

1 800 FLOWERS COM INC
Form 10-Q
November 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 26, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___ to ___

Commission File No. 0-26841

1-800-FLOWERS.COM, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE
11-3117311
(State of
Employer
incorporation)
Identification No.)

(I.R.S.

One Old Country Road, Carle Place, New York 11514
(Address of principal executive offices)(Zip code)

(516) 237-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ()

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes () No ()

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of each of the Registrant’s classes of common stock:

27,123,413
(Number of shares of Class A common stock outstanding as of November 1, 2010)

36,858,465
(Number of shares of Class B common stock outstanding as of November 1, 2010)

1-800-FLOWERS.COM, Inc.

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PART I. – FINANCIAL INFORMATION
ITEM 1. – CONSOLIDATED FINANCIAL STATEMENTS

1-800-FLOWERS.COM, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share data)

	September 26, 2010	June 27, 2010
	(unaudited)	
Assets		
Current assets:		
Cash and equivalents	\$9,056	\$27,843
Receivables, net	22,058	13,943
Inventories	70,990	45,121
Deferred tax assets	9,391	5,109
Prepaid and other	8,356	5,662
Total current assets	119,851	97,678
Property, plant and equipment, net	49,248	51,324
Goodwill	41,211	41,211
Other intangibles, net	40,444	41,042
Deferred tax assets	19,308	19,265
Other assets	5,525	5,566
Total assets	\$275,587	\$256,086
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$57,289	\$59,914
Current maturities of long-term debt and obligations under capital leases	45,563	14,801
Total current liabilities	102,852	74,715
Long-term debt and obligations capital leases	41,465	45,707
Other liabilities	3,096	3,038
Total liabilities	147,413	123,460
Commitments and contingencies		
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 32,518,816 and 32,492,266 shares issued at September 26, 2010 and June 27, 2010, respectively	325	325
Class B common stock, \$.01 par value, 200,000,000 shares authorized 42,138,465 shares issued at September 26, 2010 and June 27, 2010	421	421
Additional paid-in capital	286,170	285,515
Retained deficit	(125,601)	(120,477)

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Accumulated other comprehensive loss, net of tax	(317)	(334)
Treasury stock, at cost – 5,465,046 Class A shares and 5,280,000 Class B shares at September 26, 2010 and June 27, 2010.	(32,824)	(32,824)
Total stockholders' equity	128,174		132,626	
Total liabilities and stockholders' equity	\$275,587		\$256,086	

See accompanying Notes to Consolidated Financial Statements.

1-800-FLOWERS.COM, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	September 26, 2010	September 27, 2009
Net revenues	\$104,521	\$108,316
Cost of revenues	60,940	64,562
Gross profit	\$43,581	\$43,754
Operating expenses:		
Marketing and sales	29,918	29,476
Technology and development	4,881	4,556
General and administrative	11,880	12,534
Depreciation and amortization	5,135	4,946
Total operating expenses	51,814	51,512
Operating loss	(8,233)	(7,758)
Other income (expense):		
Interest income	29	14
Interest expense	(1,199)	(1,546)
Other	1	2
Total other income (expense), net	(1,169)	(1,530)
Loss from continuing operations before income taxes	(9,402)	(9,288)
Income tax benefit from continuing operations	4,278	3,622
Loss from continuing operations	(5,124)	(5,666)
Loss from discontinued operations	-	(2,638)
Income tax benefit from discontinued operations	-	1,029
Loss from discontinued operations	-	(1,609)
Net loss	\$(5,124)	\$(7,275)
Basic and diluted net loss per common share		
From continuing operations	\$(0.08)	\$(0.09)
From discontinued operations	-	\$(0.03)
Net loss per common share	\$(0.08)	\$(0.11)
Weighted average shares used in the calculation of basic and diluted net loss per common share	63,894	63,472

See accompanying Notes to Consolidated Financial Statements.

