1 800 FLOWERS COM INC
Form 10-K
September 14, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **July 1, 2018**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. **0-26841**

1-800-FLOWERS.COM, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	**11-3117311**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Old Country Road, Carle Place, New York, 11514	**(516) 237-6000**
(Address of principal executive offices) (Zip code)	(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
Class A common stock, par value $0.01 per share	**The Nasdaq Stock Market, Inc.**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes No

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	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 aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, December 31, 2017, was approximately $266,120,000. The registrant has no non-voting common stock.

36,048,548

(Number of shares of class A common stock outstanding as of September 7, 2018)

28,542,823

(Number of shares of class B common stock outstanding as of September 7, 2018)

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders (the Definitive Proxy Statement) are incorporated by reference into Part III of this Report.

1-800-FLOWERS.COM, INC.

FORM 10-K

For the fiscal year ended July 1, 2018

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PART I

Item 1. BUSINESS

The Company

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company") is a leading provider of gifts for all celebratory occasions. 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 suite of services, including its Passport Free Shipping and Reminders programs, are all designed to engage with customers and deepen relationships as a one-stop destination for all celebratory and gifting occasions. 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.

The Company's BloomNet® international floral wire service provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. family of brands also includes everyday gifting and entertaining products such as premium, gift-quality fruits and other gourmet items from Harry & David®, popcorn and specialty treats from The Popcorn Factory® and Moose Munch®; cookies and baked gifts from Cheryl's®; gift baskets and towers from 1-800-Baskets.com® and DesignPac Gifts; premium English muffins and other breakfast treats from Wolferman's®; artisan chocolate and confections from Simply Chocolate®, carved fresh fruit arrangements from FruitBouquets.com; top quality steaks and chops from Stock Yards® and unique gifts from Personalization Universe® and Goodsey℠.

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 Company and Ferrero also entered into a transition services agreement whereby the Company will provide certain post-closing services to Ferrero and Fannie May related to the business of Fannie May and a commercial agreement with respect to the distribution of certain Ferrero and Fannie May products. The operations of Fannie May were previously included within the Company's Gourmet Foods & Gift Baskets segment.

Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

References in this Annual Report on Form 10-K to “1-800-FLOWERS.COM” and the “Company” refer to 1-800-FLOWERS.COM, Inc. and its subsidiaries. The Company’s principal offices are located at One Old Country Road, Suite 500, Carle Place, NY 11514 and its telephone number at that location is (516) 237-6000.

The Origins of 1-800-FLOWERS.COM

The Company’s operations began in 1976 when James F. McCann, the Company’s founder and current Executive Chairman of the Board, acquired a single retail florist in New York City, which he subsequently expanded to a 14-store chain. Thereafter, the Company modified its business strategy to take advantage of the rapid emergence of toll-free calling. The Company acquired the right to use the toll-free telephone number 1-800-FLOWERS, adopted it as its corporate identity and began to aggressively build a national brand around it. The Company believes it was one of the first companies to embrace this new way of conducting business.

In order to support the growth of its toll-free business and to provide superior customer service, the Company developed an operating infrastructure that incorporated the best available technologies. Over time, the Company implemented a sophisticated transaction processing system that facilitated rapid order entry and fulfillment, an advanced telecommunications system and multiple customer service centers to handle increasing call volume.

To enable the Company to deliver products reliably nationwide, on a same-day or next-day basis, and to market pre-selected, high-quality floral products, the Company created BloomNet®, a nationwide network including independent local florists selected for their high-quality products, superior customer service and order fulfillment and delivery capabilities.

1-800-FLOWERS.COM offers a broad range of truly original gifts through a multi-channel strategy, making it easy for millions of customers to deliver smiles for every occasion. Complementing its retail, telephonic and ecommerce channels, 1-800-FLOWERS.COM is a pacesetter in social and mobile platforms, pioneering award-winning marketing programs and applications. As a result, the Company has developed relationships with customers who purchase products for both a wide range of celebratory gifting occasions as well as for everyday personal use. The Company offers a broad selection of unique products that a customer could expect to find in a high-end florist and gift shop, including a wide assortment of cut flowers and plants, candy, balloons, plush toys, giftware, gourmet gift baskets, and fruit bouquet arrangements. The Company has also significantly expanded its presence in the gourmet food and gift baskets category, further complementing its gift assortment, through a combination of organic initiatives and strategic acquisitions. The addition of Harry & David in September 2014 accelerated the Company’s strategy to leverage its leadership position built in the floral gifting category to create a leading position in the growing Gourmet Foods & Gift Baskets category.

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The Company's Strategy

1-800-FLOWERS.COM's objective is to be the leading authority on thoughtful gifting, to serve an expanding range of our customers' celebratory needs, thereby helping our customers express themselves and connect with the important people in their lives. The Company will continue to build on the trusted relationships with our customers by providing them with ease of access, tasteful and appropriate gifts, and superior service.

The Company believes that 1-800-FLOWERS.COM is one of the most recognized brands in the floral and gift industry. The strength of its brand has enabled the Company to extend its product offerings beyond the floral category into complementary products, which include gourmet popcorn, cookies and related baked and snack food products, premium chocolate and confections, wine gifts, gourmet gift baskets, fruit bouquet arrangements, and gift-quality fruit baskets, as well as steaks, chops and prepared meals. This extension of gift offerings helps our customers with all of their celebratory occasions, and will enable the Company to increase the number of purchases and the average order value by existing customers who have come to trust the 1-800-FLOWERS.COM brand, as well as continue to attract new customers. The Company's consolidated customer database and multi-brand website is designed to expose all of our brands to our customers, further enhancing the Company's position as a leading, one-stop destination for all of our customers' gifting and celebratory needs.

The Company believes its brands are characterized by:

Convenience. The Company's product offerings can be purchased through the Company's website via desktop or mobile devices, as well as through Alexa, Facebook Messenger, Google Assistant, Apple Business Chat, Samsung Chatbot, or Google Rich Business Messaging, to help guide customers to the perfect gift across our brands. For those customers who prefer a personal gift advisor to assist them, the Company's toll-free telephone numbers are available 24 hours a day, seven days a week.

Quality. High-quality products are critical to the Company's continued brand strength and are integral to the brand loyalty that it has built over the years. The Company offers its customers a 100% satisfaction guarantee on all of its products.

Delivery Capability. The Company has developed a market-proven fulfillment infrastructure that allows delivery on a same-day, next-day and any-day basis throughout the world. Key to the Company's fulfillment capability is an innovative "hybrid" model which combines BloomNet (comprised of independent florists operating retail flower shops, Company-owned stores, and franchised stores), with its manufacturing and distribution centers located across the country, and third-party vendors who ship directly to the Company's customers.

Selection. Over the course of a year, the Company offers more than 9,800 varieties of fresh-cut flowers, floral and fruit bouquets and plants, and more than 11,500 SKUs of gifts, gourmet foods and gift baskets, cookies and chocolates.

Customer Service. The Company strives to ensure that customer service, whether online, wireless, via the telephone, or in one of its retail stores is of the highest caliber. The Company operates customer service centers in Ohio and Oregon, while also utilizing a network of home agents and outsourcers to provide helpful assistance on everything from advice on product selection to the monitoring of the fulfillment and delivery process.

As part of the Company's continuing effort to serve the thoughtful gifting needs of its customers, and leverage its business platform, the Company continues to execute its vision to build a "Celebratory Ecosystem", including a collection of premium gifting brands, and an increasing suite of products and services designed to help our customers deliver smiles to the important people in their lives.

The platform that the Company has built allows it to expand rapidly into new product categories using a "marketplace" concept, providing its customers with a wider selection of solutions to help them express, connect and celebrate for all occasions and recipients – including themselves. The Company intends to accomplish this through organic development, and where appropriate, through acquisition of complementary businesses. A summary of the Company's more significant brands and/or businesses follows:

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CONSUMER FLORAL SEGMENT

Direct-to-consumer provider of fresh flowers, plants, fruit and gift basket products, balloons, candles, keepsake gifts, jewelry and plush stuffed animals.

Direct-to-consumer provider of artistically carved fresh fruit arrangements.

Franchisor and operator of retail flower shops, acquired in August 2011.

Direct-to-consumer provider of fresh flowers, plants, fruits and gift baskets.

E-commerce provider of personalized gifts and keepsakes.

BLOOMNET WIRESERVICE SEGMENT

Provider of products and services to the professional florist.

Wholesale merchandiser and marketer of floral industry and related products, acquired in July 2008.

GOURMET FOODS & GIFT BASKETS SEGMENT

Multi-channel specialty retailer and producer of premium gift quality fruit, gourmet food products and other gifts marketed under the Harry & David® and Cushman’s® brands, acquired in September 2014.

Manufacturer and retailer of indulgent bakery gifts, including super-thick English muffins, toppings, and desserts, acquired in September 2014 in conjunction with the purchase of Harry & David.

Multi-channel retailer and manufacturer of small batch gourmet buttery caramel and chocolate covered popcorn, acquired in September 2014 in conjunction with the purchase of Harry & David.
Manufacturer of giftable premium popcorn and specialty treats, acquired in May 2002.

Baker of premium cookies and related baked gifts, acquired in March 2005. Includes Mrs. Beasley's, a baker of cakes, muffins and gourmet gift baskets, acquired in March 2011.

E-commerce retailer of gift baskets and towers.

Designer, assembler and distributor of wholesale gift baskets, gourmet food towers and gift sets, acquired in April 2008.

E-commerce retailer of artisan chocolates and confections.

