

1-800 Flowers.com, Inc. FLWS (NAS)

Last Close	Industry	Sector
3.00 USD	Online Retail	Consumer Services

Profile

Pricing data through 05 Nov 2009

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1-800-Flowers.Com Inc. provides customers around the world with the freshest flowers and finest selection of plants, gift baskets, gourmet foods and confections, and plush stuffed animals perfect for every occasion. It offers other products, popcorn, cookies, candy and wine, home and garden merchandise and unique toys and games for children. In addition to selecting its core products, the company's merchandising team works closely with manufacturers and suppliers to select and design products that meet the seasonal, holiday and other special needs of its customers. 1-800-Flowers.Com's differentiated and value-added product offerings create the opportunity to have a relationship with customers who purchase items not only for gift-giving occasions but also for everyday consumption.

Customers can shop 1-800-FLOWERS.COM 24 hours a day, 7 days a week via the phone or Internet or by visiting a Company-operated or franchised store. The company's marketing and promotion strategy is designed to strengthen the 1-800-FLOWERS.COM brands, increase customer acquisition, build customer loyalty, and encourage repeat purchases. Its development of a hybrid fulfillment system which enables it to offer same-day, next-day and any-day delivery, combines the use of BloomNet, with the company-owned distribution centers and brand-name vendors who ship directly to the company's customers. The growing popularity and convenience of e-commerce has continued to give rise to established businesses on the Internet. 1-800-Flowers.Com has applied for or received trademark and/or service mark registration for, among others, 1-800-FLOWERS.COM, 1-800-FLOWERS, Plow & Hearth, Wind & Weather, GreatFood.com, The Popcorn Factory, TheGift.com etc.

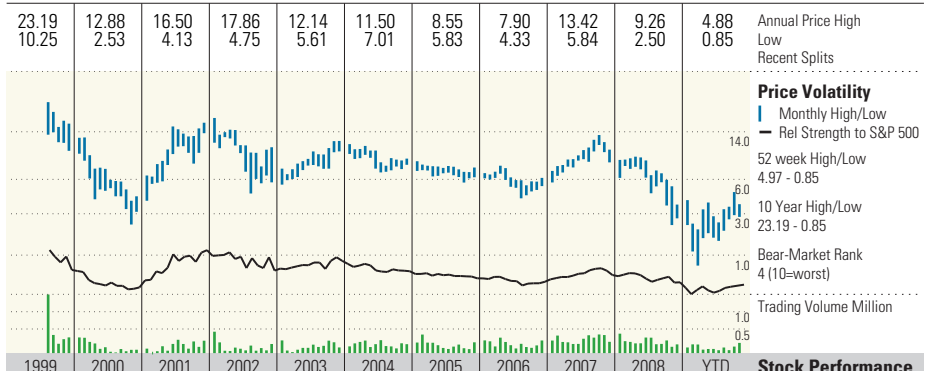
1-800 Flowers.com, Inc. FLWS

Sales USD Mil 714 **Mkt Cap USD Mil** 190 **Industry** Online Retail **Sector** Consumer Services

1-800 Flowers is a retailer selling items via its Web site, toll-free telephone number, catalogs, and retail stores. It offers floral arrangements, home and garden products, children's toys, food and wine items, gift baskets, and other specialty gifts under a wide range of names. Brands include Plow & Hearth, Magic Cabin, The Popcorn Factory, Cheryl&Co., Winetasting Network, and Fannie May, among others.

One Old Country Road Suite 500
Carle Place, NY 11514
Phone: 1 516 237-6000
Website: <http://www.1800flowers.com>
Employees: 2300

Morningstar Rating **Last Price** 3.00 **Fair Value** **Uncertainty** **Economic Moat™** **Stewardship Grade**
per share prices in USD



Growth Rates	Compound Annual			
	1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	-22.4	-3.0	3.4	9.2
Operating Income %	—	—	—	—
Earnings/Share %	—	—	—	—
Dividends %	—	—	—	—
Book Value/Share %	-42.3	-10.8	-5.6	—
Stock Total Return %	-31.4	-17.0	-17.5	-11.4
+/- Industry	-171.2	-52.4	-40.1	-10.4
+/- Market	-43.3	-9.1	-15.7	-8.7

