

1 800 FLOWERS COM INC
Form 10-Q
February 09, 2018

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 **December 31, 2017**

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 incorporation) (I.R.S. Employer Identification No.)

One Old Country Road, Carle Place, New York 11514 (516) 237-6000

Edgar Filing: 1 800 FLOWERS COM INC - Form 10-Q

(Address of principal executive offices)(Zip code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** No

Indicate by check mark whether the registrant 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

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

Large accelerated filer

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

Accelerated filer

Smaller reporting
company

Emerging
growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 as of February 2, 2018:

Class A common stock: 35,969,913

Class B common stock: 28,567,063

Table of Contents**TABLE OF CONTENTS**

	Page
Part I. <u>Financial Information</u>	
Item 1. <u>Condensed Consolidated Financial Statements</u>	1
<u>Condensed Consolidated Balance Sheets – December 31, 2017 (Unaudited) and July 2, 2017</u>	1
<u>Condensed Consolidated Statements of Income (Unaudited) – Three and Six Months Ended December 31, 2017 and January 1, 2017</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) – Three and Six Months Ended December 31, 2017 and January 1, 2017</u>	3
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) – Six Months Ended December 31, 2017 and January 1, 2017</u>	4
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	5
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	31
Item 4. <u>Controls and Procedures</u>	31
Part II. <u>Other Information</u>	
Item 1. <u>Legal Proceedings</u>	32
Item 1A. <u>Risk Factors</u>	32
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
Item 3. <u>Defaults upon Senior Securities</u>	33
Item 4. <u>Mine Safety Disclosures</u>	33
Item 5. <u>Other Information</u>	33
Item 6. <u>Exhibits</u>	34
<u>Signatures</u>	35

Table of Contents**PART I. – FINANCIAL INFORMATION****ITEM 1. – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1-800-FLOWERS.COM, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets***(in thousands, except share data)*

	December 31, 2017	July 2, 2017
	<i>(unaudited)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 232,589	\$ 149,732
Trade receivables, net	44,424	14,073
Inventories	60,567	75,862
Prepaid and other	22,007	17,735
Total current assets	359,587	257,402
Property, plant and equipment, net	154,606	161,381
Goodwill	62,590	62,590
Other intangibles, net	60,460	61,090
Other assets	11,520	10,007
Total assets	\$ 648,763	\$ 552,470
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 55,252	\$ 27,781
Accrued expenses	123,504	90,206
Current maturities of long-term debt	8,625	7,188
Total current liabilities	187,381	125,175
Long-term debt	97,545	101,377
Deferred tax liabilities	21,530	33,868
Other liabilities	11,565	9,811
Total liabilities	318,021	270,231
Commitments and contingencies (<u>Note 13</u>)		

Edgar Filing: 1 800 FLOWERS COM INC - Form 10-Q

Stockholders' equity:

Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued	-	-
Class A common stock, \$0.01 par value, 200,000,000 shares authorized, 51,879,967 and 51,227,779 shares issued at December 31, 2017 and July 2, 2017, respectively	519	513
Class B common stock, \$0.01 par value, 200,000,000 shares authorized, 33,847,063 and 33,901,603 shares issued at December 31, 2017 and July 2, 2017, respectively	338	339
Additional paid-in-capital	339,805	337,726
Retained earnings	90,115	32,638
Accumulated other comprehensive loss	(160)	(187)
Treasury stock, at cost, 15,877,054 and 14,709,731 Class A shares at December 31, 2017 and July 2, 2017, respectively, and 5,280,000 Class B shares at December 31, 2017 and July 2, 2017	(99,875)	(88,790)
Total stockholders' equity	330,742	282,239
Total liabilities and stockholders' equity	\$ 648,763	\$ 552,470

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**1-800-FLOWERS.COM, Inc. and Subsidiaries****Condensed Consolidated Statements of Income***(in thousands, except for per share data)**(unaudited)*

	Three Months Ended		Six Months Ended	
	December 31, 2017	January 1, 2017	December 31, 2017	January 1, 2017
Net revenues	\$526,093	\$554,553	\$683,442	\$720,382
Cost of revenues	290,834	297,559	380,905	392,001
Gross profit	235,259	256,994	302,537	328,381
Operating expenses:				
Marketing and sales	113,771	119,876	163,493	174,954
Technology and development	9,175	9,849	18,845	19,337
General and administrative	19,170	21,551	38,575	43,484
Depreciation and amortization	8,677	9,167	16,761	17,164
Total operating expenses	150,793	160,443	237,674	254,939
Operating income	84,466	96,551	64,863	73,442
Interest expense, net	1,226	2,154	2,257	3,605
Other (income) expense, net	(86)	1	(346)	(149)
Income before income taxes	83,326	94,396	62,952	69,986
Income tax expense	12,627	31,467	5,475	22,828
Net income	\$70,699	\$62,929	\$57,477	\$47,158
Basic net income per common share	\$1.09	\$0.97	\$0.89	\$0.72
Diluted net income per common share	\$1.06	\$0.93	\$0.86	\$0.70
Weighted average shares used in the calculation of net income per common share:				
Basic	64,601	65,172	64,778	65,112
Diluted	66,782	67,754	67,037	67,778

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**1-800-FLOWERS.COM, Inc. and Subsidiaries****Condensed Consolidated Statements of Comprehensive Income***(in thousands)**(unaudited)*

	Three Months Ended		Six Months Ended	
	December 31, 2017	January 1, 2017	December 31, 2017	January 1, 2017
Net income	\$70,699	\$62,929	\$57,477	\$47,158
Other comprehensive income/(loss) (currency translation & other miscellaneous items)	26	(14)	27	81
Comprehensive income	\$70,725	\$62,915	\$57,504	\$47,239

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six months ended	
	December	January
	31, 2017	1, 2017
Operating activities:		
Net income	\$57,477	\$47,158
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	16,761	17,164
Amortization of deferred financing costs	480	1,050
Deferred income taxes	(12,338)	(1,380)
Bad debt expense	418	656
Stock-based compensation	2,069	3,498
Other non-cash items	(103)	(400)
Changes in operating items:		
Trade receivables	(30,769)	(39,399)
Inventories	15,295	9,916
Prepaid and other	(4,272)	(3,215)
Accounts payable and accrued expenses	69,269	75,304
Other assets	(97)	(35)
Other liabilities	(24)	(324)
Net cash provided by operating activities	114,166	109,993
Investing activities:		
Working capital adjustment related to sale of business	(8,500)	-
Capital expenditures, net of non-cash expenditures	(8,864)	(13,253)
Net cash used in investing activities	(17,364)	(13,253)
Financing activities:		
Acquisition of treasury stock	(11,085)	(6,822)
Proceeds from exercise of employee stock options	15	267
Proceeds from bank borrowings	30,000	181,000
Repayment of bank borrowings	(32,875)	(183,563)
Debt issuance costs	-	(1,456)
Net cash used in financing activities	(13,945)	(10,574)

Edgar Filing: 1 800 FLOWERS COM INC - Form 10-Q

Net change in cash and cash equivalents	82,857	86,166
Cash and cash equivalents:		