As a complement to the Company's own brands and product lines, the Company has formed strategic relationships with brands such as Lenox®, Waterford®, Real Simple®, Yankee Candle®, Junior's® Cheesecakes, Southern Living®, Starbucks® and Swarovski®. The Company also continues to develop signature products in order to provide its customers with differentiated products and further its position as a destination for all of their gifting needs.

Although the Company's family of brands maintain their own sense of identity, the Company has taken a holistic approach towards examining and operating the entire enterprise. A key feature of this approach is that the Company proactively shares best practices across its operational and functional areas, utilizing centers of excellence focused on identifying initiatives designed to enhance top and bottom-line growth opportunities.

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The Company believes that these initiatives and its continued focus on the following core values will drive long-term profitable growth:

Know and Take Care of Our Customer - by providing the right products and the best services with consistent, excellent quality and value to help them express themselves and deliver smiles. In 2017, 1-800-Flowers.com was awarded the Gold Stevie "e-Commerce Customer Service" Award, recognizing the company's innovative use of online technologies and social media to service the needs of customers.

Maintain and enhance our Financial Strength and Flexibility - by seeking ways to reduce our operating costs while strengthening our balance sheet and adding flexibility to our capital structure. During fiscal 2015, the Company completed the purchase of Harry & David, and in order to finance the acquisition, entered into a credit agreement consisting of a term loan and a new revolving credit facility, assuring capital availability and future flexibility. In December 2016, the Company amended and restated the previous credit agreement to, among other things, extend the maturity date of the $115.0 million outstanding term loan and the revolving credit facility by approximately two years to December 23, 2021. In May 2017, the Company sold its underperforming Fannie May business, generating more than $100 million in cash.

Continue to Innovate and Invest for the Future - by investing in technology and new growth opportunities. 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, and was awarded the Gold Stevie "e-Commerce Customer Service" Award, recognizing the company's innovative use of online technologies and social media to service the needs of customers. The Company also continues to build on its reputation as an "innovator" and an "early adopter" of new technologies that can enhance customer engagement. This is illustrated by the Company's initiatives in:

- conversational commerce, such as:
  - industry-first applications on Facebook's Messenger platform,
  - voice-enabled skill on Amazon's Alexa platform,
  - Google Assistant applications,
  - Apple Business Chat applications,
  - Samsung Chatbot applications, and
  - Google Rich Business Messaging;

- new Progressive Web App ("PWA') technology deployed on the Company's category-leading mobile platform, significantly ramping up speed and functionality for its growing volume of mobile customers;

- Smart Gift – a digital gifting application that enables customers to send a gift even when they don't have their recipient's address – and allows the recipient to:
  - choose their gift from our family of brands,
  - choose their preferred delivery address, and
  - even pick their delivery date – involving the recipient in the full gifting experience;

- o a new, responsive, widescreen website design we rolled out across our family of brands with enhanced navigation functionality; and

- o our digital self-service portal, allowing customers to:
  track their orders,
  make modifications to delivery dates, addresses and even their gift message;
  further enhancing our already historically high customer satisfaction metrics;

Business Segments

The Company operates in the following three business segments: Consumer Floral, Gourmet Foods & Gift Baskets, and BloomNet Wire Service. The Consumer Floral segment includes the operations of the Company's flagship brand, 1-800-Flowers.com, FruitBouquets.com, Flowerama, Personalization Universe and Goodsey, while the Gourmet Foods & Gift Baskets segment includes the operations of Harry & David (which includes Wolferman's®, Moose Munch and Stockyards.com), Cheryl's (which includes Mrs. Beasley's), The Popcorn Factory, DesignPac and 1-800-Baskets (which includes Simply Chocolate). The BloomNet Wire Service segment includes the operations of BloomNet and Napco.

On May 30, 2017, the Company sold its Fannie May subsidiary, which was previously included within the Gourmet Foods & Gift Baskets segment – see Note 4. in Item 15 below for details.

The Company's Products and Service Offerings

The Company offers a wide range of products including fresh-cut flowers, floral and fruit arrangements and plants, gifts, popcorn, gourmet foods and gift baskets, cookies, chocolates, candy, wine, and gift-quality fruit. In order to maximize sales opportunities, products are not exclusive to certain brands, and may be sold across business categories. The Company'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. The Company's merchandising team works closely with manufacturers and suppliers to select and design its floral, gourmet foods and gift baskets, as well as other gift-related products that accommodate our customers' needs to celebrate a special occasion or convey a sentiment. As part of this continuing effort, the Company intends to continue to develop differentiated products and signature collections that customers have embraced and come to expect, while eliminating marginal performers from its product offerings.

During each of fiscal 2018, 2017 and 2016, approximately 1%, of consolidated net revenue came from international sources.

Flowers and Plants. The Company offers fresh-cut flowers and floral and fruit arrangements for all occasions and holidays, available for same-day delivery. The Company provides its customers with a choice of florist designed products, including traditional floral and gift offerings, and the Company's line of fruit arrangements, under the Fruit Bouquets® brand, and flowers delivered fresh from the farm. The Company also offers a wide variety of popular plants to brighten the home and/or office, and accent gardens and landscapes.

Gourmet Foods and Gift Baskets. The Company manufactures premium cookies and baked gift items under the Cheryl's and Mrs. Beasley's brands, which are delivered in beautiful and innovative gift boxes and containers, providing customers with a variety of assortments from which to choose. The Popcorn Factory brand pops premium popcorn and specialty snack products. The 1-800-BASKETS.COM® brand features a collection of gourmet gift baskets and related products confected by DesignPac, as well as through third parties. Simply Chocolates®, launched in November 2017, offers artisan chocolates and confections. Harry & David is a vertically integrated, multi-channel specialty retailer and producer of branded premium gift-quality fruit, food products and gifts marketed under the Harry & David®, Wolferman's® and Cushman's® and MooseMunch® brands. The Company also licenses the Stockyards name through which it sells premium meats. Many of the Company's gourmet products are packaged in seasonal, occasion specific or decorative tins, fitting the "giftable" requirement of individual customers, while also adding the capability to customize the tins with corporate logos and other personalized features for the Company's corporate customers' gifting needs.

BloomNet Products and Services. The Company's BloomNet business provides its members with products and services, including: (i) clearinghouse services, consisting of the settlement of orders between sending florists (including the 1-800-Flowers.com brand) and receiving florists, (ii) advertising, in the form of member directories, including the industry's first on-line directory, (iii) communication services, by which BloomNet florists are able to send and receive orders and communicate between members, using Bloomlink®, the Company's proprietary electronic communication system, (iv) other services including web hosting, marketing services and point of sale, and (v) wholesale products, which consist of branded and non-branded floral supplies, enabling member florists to reduce their costs through 1-800-Flowers purchasing leverage, while also ensuring that member florists will be able to fulfill 1-800-Flowers.com brand orders based on recipe specifications. While maintaining industry-high quality standards for its 1-800-Flowers.com brand customers, the Company offers florists a compelling value proposition, offering products and services that its florists need to grow their business and to enhance profitability.

Marketing and Promotion

The Company's marketing and promotional strategy is designed to strengthen the 1-800-FLOWERS.COM brands, increase customer acquisition, build customer loyalty, and encourage repeat purchases. The Company's goal is to create a celebratory ecosystem that makes its brands synonymous with thoughtful gifting and to help our customers "send smiles" every day. To do this, the Company intends to invest in its brands and acquire new customers through the use of selective on and off-line media, direct marketing, public relations and strategic relationships, while cost-effectively capitalizing on the Company's large and loyal customer base.

The Company's strong appeal and brand recognition provide it with significant marketing opportunities. For example, the Company was featured in an episode of the CBS TV hit reality show *Undercover Boss*, providing a great opportunity for all of its brands to receive broad national exposure in front of an estimated 15 million viewers, while also being included in the *Walk of Shame* movie. Our "Imagine the Smiles" program recognizes and celebrates members of our local communities, who are deserving of a smile, while our "Summer of a Million Smiles" charitable efforts deliver smiles to local charities, communities and service initiatives across the country. And, in what can be considered one of the best compliments a brand can receive, 1-800-Flowers.com's place in America's cultural fabric was confirmed when the brand was featured in a great spoof on Mother's Day family relations during a Saturday Night Live skit.

Enhance its Customer Relationships. The Company intends to deepen its relationship with its customers and be their trusted resource to fulfill their need for quality, tasteful gifts. It plans to improve customer purchase frequency via product exposure through its multi-brand portal, by providing value-added loyalty programs such as Celebrations Reminders and Passport and continually investing and innovating how and where it engages with its customers. Examples of these efforts include the Company's active social media presence, and use of new and innovative platforms to reach customers, whether it be Facebook's Messenger, Amazon's Alexa voice-enabled platform, Google Assistant, Apple Business Chat or Samsung Chatbot. The Company also launched *Smart Gift*, a digital gifting application that enables customers to send a gift even when they don't have their recipient's address. The Company strives to improve our customer's experience, and recently launched a digital self-service portal, allowing customers to track their orders, make modifications to delivery dates, addresses, and even their gift message, further enhancing the Company's already historically high customer satisfaction metrics. In addition, through customer panel research, the Company has created a number of signature products designed to increase everyday purchases, including the "a DOG-able™" and "Fabulous Feline™" collections, Cookie Flower and Emoji arrangements, Cookie Cards, Fruit Bouquets, as well as Harry & David's signature Comice pears and MooseMunch popcorn, all of which build upon the Company's efforts to offer unique products, a strategy which stems back to the Company's earliest signature collections such as the still popular "Birthday Cake" and "Happy Hour" collections.