Profitability Analysis	Current	5 Yr Avg	Ind	Mkt
	Return on Equity %	-53.9	-5.9	—
Return on Assets %	-29.9	-3.0	—	6.0
Fixed Asset Turns	11.9	13.9	—	6.8
Inventory Turns	7.7	10.5	—	12.0
Revenue/Employee USD K	310.4	256.1*	—	918.1
Gross Margin %	39.4	41.6	—	39.2
Operating Margin %	-10.2	0.1	—	15.4
Net Margin %	-13.8	-1.6	—	6.9
Free Cash Flow/Rev %	2.2	—	—	0.0
R&D/Rev %	2.9	0.0	—	10.7

Financial Position	06-08 USD Mil		06-09 USD Mil	
	Cash	12	30	67
Inventories	67	46	13	11
Receivables	13	11	110	122
Current Assets	—	—	66	55
Fixed Assets	—	—	193	84
Intangibles	—	—	371	286
Total Assets	—	—	—	—
Payables	—	—	13	22
Short-Term Debt	—	—	76	78
Current Liabilities	—	—	55	71
Long-Term Debt	—	—	140	152
Total Liabilities	—	—	231	134
Total Equity	—	—	—	—

Valuation Analysis	Current	5 Yr Avg	Ind	Mkt
	Price/Earnings	—	—	69.9
Forward P/E	12.1	—	—	16.0
Price/Cash Flow	6.8	21.6	22.5	6.7
Price/Free Cash Flow	12.0	—	25.5	17.5
Dividend Yield %	—	—	—	2.1
Price/Book	1.5	2.2	13.0	2.1
Price/Sales	0.3	0.6	2.3	1.2
PEG Ratio	0.8	—	—	1.8

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	Stock Performance
—	-61.4	278.2	-59.9	77.0	-24.1	-23.6	-4.0	41.7	-56.2	-21.5	—	Total Return %
—	-51.3	291.2	-36.5	50.6	-33.1	-26.6	-17.6	38.2	-17.7	-39.6	—	+/- Market
—	23.6	278.5	-79.0	-92.9	-10.0	-33.2	6.0	-32.5	-14.5	-154.3	—	+/- Industry
—	—	—	—	—	—	—	—	—	—	0.0	—	Dividend Yield %
659	265	1004	410	728	555	418	401	550	243	190	—	Market Cap USD Mil

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Financials
385	442	497	566	604	671	782	913	919	714	714	Revenue USD Mil
38.4	39.4	41.0	42.6	41.9	41.1	41.7	43.0	42.8	39.4	39.4	Gross Margin %
-76	-45	-4	12	21	12	7	35	37	-73	-73	Oper Income USD Mil
-19.6	-10.3	-0.7	2.1	3.5	1.8	0.8	3.8	4.1	-10.2	-10.2	Operating Margin %
-67	-41	-2	12	41	8	3	17	21	-98	-98	Net Income USD Mil
-1.10	-0.64	-0.02	0.18	0.60	0.12	0.05	0.26	0.32	-1.55	-1.55	Earnings Per Share USD
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Dividends USD
60	64	64	67	68	67	66	65	65	63	63	Shares Mil
3.10	1.96	1.73	1.94	2.23	2.89	2.93	2.90	3.49	3.47	2.01	Book Value Per Share USD
-34	-13	12	20	42	10	15	32	58	28	28	Oper Cash Flow USD Mil
-22	-16	-12	-10	-11	-13	-20	-18	-20	-12	-12	Cap Spending USD Mil
-56	-28	0	9	32	-3	-6	14	38	16	16	Free Cash Flow USD Mil

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Profitability
-32.8	-19.7	-0.8	5.8	17.2	3.1	1.1	4.9	5.8	-29.9	-29.9	Return on Assets %
-88.9	-29.9	-1.3	9.4	25.3	4.2	1.7	8.7	9.7	-53.9	-53.9	Return on Equity %
-17.3	-9.3	-0.3	2.2	6.8	1.2	0.4	1.9	2.3	-13.8	-13.8	Net Margin %
1.89	2.11	2.47	2.68	2.54	2.61	2.61	2.61	2.54	2.17	2.17	Asset Turnover
1.4	1.7	1.7	1.6	1.4	1.4	1.8	1.8	1.6	2.1	2.1	Financial Leverage

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	06-09	Financial Health
82	27	23	27	84	42	41	51	33	44	44	Working Capital USD Mil
9	13	12	9	6	3	78	68	55	71	71	Long-Term Debt USD Mil
159	118	124	137	186	186	193	201	231	134	134	Total Equity USD Mil
0.06	0.11	0.10	0.07	0.03	0.02	0.40	0.34	0.24	0.53	0.53	Debt/Equity

