during the year, and the Company's management believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors. The lack of such reconciling information should be considered when assessing the impact of such disclosures. The Company undertakes no obligation to publicly update any of the forward-looking statements, whether as a result of new information, future events or otherwise, made in this annual report or in any of its SEC filings except as may be otherwise stated by the Company. For a more detailed description of these and other risk factors, and a list of definitions of non-GAAP terms, please refer to the Company's SEC filings including the Company's Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q. Consequently, you should not consider any such list to be a complete set of all potential risks and uncertainties.

Definitions of non-GAAP Financial Measures:
We sometimes use financial measures derived from consolidated financial information, but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain of these are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission ("SEC") rules. Non-GAAP financial measures referred to in this document are either labeled as "non-GAAP" or designated as such with a "1". See below for definitions and the reasons why we use these non-GAAP financial measures.

EBITDA and Adjusted EBITDA
We define EBITDA as net income (loss) before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for the impact of stock-based compensation, Non-Qualified Plan Investment appreciation/depreciation, and for certain items affecting period-to-period comparability. The Company presents EBITDA and Adjusted EBITDA because it considers such information meaningful supplemental measures of its performance and believes such information is frequently used by the investment community in the evaluation of similarly situated companies. The Company uses EBITDA and Adjusted EBITDA as factors used to determine the total amount of incentive compensation available to be awarded to executive officers and other employees. The Company's credit agreement uses EBITDA and Adjusted EBITDA to determine its interest rate and to measure compliance with certain covenants. EBITDA and Adjusted EBITDA are also used by the Company to evaluate and price potential acquisition candidates. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of the limitations are: (a) EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, the Company's working capital needs; (b) EBITDA and Adjusted EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debts; and (c) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future and EBITDA does not reflect any cash requirements for such capital expenditures. EBITDA and Adjusted EBITDA should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

Free Cash Flow
We define Free Cash Flow as net cash provided by operating activities less capital expenditures. The Company considers Free Cash Flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of fixed assets, which can then be used to, among other things, invest in the Company's business, make strategic acquisitions, strengthen the balance sheet and repurchase stock or retire debt. Free Cash Flow is a liquidity measure that is frequently used by the investment community in the evaluation of similarly situated companies. Since Free Cash Flow is not a measure of performance calculated in accordance with GAAP, it should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the Company's cash balance for the period.

Stock Exchange Listing

NASDAQ Global Select Market
Ticker Symbol: FLWS

Transfer Agent and Registrar

American Stock Transfer & Trust Company
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Brooklyn, New York 11219
(718) 921-8200

Independent Auditors

BDO USA, LLP
401 Broadhollow Road
Suite 201
Melville, NY 11747
(631) 501-9600

SEC Counsel

Cahill Gordon and Reindel LLP
80 Pine Street
New York, NY 10005
(212) 701-3000

Shareholder Inquiries

Copies of the Company's reports on Forms 10-K and 10-Q as filed with the Securities and Exchange Commission and additional information about 1-800-FLOWERS.COM, Inc. may be obtained by visiting the Investor Relations section at www.1800flowersinc.com, by calling 516-237-6113, or by writing to:
Investor Relations
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DRIVING GROWTH BUILDING MOMENTUM

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