Strategic Online and Digital Relationships. The Company promotes its products through strategic relationships with leading Internet portals, search engines, and mobile and online social networks. The Company continues to leverage its experience and expertise in digital marketing where it is increasingly utilizing machine-learning in our search, display, video and other marketing programs.

Affiliate and Co-Marketing Promotions. In addition to securing alliances with frequently visited websites, the Company has developed an affiliate network that includes thousands of websites operated by third parties. Affiliate participation may be terminated by them or by the Company at any time. These websites earn commissions on purchases made by customers referred from their sites to the Company's website. In order to expand the reach of its marketing programs and stretch its marketing dollars, the Company has established a number of co-marketing relationships and promotions to advertise its products.

E-mails. The Company is able to capitalize on its customer database by utilizing cost-effective, targeted e-mails to notify customers of product promotions, remind them of upcoming gifting occasions and convey other marketing messages, while maintaining user privacy.

Direct Mail and Catalogs. The Company uses its direct mail promotions and catalogs to increase the number of new customers and to increase purchase frequency of its existing customers. Through the use of catalogs, the Company can utilize its extensive customer database to effectively cross-promote its products. In addition to providing a direct sale mechanism, these catalogs drive on-line sales and will attract additional customers to the Company's websites.

Off-line Media. The Company utilizes off-line media, including television, radio and print to market its brands and products. Off-line media allows the Company to reach a large number of customers and to target particular market segments.

The Company's Websites

The Company offers its products through its multi-branded 1-800-FLOWERS.COM (www.1800flowers.com) website. The Company's customers can access all of its family of brands through "tabs" on this Universal Resource

Locators (“URL”), as well as through the URL of any of our family of brands, all with full multi-brand functionality. Customers can come directly to the Company’s websites or be linked by one of the Company’s portal providers, search engine, affiliate or social media relationships. A majority of the Company’s online revenues are derived from traffic coming directly to one of the Company’s URLs.

The Company’s websites allow customers to easily browse and purchase its products, promote brand loyalty and encourage repeat purchases by providing an inviting customer experience. The Company’s websites offer customers detailed product information, complete with photographs, personalized shopping services, including search and order tracking, contests, gift-giving suggestions and reminder programs, party tips and planning, and information about special events and offers. The Company has designed its desktop and mobile websites to be fast, secure and easy to use and allows customers to order products with minimal effort.

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Technology Infrastructure

The Company believes it has been and continues to be a leader in implementing new technologies to give its customers the best possible shopping experience, whether online or over the telephone. Through the use of customized software applications, the Company is able to retrieve, sort and analyze customer information to enable it to better serve its customers and target its product offerings. The Company's online and telephonic orders are fed directly from the Company's secure websites, or with the assistance of a gift advisor, into a transaction processing system which captures the required customer and recipient information. The system then routes the order to the appropriate Company distribution center or, for florist fulfilled or drop-shipped items, selects a florist or vendor to fulfill the customer's order and electronically transmits the necessary information using BloomLink®, the Company's proprietary communication system, assuring timely delivery. In addition, the Company's gift advisors have electronic access to this system, enabling them to assist in order fulfillment and subsequently track other customer and/or order information.

The Company's technology infrastructure, primarily consisting of the Company's websites, transaction processing, manufacturing and warehouse management, customer databases and telecommunications systems, is built and maintained for reliability, security, scalability and flexibility. To minimize the risk of service interruptions from unexpected component or telecommunications failure, maintenance and upgrades, the Company has built full back-up and system redundancies into those components of its systems that have been identified as critical.

Fulfillment and Manufacturing Operations

The Company's customers primarily place their orders either online or over the telephone. The Company's development of a hybrid fulfillment system, which enables the Company to offer same-day, next-day and any-day delivery, combines the use of BloomNet (comprised of independent florists operating retail flower shops and franchise florist shops), with the Company-owned distribution centers and vendors who ship directly to the Company's customers. While providing a significant competitive advantage in terms of delivery options, the Company's fulfillment system also has the added benefit of reducing the Company's capital investments in inventory and infrastructure. All of the Company's products are backed by a 100% satisfaction guarantee, and the Company's business is not dependent on any single third-party supplier.

To ensure reliable and efficient communication of online and telephonic orders to its BloomNet members and third party gift vendors, the Company developed BloomLink®, a proprietary and secure internet-based communications system which is available to all BloomNet members and third-party gift vendors. The Company also has the ability to arrange for international delivery of floral products through third-party relationships.

Fulfillment and manufacturing of products is as follows:

Flowers and Plants. A majority of the Company’s floral orders are fulfilled by one of the Company’s BloomNet members, allowing the Company to deliver its floral and fruit bouquet products on a same-day or next-day basis to ensure freshness and to meet its customers’ need for immediate gifting. In addition, the Company is better positioned to ensure consistent product quality and presentation and offer a greater variety of arrangements, which creates a better experience for its customers and gift recipients. The Company selects retail florists for BloomNet based upon the florist's design staff, facilities, quality of floral processing, and delivery capabilities and allocates orders to members within a geographical area based on historical performance of the florist in fulfilling orders, and the number of BloomNet florists currently serving the area. The Company regularly monitors BloomNet florists’ performance and adherence to the Company’s quality standards to ensure proper fulfillment.

In addition to its florist designed product, the Company also offers its customers an alternative to florist designed products through its direct ship products fresh from the farm.

Gourmet Foods and Gift Baskets. The Company offers a wide array of premium branded signature baked products, confections, gift baskets, gourmet popcorn, giftable fruit towers and baskets through its Gourmet Foods & Gift Baskets’ brands. The Company’s Cheryl’s cookies and baked gifts are manufactured in its baking facility in Westerville, Ohio, while its premium Popcorn Factory and MooseMunch snack products are popped in Medford, Oregon and Lake Forest, Illinois. Harry & David products are grown and manufactured primarily from its facilities in Medford, Oregon. Gift basket confection and fulfillment for both wholesale and 1-800-Baskets.com is handled by DesignPac, located in Melrose Park, Illinois. Our products are distributed from a combination of Company owned and leased distribution facilities, across the country, which are shared by our brands in order to reduce both transit time to customer, and overall logistics costs. As of July 1, 2018, the Company operates 8 Cheryl’s and 40 Harry & David retail stores.

Seasonality

The Company’s quarterly results may experience seasonal fluctuations. 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, generates nearly 50% of the Company’s annual revenues, and all of its earnings. Additionally, due to the number of major floral gifting occasions, including Mother's Day, Valentine’s Day, Easter and Administrative Professionals Week, revenues also rise during the Company’s fiscal third and fourth quarters in comparison to its fiscal first quarter. In fiscal 2016 the Easter Holiday was on March 27th , and as a result, all revenue and EBITDA associated with this holiday was within the Company’s fiscal third quarter. In fiscal 2017, Easter was on April 16th, which resulted in the shift of most revenue and EBITDA from the Company’s third quarter to its fourth quarter. In fiscal 2018, Easter was on April 1st, which resulted in the shift of Easter-related revenue and EBITDA into the Company’s third quarter of fiscal 2018. Easter falls on April 21st in 2019 which will result in the shift of most revenue and EBITDA from the Company’s third quarter of fiscal 2018 to its fourth quarter in fiscal 2019.

In preparation for the Company's second quarter holiday season, the Company significantly increases its inventories, and therefore, corresponding cash requirements, which traditionally have been financed by cash flows from operations and bank lines of credit, which peak in November. The Company has historically repaid all revolving bank lines of credit with cash generated from operations, prior to the end of the Company's fiscal second quarter.

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Competition

The growing popularity and convenience of e-commerce shopping has continued to give rise to established businesses on the Internet. In addition to selling their products over the Internet, many of these retailers sell their products through a combination of channels by maintaining a website, a toll-free phone number and physical locations. Additionally, several of these merchants offer an expanding variety of products and some are attracting an increasing number of customers. Certain mass merchants have expanded their offerings to include competing products and may continue to do so in the future. These businesses, as well as other potential competitors, may be able to:

- undertake more extensive marketing campaigns for their brands and services;
- adopt more aggressive pricing policies; and
- make more attractive offers to potential employees, distributors and retailers.

In addition, the Company faces intense competition in each of its individual product categories. In the floral industry, there are various providers of floral products, none of which is dominant in the industry. The Company's competitors include:

- retail floral shops, some of which maintain toll-free telephone numbers and websites;
- online floral retailers, as well as retailers offering substitute gift products;
- catalog companies that offer floral products;
- floral telemarketers and wire services; and
- supermarkets, mass merchants and specialty retailers with floral departments.

Similarly, the plant, gift basket and gourmet foods categories are highly competitive. Each of these categories encompasses a wide range of products, is highly fragmented and is served by a large number of companies, none of which is dominant. Products in these categories may be purchased from a number of outlets, including mass merchants, telemarketers, retail specialty shops, online retailers and mail-order catalogs.

The Company believes the strength of its brands, product selection, customer relationships, technology infrastructure and fulfillment capabilities position it to compete effectively against its current and potential competitors in each of its product categories. However, increased competition could result in:

- price reductions, decreased revenues and lower profit margins;
- loss of market share; and
- increased marketing expenditures.

These and other competitive factors may adversely impact the Company's business and results of operations.