1-800-FLOWERS.COM, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended	
	September 26, 2010	September 27, 2009
Operating activities		
Net loss	\$(5,124)	\$(7,275)
Reconciliation of net loss to net cash used in operating activities:		
Loss from discontinued operations	-	(1,695)
Depreciation and amortization	5,135	4,861
Amortization of deferred financing costs	120	85
Deferred income taxes	(4,282)	(360)
Stock based compensation	655	1,053
Bad debt expense	458	309
Other	-	84
Changes in operating items		
Receivables	(8,573)	(9,528)
Inventories	(25,869)	(28,617)
Prepaid and other	(2,694)	(1,675)
Accounts payable and accrued expenses	(2,625)	(4,290)
Other assets	(109)	(86)
Other liabilities	32	(2)
Net cash used in operating activities	(42,876)	(47,136)
Investing activities		
Capital expenditures	(2,450)	(2,283)
Purchase of investment	-	(598)
Other, net	36	39
Investing activities of discontinued operations	-	(35)
Net cash used in investing activities	(2,414)	(2,877)
Financing activities		
Proceeds from bank borrowings	30,000	29,000
Repayment of notes payable and bank borrowings	(3,000)	(5,087)
Debt issuance cost	(17)	-
Repayment of capital lease obligations	(480)	(485)
Net cash provided by financing activities	26,503	23,428
Net change in cash and equivalents	(18,787)	(26,585)
Cash and equivalents:		
Beginning of period	27,843	29,562
End of period	\$9,056	\$2,977

See accompanying Notes to Consolidated Financial Statements.

1-800-FLOWERS.COM, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

Note 1 – Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by 1-800-FLOWERS.COM, Inc. and subsidiaries (the “Company”) in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended September 26, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending July 3, 2011.

The balance sheet information at June 27, 2010 has been derived from the audited financial statements at that date, but doesn’t include all information or notes necessary for a complete presentation.

Accordingly, the information in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 27, 2010.

References in this Quarterly Report on Form 10-Q to “authoritative guidance” are to the Accounting Standards Codification issued by the Financial Accounting Standards Board (“FASB”) in June 2009.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

Comprehensive Income (Loss)

For the three months ended September 26, 2010 and September 27, 2009, the Company’s comprehensive losses were as follows:

	Three Months Ended	
	September 26, 2010	September 27, 2009
	(in thousands)	
Net loss	\$ (5,124)	\$ (7,275)
Change in fair value of cash flow hedge, net of tax	17	(279)
Comprehensive loss	\$ (5,107)	\$ (7,554)

1-800-FLOWERS.COM, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

Recent Accounting Pronouncements

No new accounting pronouncement issued or effective during the fiscal year has had or is expected to have a material impact on the Company's financial position, results of operations or cash flows.

Reclassifications

Certain balances in the prior fiscal years have been reclassified to conform with the presentation in the current fiscal year. During the second quarter of fiscal 2010, the Company launched its 1-800-Baskets brand. Products within this business are now being managed within the Gourmet Food & Gift Baskets segment, resulting in a change to our reportable segment structure. Gift basket products, formerly included in the Consumer Floral reportable segment are now included in the Gourmet Food & Gift Baskets segment. These changes have been reflected in the Company's segment reporting for all periods presented.

Note 2 – Net Income (Loss) Per Common Share

Basic net loss per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed using the weighted-average number of common shares outstanding during the period, and excludes the effect of dilutive potential common shares (consisting of employee stock options and unvested restricted stock awards) for the three months ended September 26, 2010 and September 27, 2009, respectively, as their inclusion would be antidilutive.

Note 3 – Stock-Based Compensation

The Company has a Long Term Incentive and Share Award Plan, which is more fully described in Note 12 to the consolidated financial statements included in the Company's 2010 Annual Report on Form 10-K, that 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 stock-based awards.

The amounts of stock-based compensation expense recognized in the periods presented are as follows:

Three Months Ended	
September	September
26, 2010	27, 2009
(in thousands)	

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Stock options	\$289	\$495
Restricted stock awards	366	558
Total	655	1,053
Deferred income tax benefit	216	322
Stock-based compensation expense, net	\$439	\$731

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

	Three Months Ended	
	September	September
	26, 2010	27, 2009
	(in thousands)	
Marketing and sales	\$262	\$458
Technology and development	131	229
General and administrative		