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Valuation
—	—	—	49.3	42.0	14.8	76.9	45.5	27.1	—	—	Price/Earnings
—	—	—	2.5	2.0	0.8	4.4	2.7	1.6	—	—	P/E vs. Market
1.6	0.6	2.1	0.8	1.3	0.9	0.6	0.5	0.6	0.3	0.3	Price/Sales
3.5	2.1	9.0	3.2	5.0	2.9	2.2	2.1	2.5	1.1	1.5	Price/Book
—	—	—	22.1	24.1	18.0	14.4	36.2	9.1	30.2	6.8	Price/Cash Flow

Quarterly Results						
Revenue	USD Mil	Sep 08	Dec 08	Mar 09	Jun 09	
Most Recent Period	158.0	329.3	173.0	53.6		
Prior Year Period	145.8	334.2	219.6	219.8		
Rev Growth %		Sep 08	Dec 08	Mar 09	Jun 09	
Most Recent Period	8.4	-1.5	-21.2	-75.6		
Prior Year Period	6.3	1.3	2.7	-5.2		
Earnings Per Share	USD	Sep 08	Dec 08	Mar 09	Jun 09	
Most Recent Period	-0.08	-0.08	-1.03	-0.35		
Prior Year Period	-0.09	0.29	0.05	0.06		

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
1-800 Flowers.com, I	190	714	—	-53.9

Major Fund Holders		% of shares
First American Small Cap Select Y		2.78
Royce Opportunity Invmt		2.10
Laudus Small-Cap MarketMasters Inv		0.70

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.



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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
MCCANN CHRISTOPHER G	President, Director	395,439	05 May 2009	-
MCCANN JAMES F	Chief Executive Officer, Chairman, Director	333,489	05 May 2009	-
TAICLET DAVID	President	248,364	05 May 2009	-
SHEA WILLIAM E	Chief Financial Officer	95,408	05 May 2009	-
NANCE MARK	President	93,313	25 Jun 2009	-
CANNAVINO JAMES A	Director	82,030	13 Mar 2009	-
WALKER JEFFREY C	Director	68,000	04 Mar 2009	-
BOZZO STEPHEN J	Chief Information Officer	50,763	05 May 2009	-

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
First American Small Cap Select Y	QQQQ	2.78	0.60	47	30 Jun 2009
Royce Opportunity Invmt	QQQ	2.10	0.20	59	30 Jun 2009
Laudus Small-Cap MarketMasters Inv	QQQ	0.70	0.36	79	30 Apr 2009
Vanguard Small Cap Index	QQQ	0.52	0.01	5	31 Jul 2009
Royce Pennsylvania Mutual Invmt	QQQQ	0.52	0.02	-18	30 Jun 2009

Concentrated Holders

NA		NA	NA	NA	NA
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Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Laudus Small-Cap MarketMasters Inv	QQQ	0.70	0.36	79	30 Apr 2009
Royce Opportunity Invmt	QQQ	2.10	0.20	59	30 Jun 2009
First American Small Cap Select Y	QQQQ	2.78	0.60	47	30 Jun 2009
Schwab Fdmtl US Sm Mid Co Idx TM Instl		0.08	0.08	43	30 Apr 2009
Vanguard Small Cap Growth Index	QQQQ	0.32	0.01	33	30 Jun 2009

Top 5 Sellers

Oppenheimer Main St Small Cap A	QQ	0.17	0.01	-303	30 Jun 2009
Eagle Small Cap Core Value I		0.22	0.55	-32	30 Jun 2009
TIAA-CREF Small-Cap Equity Retire	QQQ	0.18	0.05	-20	31 Jul 2009
Royce Pennsylvania Mutual Invmt	QQQQ	0.52	0.02	-18	30 Jun 2009

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Industry Focus: Retail - Online

Where Are All the Profits in Online Retail?

26 June 2009

Larry Witt, CFA
Stock Analyst

In the online market share battle, customers benefit, but retailers lose profits.

During the last 15 years, the demographics of online shoppers has shifted from the early adopters to nearly all Internet users. Along the way, there have been numerous failures (such as Webvan and Pets.com) for every success story (such as Amazon.com AMZN). Despite these failures, the growth in online retail is undeniable, as 4.2% of all retail sales were transacted online in 2008, up from just 1.3% in 2000. Although the industry should continue to benefit from secular trends, we think industry dynamics and a slowdown in consumer spending will keep profitability low at the firmwide level. Therefore, we would only invest in the strongest companies at attractive valuations.

There are several reasons for the strong growth in online retail, including consumers becoming more comfortable making online purchases, the convenience of home delivery, and the ability to easily compare products from multiple retailers. In addition, advances in technology have improved the experience via quicker-loading Web sites, better search functionality, and better images and videos for product descriptions. According to the U.S. Census Bureau, online retail sales have increased at an average annual rate of 22% since 2000, compared with just 5% for total retail sales.