Government Regulation and Legal Uncertainties

The Internet continues to evolve and there are laws and regulations directly applicable to e-commerce. Legislatures are also considering an increasing number of laws and regulations pertaining to the Internet, including laws and regulations addressing:

- user privacy;
- pricing;
- content;
- connectivity;
- intellectual property;
- distribution;
- taxation;
- liabilities;
- antitrust; and
- characteristics and quality of products and services.

Further, the growth and development of the market for online services may prompt more stringent consumer protection laws that may impose additional burdens on those companies conducting business online. The adoption of any additional laws or regulations may impair the growth of the Internet or commercial online services. This could decrease the demand for the Company's services and increase its cost of doing business. Moreover, the applicability to the Internet of existing laws regarding issues like property ownership, taxes, libel and personal privacy is uncertain.

Any new legislation or regulation that has an adverse impact on the Internet or the application of existing laws and regulations to the Internet could have a material adverse effect on the Company's business, financial condition and results of operations.

States or foreign countries might attempt to regulate the Company's business or levy additional sales or other taxes relating to its activities. Because the Company's products and services are available over the Internet anywhere in the world, multiple jurisdictions may claim that the Company is required to do business as a foreign corporation in one or more of those jurisdictions. Failure to qualify as a foreign corporation in a jurisdiction where the Company is required to do so could subject it to taxes and penalties. States or foreign governments may charge the Company with violations of local laws.

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Intellectual Property and Proprietary Rights

The Company regards its service marks, trademarks, trade secrets, domain names and similar intellectual property as critical to its success. The Company has applied for or received trademark and/or service mark registration for, among others, “1-800-FLOWERS.COM”, “1-800-FLOWERS”, “1-800-Baskets”, “GreatFoods.com”, “The Popcorn Factory”, “Chery “Mrs. Beasley’s”, “Celebrations”, “Flowerama”, “DesignPac”, “Napco”, “Harry & David”, “Wolferman’s", “MooseMunch”, C “Goodsey”, “SimplyChocolate”, and “Personalization Universe”. The Company also has rights to numerous domain names, including: www.1800flowers.com, www.800flowers.com, www.1800baskets.com, www.flowers.com, www.personalizationuniverse.com, www.goodsey.com, www.greatfoods.com, www.stockyards.com, www.cheryls.com, www.celebrations.com, www.flowerama.com, www.designpac.com, www.simplychocolate.com, www.mybloomnet.net, www.napcoimports.com, www.thepopcornfactory.com, www.harryanddavid.com and www.wolfermans.com. In addition, the Company owns a number of international trademarks and/or service marks. The Company has also developed transaction processing and operating systems as well as marketing data, and customer and recipient information databases.

The Company relies on trademark, unfair competition and copyright law, trade secret protection and contracts such as confidentiality and license agreements with its employees, customers, vendors and others to protect its proprietary rights. Despite the Company’s precautions, it may be possible for competitors to obtain and/or use the Company’s proprietary information without authorization or to develop technologies similar to the Company’s and independently create a similarly functioning infrastructure. Furthermore, the protection of proprietary rights in Internet-related industries is uncertain and still evolving. The laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. The Company’s means of protecting its proprietary rights in the United States or abroad may not be adequate.

Third parties have in the past infringed or misappropriated the Company’s intellectual property or similar proprietary rights. The Company believes infringements and misappropriations will continue to occur in the future. The Company intends to police against infringement and misappropriation. However, the Company cannot guarantee it will be able to enforce its rights and enjoin the alleged infringers from their use of confusingly similar trademarks, service marks, telephone numbers and domain names.

In addition, third parties may assert infringement claims against the Company. The Company cannot be certain that its technologies or its products and services do not infringe valid patents, trademarks, copyrights or other proprietary rights held by third parties. The Company may be subject to legal proceedings and claims from time to time relating to its intellectual property and the intellectual property of others in the ordinary course of its business. Intellectual property litigation is expensive and time-consuming and could divert management resources away from running the Company’s business.

Employees

As of July 1, 2018, the Company had a total of 4,785 full and part-time employees. During peak periods, the Company substantially increases the number of customer service, manufacturing and retail and fulfillment personnel. The Company's personnel are not represented under collective bargaining agreements and the Company considers its relations with its employees to be good.

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Item 1A. Risk Factors

Cautionary Statements Under the Private Securities Litigation Reform Act of 1995

Our disclosures and analysis in this Form 10-K contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other statements we release to the public as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions; the effectiveness of our marketing programs; the performance of our existing products and services; our ability to attract and retain customers and expand our customer base; our ability to enter into or renew online marketing agreements; our ability to respond to competitive pressures; expenses, including shipping costs and the costs of marketing our current and future products and services; the outcome of contingencies, including legal proceedings in the normal course of business; and our ability to integrate acquisitions.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risk, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q and 8-K reports to the Securities and Exchange Commission ("SEC"). Also note we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995.

The financial and credit markets and consumer sentiment have and will experience significant volatility, which may have an adverse effect on our customers' spending patterns and in turn our business, financial condition and results of operations. Consumer spending patterns are difficult to predict and are sensitive to the general economic climate, the consumer's level of disposable income, consumer debt, and overall consumer confidence. In recent past, financial crisis has impacted and may continue to impact our business in a number of ways. Included among these current and potential future negative impacts are reduced demand and lower prices for our products and services.

The Company’s operating results may fluctuate, and this fluctuation could cause financial results to be below expectations. The Company’s operating results may fluctuate from period to period for a number of reasons. In budgeting the Company’s operating expenses for the foreseeable future, the Company makes assumptions regarding revenue trends; however, some of the Company’s operating expenses are fixed in the short term. Sales of the Company’s products are seasonal, concentrated in the fourth calendar quarter, due to the Thanksgiving and Christmas-time holidays, and the second calendar quarter, due to Mother's Day and Administrative Professionals’ Week. In anticipation of increased sales activity during these periods, the Company hires a significant number of temporary employees to supplement its permanent staff and the Company increases its inventory levels. If revenues during these periods do not meet the Company’s expectations, it may not generate sufficient revenue to offset these increased costs and its operating results may suffer.

The Company’s quarterly operating results may significantly fluctuate and you should not rely on them as an indication of its future results. The Company’s future revenues and results of operations may significantly fluctuate due to a combination of factors, many of which are outside of management’s control. The most important of these factors include:

- seasonality;
- the retail economy;
- the timing and effectiveness of marketing programs;
- the timing of the introduction of new products and services;
- the Company’s ability to find and maintain reliable sources for certain of its products;
- the impact of severe weather or natural disasters on consumer demand;
- the timing and effectiveness of capital expenditures;
- the Company’s ability to enter into or renew online marketing agreements; and
- competition.

The Company may be unable to reduce operating expenses quickly enough to offset any unexpected revenue shortfall. If the Company has a shortfall in revenue without a corresponding reduction to its expenses, operating results may suffer. The Company’s operating results for any particular quarter may not be indicative of future operating results. You should not rely on quarter-to-quarter comparisons of results of operations as an indication of the Company’s future performance. It is possible that results of operations may be below the expectations of public market analysts and investors, which could cause the trading price of the Company’s Class A common stock to fall.

Consumer spending on products sold by the Company may vary with general economic conditions. If general economic conditions deteriorate and the Company’s customers have less disposable income, consumers may spend less on its products and its quarterly operating results may suffer.

During peak periods, the Company utilizes temporary employees and outsourced staff, who may not be as well-trained or committed to its customers as its permanent employees, and if they fail to provide the Company’s customers with high quality customer service the customers may not return, which could have a material adverse effect on the

Company's business, financial condition, results of operations and cash flows. The Company depends on its customer service department to respond to its customers should they have questions or problems with their orders. During peak periods, the Company relies on its permanent employees, as well as temporary employees and outsourced staff to respond to customer inquiries. These temporary employees and outsourced staff may not have the same level of commitment to the Company's customers or be as well trained as its permanent employees. If the Company's customers are dissatisfied with the quality of the customer service they receive, they may not shop with the Company again, which could have a material adverse effect on its business, financial condition, results of operations and cash flows.

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If the Company fails to develop and maintain its brands, it may not increase or maintain its customer base or its revenues. The Company must continue to develop and maintain the 1-800-FLOWERS.COM brands to expand its customer base and its revenues. In addition, the Company has introduced and acquired other brands in the past, and may continue to do so in the future. The Company believes that the importance of brand recognition will increase as it expands its product offerings. Many of the Company's customers may not be aware of the Company's non-floral products. If the Company fails to advertise and market its products effectively, it may not succeed in establishing its brands and may lose customers leading to a reduction of revenues.

The Company's success in promoting and enhancing the 1-800-FLOWERS.COM brands will also depend on its success in providing its customers high-quality products and a high level of customer service. If the Company's customers do not perceive its products and services to be of high quality, the value of the 1-800-FLOWERS.COM brands would be diminished and the Company may lose customers and its revenues may decline.

A failure to establish and maintain strategic online and social media relationships that generate a significant amount of traffic could limit the growth of the Company's business. Although the Company expects a significant portion of its online customers will continue to come directly to its website, it will also rely on third party websites, search engines and affiliates with which the Company has strategic relationships for traffic. If these third-parties do not attract a significant number of visitors, the Company may not receive a significant number of online customers from these relationships and its revenues from these relationships may decrease or remain flat. There continues to be strong competition to establish or maintain relationships with leading Internet companies, and the Company may not successfully enter into additional relationships, or renew existing ones beyond their current terms. The Company may also be required to pay significant fees to maintain and expand existing relationships. The Company's online revenues may suffer if it does not enter into new relationships or maintain existing relationships or if these relationships do not result in traffic sufficient to justify their costs.

If local florists and other third-party vendors do not fulfill orders to the Company's customers' satisfaction, customers may not shop with the Company again. In many cases, floral orders placed by the Company's customers are fulfilled by local independent florists, a majority of which are members of BloomNet. The Company does not directly control any of these florists. In addition, many of the non-floral products sold by the Company are manufactured and delivered to its customers by independent third-party vendors. If customers are dissatisfied with the performance of the local florist or other third-party vendors, they may not utilize the Company's services when placing future orders and its revenues may decrease.

If a florist discontinues its relationship with the Company, the Company's customers may experience delays in service or declines in quality and may not shop with the Company again. Many of the Company's arrangements with local florists for order fulfillment may be terminated by either party with 10 days notice. If a florist discontinues its relationship with the Company, the Company will be required to obtain a suitable replacement located in the same geographic area, which may cause delays in delivery or a decline in quality, leading to customer dissatisfaction and loss of customers.

If a significant number of customers are not satisfied with their purchase, the Company will be required to incur substantial costs to issue refunds, credits or replacement products. The Company offers its customers a 100% satisfaction guarantee on its products. If customers are not satisfied with the products they receive, the Company will either replace the product for the customer or issue the customer a refund or credit. The Company’s net income would decrease if a significant number of customers request replacement products, refunds or credits and the Company is unable to pass such costs onto the supplier.

Increased shipping costs and labor stoppages may adversely affect sales of the Company’s products. Many of the Company's products are delivered to customers either directly from the manufacturer or from the Company’s fulfillment centers. The Company has established relationships with Federal Express and other common carriers for the delivery of these products. If these carriers were to increase the prices they charge to ship the Company’s goods, and the Company passes these increases on to its customers, its customers might choose to buy comparable products locally to avoid shipping charges. In addition, these carriers or other parties involved (e.g. dock workers) may experience labor stoppages, which could impact the Company’s ability to deliver products on a timely basis to our customers and adversely affect its customer relationships.

If the Company fails to continuously improve its website, it may not attract or retain customers. If potential or existing customers do not find the Company’s website a convenient place to shop, the Company may not attract or retain customers and its sales may suffer. To encourage the use of the Company’s website, it must continuously improve its accessibility, content and ease of use. Customer traffic and the Company’s business would be adversely affected if competitors' websites are perceived as easier to use or better able to satisfy customer needs.

Competition in the floral, plant, gift basket, gourmet food, and specialty gift industries is intense and a failure to respond to competitive pressure could result in lost revenues. There are many companies that offer products in these categories. In the floral category, the Company’s competitors include:

- retail floral shops, some of which maintain toll-free telephone numbers and websites;
- online floral retailers;
- catalog companies that offer floral products;
- floral telemarketers and wire services; and
- supermarkets, mass merchants and specialty gift retailers with floral departments.

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Similarly, the plant, gift basket, gourmet food, cookie, candy, fruit and specialty gift categories are highly competitive. Each of these categories encompasses a wide range of products and is highly fragmented. Products in these categories may be purchased from a number of outlets, including mass merchants, retail shops, online retailers and mail-order catalogs.

Competition is intense and the Company expects it to increase. Increased competition could result in:

- price reductions, decreased revenue and lower profit margins;
- loss of market share; and
- increased marketing expenditures.

These and other competitive factors could materially and adversely affect the Company’s results of operations.

If the Company does not accurately predict customer demand for its products, it may lose customers or experience increased costs. If the Company overestimates customer demand for its products, excess inventory and outdated merchandise could accumulate, tying up working capital and potentially resulting in reduced warehouse capacity and inventory losses due to damage, theft and obsolescence. If the Company underestimates customer demand, it may disappoint customers who may turn to its competitors. Moreover, the strength of the 1-800-FLOWERS.COM brands could be diminished due to misjudgments in merchandise selection.

If the supply of flowers for sale becomes limited, the price of flowers could rise or flowers may be unavailable and the Company’s revenues and gross margins could decline. A variety of factors affect the supply of flowers in the United States and the price of the Company’s floral products. If the supply of flowers available for sale is limited due to weather conditions, farm closures, economic conditions, or other factors, prices for flowers could rise and customer demand for the Company’s floral products may be reduced, causing revenues and gross margins to decline. Alternatively, the Company may not be able to obtain high quality flowers in an amount sufficient to meet customer demand. Even if available, flowers from alternative sources may be of lesser quality and/or may be more expensive than those currently offered by the Company.

Most of the flowers sold in the United States are grown by farmers located abroad, primarily in Colombia, Ecuador and Holland, and the Company expects that this will continue in the future. The availability and price of flowers could be affected by a number of factors affecting these regions, including:

- import duties and quotas;
- agricultural limitations and restrictions to manage pests and disease;
- changes in trading status;
- economic uncertainties and currency fluctuations;
- severe weather;
- work stoppages;
- foreign government regulations and political unrest; and
- trade restrictions, including United States retaliation against foreign trade practices.

Our orchard production operations are subject to environmental laws and regulation and any failure to comply could result in significant fines or clean-up costs. We use herbicides, fertilizers and pesticides, some of which may be considered hazardous substances. Various federal, state, and local environmental laws, ordinances and regulations regulate our properties and farming operations and could make us liable for costs of removing or cleaning up hazardous substances on, under, or in property that we currently own or lease, that we previously owned or leased, or upon which we currently or previously conducted farming operations. These laws could impose liabilities without regard to whether we knew of, or were responsible for, the presence of hazardous substances. The presence of hazardous substances or the failure to properly clean up such substances when present, could jeopardize our ability to use, sell or collateralize certain real property and result in significant fines or clean-up costs, which could adversely affect our business, financial condition and results of operations. Future environmental laws could impact our farming operations or increase our cost of goods.

Various diseases, pests and certain weather conditions can affect fruit production. Various diseases, pests, fungi, viruses, drought, frosts, hail, wildfires, floods and certain other weather conditions could affect the quality and quantity of our fruit production in our Harry & David orchards, decreasing the supply of our products and negatively impacting profitability. Our producing orchards also require adequate water supplies. A substantial reduction in water supplies could result in material losses of crops, which could lead to a shortage of our product supply.

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The ripening of our fruits is subject to seasonal fluctuations which could negatively impact profitability. The ripening of our fruits in the Harry & David orchards can happen earlier than predicted due to warmer temperatures during the year. This would result in an oversupply of fruits which we might not be able to sell on a timely basis and could result in significant inventory write-offs. The ripening of the Company’s fruits can also happen later than predicted due to colder temperatures during the year. This can cause a delay in product shipments and not being able to timely meet customer demand during the critical holiday season. Both of these scenarios could adversely affect our business, financial condition and results of operations.

The Company’s franchisees may damage its brands or increase its costs by failing to comply with its franchise agreements or its operating standards. The Company’s franchise business is governed by its Uniform Franchise Disclosure Document, franchise agreements and applicable franchise law. If the Company’s franchisees do not comply with its established operating standards or the terms of the franchise agreements, the 1-800-FLOWERS.COM brands may be damaged. The Company may incur significant additional costs, including time-consuming and expensive litigation, to enforce its rights under the franchise agreements. Additionally, the Company is the primary tenant on certain leases, which the franchisees sublease from the Company. If a franchisee fails to meet its obligations as subtenant, the Company could incur significant costs to avoid default under the primary lease. Furthermore, as a franchiser, the Company has obligations to its franchisees. Franchisees may challenge the performance of the Company’s obligations under the franchise agreements and subject it to costs in defending these claims and, if the claims are successful, costs in connection with their compliance.

If third parties acquire rights to use similar domain names or phone numbers or if the Company loses the right to use its phone numbers, its brands may be damaged and it may lose sales. The Company’s Internet domain names are an important aspect of its brand recognition. The Company cannot practically acquire rights to all domain names similar to www.1800flowers.com, or its other brands, whether under existing top level domains or those issued in the future. If third parties obtain rights to similar domain names, these third parties may confuse the Company’s customers and cause its customers to inadvertently place orders with these third parties, which could result in lost sales and could damage its brands.

Likewise, the phone number that spells 1-800-FLOWERS is important to the Company’s brand and its business. While the Company has obtained the right to use the phone numbers 1-800-FLOWERS, 1-888-FLOWERS and 1-877-FLOWERS, as well as common toll-free "FLOWERS" misdials, it may not be able to obtain rights to use the FLOWERS phone number as new toll-free prefixes are issued, or the rights to all similar and potentially confusing numbers. If third parties obtain the phone number which spells "FLOWERS" with a different prefix or a toll-free number similar to FLOWERS, these parties may also confuse the Company’s customers and cause lost sales and potential damage to its brands. In addition, under applicable FCC rules, ownership rights to phone numbers cannot be acquired. Accordingly, the FCC may rescind the Company’s right to use any of its phone numbers, including 1-800-FLOWERS (1-800-356-9377).

Computer system disruption and cyber security threats could damage our relationships with our customers, harm our reputation, expose us to litigation and adversely affect our business. We rely extensively on our computer systems for the successful operation of our business, including corporate email communications to and from employees, customers and retail operations, the design, manufacture and distribution of our finished goods, digital marketing efforts, collection and retention of customer data, employee information, the processing of credit card transactions, online e-commerce activities and our interaction with the public in the social media space. Our systems are subject to damage or interruption from computer viruses, malicious attacks and other security breaches. The possibility of a cyber-attack on any one or all of these systems is always a serious threat and consumer awareness and sensitivity to privacy breaches and cyber security threats is at an all-time high.