Although not all players have participated equally in this growth, most online retailers have benefited directly from these secular tail winds. The bubble in consumer spending during the last several years has also contributed to industry growth. Now that this bubble has burst, we expect consumer spending to be challenged for some time. Therefore, we think consumers will be more selective, choosing online retailers that provide value, convenience, vast selection, and a compelling user experience.

We think this reality favors the larger players who can afford to keep investing in their business. For example, Amazon

can outspend its smaller rivals on technology (leading to a better user experience), inventory (better selection), and marketing (more traffic). In addition, Amazon's scale allows the company to sell its products at a low price and still earn an adequate profit margin. Although some strong niche sites will continue to thrive, we think the largest players will become more dominant. We've already seen this trend start to play out. According to Internet Retailer, the top 500 online retailers accounted for 65% of total online retail sales in 2008, up from 61% in 2007 and 2006.

Despite the industry's solid revenue growth in recent years, profitability has been weak. Even Amazon, the most successful online retailer (we exclude eBay EBAY because of its unique business model discussed below), continues to post thin operating margins (4.4% in 2008 and 2007) despite its scale advantages. The only other publicly traded online retailers in Internet Retailer's top 50 that sell a wide variety of products (Overstock.com OSTK and Drugstore.com DSCM) continue to lose money. The low profitability of these large companies leads us to believe that most of the smaller, privately held players are also struggling to turn a profit.

We expect profitability to remain weak for most online retailers. Although we think it requires a considerable amount of capital to succeed in this industry, the barriers to entry remain low. In addition, traditional bricks-and-mortar retailers continue to invest more in their online offerings. Therefore, we think the large Web-only retailers will have to keep spending generously on technology, marketing, and customer service while keeping prices low to fend off rivals, resulting in meager profits, if any, for most online retailers.

Below, we discuss four of the online retailers that we cover. As we've outlined above, profits remain elusive for the smaller companies.

Amazon.com Amazon's initial foray into selling commoditylike media products (such as books, movies, and CDs) forced the company to provide a superior customer

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Industry Focus: Retail - Online

experience by focusing on low prices, generous shipping terms, and great customer service. Because of this strategy, Amazon's brand has come to represent low prices and quality service, a rare combination among retailers. This strategy has also resulted in thin operating margins, but returns on capital remain high because of the asset-light nature of online retail. Although we think Amazon will remain a dominant online retailer, the evolution of media, potential for margin expansion, and uncertain prospects for Amazon's new offerings create a wide range of possible outcomes for the company's future cash flow.

eBay eBay is unique among online retailers in that the company doesn't actually buy and stock inventory, but rather it simply provides a platform that allows buyers and sellers to meet. This business model results in robust operating margins and high returns on capital. However, this strategy also means that eBay cannot directly control many aspects of the consumer experience, including pricing, selection, and shipping. To counter this head wind, eBay has revamped its platform and provided an incentive to sellers to provide buyers with a better experience. Although we don't think eBay will ever fully shed its flea market image, we think the firm's financial resources give it a good opportunity to transform the site into a more attractive e-commerce platform.

Overstock.com We believe Overstock's use of the Internet is an effective way to bring together buyers and sellers of closeout merchandise. Overall, we think Overstock has done a respectable job of providing a good customer experience: low prices, good selection, solid customer support, and a user-friendly Web site. However, because the company sells mainly closeout, discounted merchandise, the company's gross profits are too low to cover its operating expenditures; Overstock has lost money every year since its inception. Because of management's unproven record, we don't trust that the current leadership will turn Overstock into a profitable company.

Drugstore.com In addition to selling prescription drugs

(10% of sales) and contact lenses (15% of sales), Drugstore.com sells everything a consumer would find in a traditional bricks-and-mortar drugstore including personal-care products, packaged food, and nonprescription medication. This over-the-counter segment (the company's largest, representing about three fourths of sales in 2008) directly competes with larger online retailers, such as Amazon.com and eBay, that offer a larger selection of products. In addition, Drugstore.com's goal of providing convenience to its customers is mitigated by the fact that the majority of products sold by the company can also be found at any local drugstore. Lastly, Drugstore.com primarily sells low-ticket items, thus, any cost savings will generally be lost on shipping charges. For all of these reasons, we don't think Drugstore.com succeeds in differentiating itself in regard to its stated goals of convenience, selection, and value. Therefore, we remain skeptical that the company will ever turn a profit.