As part of our business model, we collect, retain, and transmit confidential information over public networks. In addition to our own databases, we use third party service providers to store, process and transmit this information on our behalf. Although we contractually require these service providers to implement and use reasonable security measures, we cannot control third parties and cannot guarantee that a security breach will not occur in the future either at their location or within their systems. We have confidential security measures in place to protect both our physical facilities and digital systems from attacks. Despite these efforts, we may be vulnerable to targeted or random security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events.

Given the robust nature of our e-commerce presence and digital strategy, it is imperative that we and our e-commerce partners maintain uninterrupted operation of our: (i) computer hardware, (ii) software systems, (iii) customer marketing databases, and (iv) ability to email our current and potential customers.

If our systems are damaged or fail to function properly or reliably, we may incur substantial repair or replacement costs, experience data loss or theft and impediments to our ability to conduct our operations. Any material disruptions in our e-commerce presence or information technology systems could have a material adverse effect on our business, financial condition and results of operations.

A privacy or data security breach could expose us to costly government enforcement actions and private litigation and adversely affect our business. An important component of our business involves the receipt and storage of information about our customers. We have programs in place to detect, contain and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our team members, contractors, vendors, and temporary staff.

The Company's business could be injured by significant credit card, debit card and gift card fraud. Customers typically pay for their on-line or telephone orders with debit or credit cards as well as a portion of their orders using gift cards. The Company's revenues and gross margins could decrease if it experienced significant credit card, debit card and gift card fraud. Failure to adequately detect and avoid fraudulent credit card, debit card and gift card transactions could cause the Company to lose its ability to accept credit cards or debit cards as forms of payment and/or result in charge-backs of the fraudulently charged amounts and/or significantly decrease revenues. Furthermore, widespread credit card, debit card and gift card fraud may lessen the Company's customers' willingness to purchase products through the Company's websites or toll-free telephone numbers. For this reason, such failure could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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Unexpected system interruptions caused by system failures may result in reduced revenues and harm to the Company's brand. In the past, particularly during peak holiday periods, the Company has experienced significant increases in traffic on its website and in its toll-free customer service centers. The Company's operations are dependent on its ability to maintain its computer and telecommunications systems in effective working order and to protect its systems against damage from fire, natural disaster, power loss, telecommunications failure or similar events. The Company's systems have in the past, and may in the future, experience:

- system interruptions;
- long response times; and
- degradation in service.

The Company's business depends on customers making purchases on its systems. Its revenues may decrease and its reputation could be harmed if it experiences frequent or long system delays or interruptions or if a disruption occurs during a peak holiday season.

If the Company's telecommunications providers do not adequately maintain the Company's service, the Company may experience system failures and its revenues may decrease. The Company is dependent on telecommunication providers to provide telephone services to its customer service centers and connectivity with its data centers. Although the Company maintains redundant telecommunications systems, if these providers experience system failures or fail to adequately maintain the Company's systems, the Company may experience interruptions and will be unable to generate revenue. The Company depends upon these third-party relationships because it does not have the resources to maintain its service without these or other third parties. Failure to maintain these relationships or replace them on financially attractive terms may disrupt the Company's operations or require it to incur significant unanticipated costs.

The Company's operating results may suffer due to economic, political and social unrest or disturbances. Like other American businesses, the Company is unable to predict what long-term effect acts of terrorism, war, or similar unforeseen events may have on its business. The Company's results of operations and financial condition could be adversely impacted if such events cause an economic slowdown in the United States, or other negative effects that cannot now be anticipated.

If the Company is unable to hire and retain key personnel, its business may suffer. The Company's success is dependent on its ability to hire, retain and motivate highly qualified personnel. In particular, the Company's success depends on the continued efforts of its Chief Executive Officer, Christopher G. McCann, as well as its senior management team which help manage its business. The loss of the services of any of the Company's executive management or key personnel or its inability to attract qualified additional personnel could cause its business to suffer and force it to expend time and resources in locating and training additional personnel.

Many governmental regulations may impact the Internet, which could affect the Company's ability to conduct business. Any new law or regulation, or the application or interpretation of existing laws, may decrease the growth in the use of the Internet or the Company's website. The Company expects there will be an increasing number of laws and regulations pertaining to the Internet in the United States and throughout the world. These laws or regulations may relate to liability for information received from or transmitted over the Internet, online content regulation, user privacy, taxation and quality of products and services sold over the Internet. Moreover, the applicability to the Internet of existing laws governing intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment, personal privacy and other issues is uncertain and developing. This could decrease the demand for the Company's products, increase its costs or otherwise adversely affect its business.

Regulations imposed by the Federal Trade Commission may adversely affect the growth of the Company's Internet business or its marketing efforts. The Federal Trade Commission has proposed regulations regarding the collection and use of personal identifying information obtained from individuals when accessing websites, with particular emphasis on access by minors. These regulations may include requirements that the Company establish procedures to disclose and notify users of privacy and security policies, obtain consent from users for collection and use of information and provide users with the ability to access, correct and delete personal information stored by the Company. These regulations may also include enforcement and redress provisions. Moreover, even in the absence of those regulations, the Federal Trade Commission has begun investigations into the privacy practices of other companies that collect information on the Internet. One investigation resulted in a consent decree under which an Internet company agreed to establish programs to implement the principles noted above. The Company may become a party to a similar investigation, or the Federal Trade Commission's regulatory and enforcement efforts, or those of other governmental bodies, may adversely affect its ability to collect demographic and personal information from users, which could adversely affect its marketing efforts.

Unauthorized use of the Company's intellectual property by third parties may damage its brands. Unauthorized use of the Company's intellectual property by third parties may damage its brands and its reputation and may likely result in a loss of customers. It may be possible for third parties to obtain and use the Company's intellectual property without authorization. Third parties have in the past infringed or misappropriated the Company's intellectual property or similar proprietary rights. The Company believes infringements and misappropriations will continue to occur in the future. Furthermore, the validity, enforceability and scope of protection of intellectual property in Internet-related industries is uncertain and still evolving. The Company has been unable to register certain of its intellectual property in some foreign countries and furthermore, the laws of some foreign countries are uncertain or do not protect intellectual property rights to the same extent as do the laws of the United States.

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Defending against intellectual property infringement claims could be expensive and, if the Company is not successful, could disrupt its ability to conduct business. The Company has been unable to register certain of its intellectual properties in some foreign countries, including, “1-800-Flowers.com”, “1-800-Flowers” and “800-Flowers”. The Company cannot be certain that the products it sells, or services it offers, do not or will not infringe valid patents, trademarks, copyrights or other intellectual property rights held by third parties. The Company may be a party to legal proceedings and claims relating to the intellectual property of others from time to time in the ordinary course of its business. The Company may incur substantial expense in defending against these third-party infringement claims, regardless of their merit. Successful infringement claims against the Company may result in substantial monetary liability or may materially disrupt its ability to conduct business.

The Company does not collect sales or consumption taxes in some jurisdictions. In addition to the Company’s retail store operations, the Company collects sales or other similar taxes in states where the Company’s e-commerce channel has applicable nexus. Our customer service and fulfillment networks, and any further expansion of those networks, along with other aspects of our evolving business, may result in additional sales and use tax obligations. An increasing number of states have considered or adopted laws that attempt to impose obligations on out-of-state retailers to collect taxes on their behalf, and the recent June 2018 U.S. Supreme Court ruling in *South Dakota v. Wayfair, Inc. et al.* enables states to consider adopting laws requiring out-of-state sellers to collect and remit sales tax, even in states in which the seller has no physical presence. To the extent that individual states decide to adopt similar legislation, this could significantly increase the collection and compliance burden on the Company. We may not have sufficient lead time to build systems and processes to collect these taxes properly, or at all. Failure to comply with such laws or administrative practices, or a successful assertion by such states requiring us to collect taxes where we do not, could result in substantial tax liabilities, including for past sales, as well as penalties and interest. In addition, if the tax authorities in jurisdictions where we are already subject to sales tax or other indirect tax obligations were successfully to challenge our positions, our tax liability could increase substantially.

A failure to integrate our acquisitions may cause the results of the acquired company, as well as the results of the Company to suffer. The Company has opportunistically acquired a number of companies over the past several years. Additionally, the Company may look to acquire additional companies in the future. As part of the acquisition process, the Company embarks upon a project management effort to integrate the acquisition onto our information technology systems and management processes. If we are unsuccessful in integrating our acquisitions, the results of our acquisitions may suffer, management may have to divert valuable resources to oversee and manage the acquisitions, the Company may have to expend additional investments in the acquired company to upgrade personnel and/or information technology systems and the results of the Company may suffer.

A failure to dispose of assets or businesses in a timely manner may cause the results of the Company to suffer. The Company continues to evaluate the potential disposition of assets and businesses that may no longer help it meet its objectives. When the Company decides to sell assets or a business, it may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of its strategic objectives. Alternatively, the Company may dispose of a business at a price or on terms that are less than it had anticipated. After reaching an agreement with a buyer or seller for the disposition of a business, the Company is subject to satisfaction of pre-closing conditions, which may prevent the Company from completing the transaction. Dispositions may also involve continued financial involvement in the divested business, such as through continuing equity ownership, guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside the Company’s control could affect its future financial results.

Product liability claims may subject the Company to increased costs. Several of the products the Company sells, including perishable food and alcoholic beverage products may expose it to product liability claims in the event that the use or consumption of these products results in personal injury or property damage. Although the Company has not experienced any material losses due to product liability claims to date, it may be a party to product liability claims in the future and incur significant costs in their defense. Product liability claims often create negative publicity, which could materially damage the Company’s reputation and its brands. Although the Company maintains insurance against product liability claims, its coverage may be inadequate to cover any liabilities it may incur.

The price at which the Company’s Class A common stock will trade may be highly volatile and may fluctuate substantially. The stock market has from time to time experienced price and volume fluctuations that have affected the market prices of securities, particularly securities of companies with Internet operations. As a result, investors may experience a material decline in the market price of the Company’s Class A common stock, regardless of the Company’s operating performance. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. The Company may become involved in this type of litigation in the future. Litigation of this type is often expensive and diverts management's attention and resources and could have a material adverse effect on the Company’s business and its results of operations.

Additional Information

The Company’s internet address is www.1800flowers.com. We make available, through the investor relations tab located on our website at www.1800flowersinc.com, access to our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. All such filings on our investor relations website are available free of charge. (The information posted on the Company’s website is not incorporated into this Annual Report on Form 10-K.)

A copy of this Annual Report on Form 10-K is available without charge upon written request to: Investor Relations, 1-800-FLOWERS.COM, Inc., One Old Country Road, Suite 500, Carle Place, NY 11514. In addition, the SEC maintains a website (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1B. Unresolved Staff Comments

We have received no written comments regarding our current or periodic reports from the staff of the SEC that were issued 180 days or more preceding the end of our fiscal year ended July 1, 2018 that remain unresolved.

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Item 2. PROPERTIES

The table below lists the Company's properties at July 1, 2018:

Location	Type	Principal Use	Square Footage	Ownership
Melrose Park, IL	Office and warehouse	Distribution, administrative and customer service	250,000	leased
Carle Place, NY	Office	Headquarters	80,500	leased
Canton, MA	Fulfillment Center	Distribution	13,000	leased
Fort Lauderdale, FL	Fulfillment Center	Distribution	10,000	leased
Memphis, TN	Warehouse	Distribution	40,000	leased
New York, NY	Office	Administrative	3,700	leased
Bethpage, NY	Warehouse	Storage	500	leased
Miami, FL	Office	Administrative	900	leased
Reno, NV	Warehouse	Distribution	70,000	leased
Long Island City, NY	Fulfillment Center	Distribution	13,000	leased
Obetz, OH	Warehouse	Distribution	176,000	leased
Obetz, OH	Warehouse	Storage - Holiday	62,000	leased
Westerville, OH	Office, plant and warehouse	Manufacturing, distribution and administrative	88,000	owned
Cedar Falls, IA	Office	Administrative	3,300	leased
Central Point, OR	Warehouse	Storage	17,000	leased
Hebron, OH	Office, plant and warehouse	Manufacturing, distribution and administrative	330,900	owned
Medford, OR	Photo Studio	Photo Studio	10,000	leased
Hebron, OH	Warehouse	Storage	77,000	leased
Jackson County, OR	Orchards	Farming	41 (acres)	leased
Jackson County, OR	Orchards	Farming	1,927 (acres)	owned
Jackson County, OR	Land	Fallow land	1,394 (acres)	owned
Medford, OR	Office, plant and warehouse	Manufacturing, distribution and administrative	1,103,000	owned
Medford, OR	Warehouse	Storage	390,000	leased
Atlanta, GA	Showroom	Showroom	7,800	leased
Jacksonville, FL	Office and warehouse	Distribution and administrative	180,000	owned
Lake Forest, IL	Office, plant and warehouse	Manufacturing, distribution and administrative	148,000	leased

In addition to the above properties, the Company leases approximately 175,000 square feet for Company operated or franchised retail stores with lease terms typically ranging from 2 to 16 years. Some of its leases provide for a minimum rent plus a percentage rent based upon sales after certain minimum thresholds are achieved. The leases generally require the Company to pay insurance, utilities, real estate taxes and repair and maintenance expenses. In general, our properties are well maintained, adequate and suitable for their purposes.

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Item 3. LEGAL PROCEEDINGS

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.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR REGISTRANT'S 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. The following table sets forth the reported high and low sales prices for the Company's Class A common stock for each of the fiscal quarters during the fiscal years ended July 1, 2018 and July 2, 2017.

	High	Low
Year ended July 1, 2018		
July 3, 2017 – October 1, 2017	$10.49	$7.80
October 2, 2017 – December 31, 2017	$11.65	$8.85
January 1, 2018 – April 1, 2018	$13.10	$9.76
April 2, 2018 – July 1, 2018	$13.33	$11.45
Year ended July 2, 2017		
July 4, 2016 – October 2, 2016	$9.99	$8.78
October 3, 2016 – January 1, 2017	$11.40	$8.06
January 2, 2017 – April 2, 2017	$11.05	$8.67
April 3, 2017 – July 2, 2017	$11.30	$9.38

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 and fiscal 2017, 78,780 and 1,361,401 shares of Class B common stock, respectively, were converted into shares of Class A common stock.

Holders

As of September 7, 2018, there were approximately 239 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 7, 2018, there were approximately 6 stockholders of record of the Company’s Class B common stock.

Dividend Policy

The Company has never declared or paid any cash dividends on its Class A or Class B common stock. Although the Company has no current intent to do so, the Company may choose, at some future date, to use some portion of its cash for the purpose of cash dividends.

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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. On August 30, 2017, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $30.0 million. The Company repurchased a total of $12.2 million (1,269,059 shares), $10.7 million (1,120,706 shares) and $15.2 million (1,714,550 shares) during the fiscal years ended July 1, 2018, July 2, 2017 and July 3, 2016, respectively, under this program. As of July 1, 2018, $20.0 million remained 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 July 1, 2018, which includes the period July 3, 2017 through July 1, 2018:

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)			
07/03/17 - 07/30/17	89.3	$ 9.66	89.3	$ 16,363
07/31/16 - 08/27/17	99.6	$ 9.08	99.6	$ 15,456
08/28/17 - 10/01/17	268.7	$ 9.43	268.7	$ 27,859
10/02/17 - 10/29/17	233.5	$ 9.62	233.5	$ 25,606
10/30/17 - 12/03/17	414.3	$ 9.36	414.3	$ 21,719
12/04/17 - 12/31/17	61.9	$ 10.16	61.9	$ 21,089
01/01/18 - 01/28/18	-	$ -	-	$ 21,089
01/29/18 - 02/25/18	93.2	$ 10.60	93.2	$ 20,098
02/26/18 - 04/01/18	-	$ -	-	$ 20,098
04/02/18 - 04/29/18	-	$ -	-	$ 20,098
04/30/18 - 05/27/18	8.6	$ 11.85	8.6	$ 19,997
05/28/18 - 07/01/18	-	$ -	-	$ 19,997
Total	1,269.1	$ 9.57	1,269.1	

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

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Item 6. SELECTED FINANCIAL DATA

The selected consolidated statement of operations data for the years ended July 1, 2018, July 2, 2017 and July 3, 2016 and the consolidated balance sheet data as of July 1, 2018 and July 2, 2017, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of operations data for the years ended June 28, 2015 and June 29, 2014, and the selected consolidated balance sheet data as of July 3, 2016, June 28, 2015 and June 29, 2014, are derived from the Company's audited consolidated financial statements, which are not included in this Annual Report on Form 10-K.

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 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. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary in order to focus on growth opportunities in its Gourmet Foods & Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. As a result, the Company has classified the results of Winetasting Network as discontinued operations for fiscal 2014. 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 on Form 10-K.

	Years ended				
	July 1, 2018	**July 2, 2017**	**July 3, 2016**	**June 28, 2015**	**June 29, 2014**
Consolidated Statement of Income Data:	*(in thousands, except per share data)*				
Net revenues	$1,151,921	$1,193,625	$1,173,024	$1,121,506	$756,345
Cost of revenues	662,896	673,344	655,566	634,311	440,672
Gross profit	489,025	520,281	517,458	487,195	315,673
Operating expenses:					
Marketing and sales	298,810	317,527	318,175	299,801	194,847
Technology and development	39,258	38,903	39,234	34,745	22,518
General and administrative	77,440	84,116	84,383	85,908	54,754
Depreciation and amortization	32,469	33,376	32,384	29,124	19,848
Total operating expenses	447,977	473,922	474,176	449,578	291,967
Operating income	41,048	46,359	43,282	37,617	23,706
Interest expense, net	3,631	5,821	6,674	5,753	1,305
Other (income) expense, net	(605)	(15,471)	(14,839)	1,550	52
	38,022	56,009	51,447	30,314	22,349

Income from continuing operations before income taxes					
Income tax expense from continuing operations	(2,769)	11,968	15,579	10,930	8,403
Income from continuing operations	40,791	44,041	35,868	19,384	13,946
Income from discontinued operations, net of tax	-	-	-	-	729
Net income	40,791	44,041	35,868	19,384	14,675
Less: Net loss attributable to noncontrolling interest	-	-	(1,007)	(903)	(697)
Net income attributable to 1-800-FLOWERS.COM, Inc.	$40,791	$44,041	$36,875	$20,287	$15,372
Basic net income per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	$0.63	$0.68	$0.57	$0.31	$0.23
From discontinued operations	-	-	-	$-	$0.01
Basic net income per common share	$0.63	$0.68	$0.57	$0.31	$0.24
Diluted net income per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	$0.61	$0.65	$0.55	$0.30	$0.22
From discontinued operations	-	-	-	$-	$0.01
Diluted net income per common share	$0.61	$0.65	$0.55	$0.30	$0.23
Weighted average shares used in the calculation of net income per common share:					
Basic	64,666	65,191	64,896	64,976	64,035
Diluted	66,938	67,735	67,083	67,602	66,460

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	As of July 1, 2018	July 2, 2017	July 3, 2016 *(in thousands)*		June 28, 2015	June 29, 2014
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$147,240	$149,732	$27,826		$27,940	$5,203
Working capital	148,222	132,227	45,798		36,361	17,511
Total assets	570,889	552,470	502,941	*	501,946	267,569
Long-term liabilities	131,186	145,056	139,494	*	168,083	7,144
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	314,904	282,239	242,586		208,449	183,228

***** *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 2, 2017 – see Note 2. in Item 15 below for details. We have not reclassified other fiscal years for the purposes of this presentation.*

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) is intended to provide an understanding of our financial condition, change in financial condition, cash flow, liquidity and results of operations. The following MD&A discussion should be read in conjunction with the consolidated financial statements and notes to those statements that appear elsewhere in this Form 10-K. The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to any differences include, but are not limited to, those discussed under the caption "Forward-Looking Information" and under Item 1A — "Risk Factors."

Business overview

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company") is a leading provider of gifts for all celebratory occasions. 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 suite of services, including its Passport Free Shipping and Reminders programs, are all designed to engage with customers and deepen relationships as a one-stop destination for all celebratory and gifting occasions. 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.

The Company's BloomNet® international floral wire service provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. family of brands also includes everyday gifting and entertaining products such as premium, gift-quality fruits and other gourmet items from Harry & David®, popcorn and specialty treats from The Popcorn Factory® and Moose Munch®; cookies and baked gifts from Cheryl's®; gift baskets and towers from 1-800-Baskets.com® and DesignPac Gifts; premium English muffins and other breakfast treats from Wolferman's®; artisan chocolate and confections from Simply Chocolate®, carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); top quality steaks and chops from Stock Yards® and unique gifts from Personalization Universe® and GoodseySM.

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 November 27, 2014, a fire occurred at the Company's Maple Heights, Ohio warehouse and distribution facility. While the fire did not cause any injuries, the building was severely damaged, rendering it inoperable for the key calendar 2014 holiday season, and all Fannie May and Harry London confections in the facility were destroyed. The Company recovered the retail value of its inventory lost to the fire through its property and business interruption policies, recognizing a gain of $19.6 million upon settlement of the claim in fiscal 2016.

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 Company and Ferrero also entered into a transition services agreement whereby the Company will provide certain post-closing services to Ferrero and Fannie May related to the business of Fannie May and a commercial agreement with respect to the distribution of certain Ferrero and Fannie May products. 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, in fiscal 2018, 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 and macro issues, in addition to this increase in marketing spending, negatively impacted the Company’s earnings during fiscal 2018. During our busy December holiday season, a temporary operational disruption at our Cheryl’s brand, related to the implementation of a new production and warehouse management system, led to our decision to stop taking orders eight days prior to the Christmas holiday so that we could focus on fulfilling our backlog of orders. In addition, the Company incurred incremental labor and expedited shipping costs to meet our customer’s delivery expectations on those orders that we accepted prior to shutting down the Cheryl’s site. While the operational issues have since been resolved, the effects of this issue continued after the holiday as liquidation of inventory depressed our Valentine’s Day, Easter and “everyday” full priced sales. Additionally, increases in health insurance costs and higher transportation costs, across our businesses, further compounded our unfavorable year-over-year performance. As a result, Adjusted EBITDA declined from $85.9 million in fiscal 2017 to $78.9 million in fiscal 2018. Although our Adjusted EBITDA was below our expectations, the Company believes that it is well positioned, and plans to take advantage of current conditions to increase its share across all markets that we operate in. During fiscal 2018, the Company:

Strengthened its balance sheet - the Company continued its responsible stewardship of shareholders' capital. Following the sale of its Fannie May and Harry London brands in May of 2017, which resulted in a gain of $14.6 million, and added approximately $103.6 million of cash to its balance sheet, the Company was able to fund its Christmas holiday working capital requirements primarily through the use of cash on hand. In fiscal 2018, the Company continued to pay down its outstanding term loan, repurchase shares, and invest in 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.

Invested in business operations – the Company continued to invest in the key areas that will allow for accelerated growth in the future, including:

- Manufacturing, production and distribution - expanded production capacity for Cheryl's, including the automation of cookie frosting; expanded its fulfillment capabilities for Harry & David, Cheryl's and 1-800-Flowers brands; invested in Harry & David orchard plantings, as well as manufacturing and fulfillment technology upgrades,
- Technology – improved multi-brand responsive wide-screen web design and industry award winning mobile transactional progressive web application platforms, and
- Business Intelligence – customer database mining to effectively market and target key demographics.

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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.

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 in Conversational Commerce, including:

- Floral industry-first applications on Facebook's Messenger platform
- Voice enabled skill on Amazon's Alexa platform
- Google Assistant applications,
- Apple Business Chat applications,
- Samsung Chatbot applications, and
- Google Rich Business Messaging

Recognizing the need to balance the Company's short and long-term operating and financial objectives, a key tenet of the Company's fiscal 2019 strategy is to accelerate revenue growth through strategic investments in marketing and merchandising programs designed to take advantage of market conditions and build on the momentum gained in the second half of fiscal 2018 across all three of its business segments. In addition, the Company is assuming the restoration of 100 percent bonus payout compared with minimal payout in fiscal 2018. As a result, in fiscal 2019, the Company anticipates:

Consolidated revenue growth of 5.0%-to-7.0% compared with fiscal 2018;
EPS in a range of $0.38-to-$0.42 (anticipating a normalized effective tax rate of 26 percent); and
Adjusted EBITDA in a range of $77.0 million-to-$80.0 million.

The Company anticipates that it will return to double-digit EBITDA and EPS growth by fiscal 2020.

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 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.

Adjusted/comparable revenues

Adjusted, or comparable, revenues measure GAAP revenues adjusted for the effects of acquisitions, dispositions, and other items affecting period to period comparability. See Segment Information for details on how adjusted revenues were calculated for each period presented.

We believe that this measure provides management and investors with a more complete understanding of underlying revenue trends of established, ongoing operations by excluding the effect of activities which are subject to volatility and can obscure underlying trends.

Management recognizes that the term "adjusted revenues" may be interpreted differently by other companies and under different circumstances. Although this may influence comparability of absolute percentage growth from company to company, we believe that these measures are useful in assessing trends of the Company and its segments, and may therefore be a useful tool in assessing period-to-period performance trends.

Adjusted gross profit and adjusted gross profit percentage

Adjusted gross profit measures GAAP revenues less cost of revenues, adjusted for the effects of acquisitions, dispositions, and other items affecting period to period comparability. Adjusted gross profit percentage measures adjusted gross profit divided by adjusted revenues. See Segment Information for details on how adjusted gross profit and adjusted gross profit percentage were calculated for each period presented.

We believe that these measures provide management and investors with a more complete understanding of underlying gross profit trends of established, ongoing operations by excluding the effect of activities which are subject to volatility and can obscure underlying trends.

Management recognizes that the term "adjusted gross profit" or “adjusted gross profit percentage” may be interpreted differently by other companies and under different circumstances. Although this interpretation may vary from company to company, we believe that these consistently applied measures are useful in assessing trends of the Company and its segments, and may therefore be a useful tool in assessing period-to-period performance trends.

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 because it considers such information a meaningful supplemental measure 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 and adjusted segment contribution margin

We define segment contribution margin as earnings before interest, taxes, depreciation and amortization, before the allocation of corporate overhead expenses. Adjusted segment contribution margin is defined as segment contribution margin adjusted for certain items affecting period to period comparability. See Segment Information for details on how segment contribution margin and comparable segment contribution margin were calculated for each period presented.

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

Segment contribution margin and comparable segment contribution margin are 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 and adjusted 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.

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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.

	Years Ended								
	July 1, 2018	**Severance Costs**	**Litigation Settlement**	**As Adjusted (non-GAAP) July 1, 2018**	**July 2, 2017**	**Exclude Operating Results of Fannie May**	**Severance Costs**	**As Adjusted (non-GAAP) July 2, 2017**	**As Adjusted (non-GAAP) % Change**
	(dollars in thousands)								
Net revenues:									
1-800-Flowers.com Consumer Floral	$457,460	$-	$-	$457,460	$437,132	$-	$-	$437,132	4.7 %
BloomNet Wire Service	89,569			89,569	87,700			87,700	2.1 %
Gourmet Foods & Gift Baskets	605,523			605,523	670,677	(83,917)		586,760	3.2 %
Corporate	1,114			1,114	1,102			1,102	1.1 %
Intercompany eliminations	(1,745)			(1,745)	(2,986)	1,341		(1,645)	-6.1 %
Total net revenues	$1,151,921	$-	$-	$1,151,921	$1,193,625	$(82,576)	$-	$1,111,049	3.7 %
Gross profit:									
1-800-Flowers.com Consumer Floral	$181,601	$-	$-	$181,601	$177,488	$-	$-	$177,488	2.3 %
	39.7 %			39.7 %	40.6 %		-	40.6 %	
BloomNet Wire Service	48,604			48,604	49,562		-	49,562	-1.9 %
	54.3 %			54.3 %	56.5 %		-	56.5 %	
Gourmet Foods & Gift Baskets	257,803			257,803	292,199	(32,571)	-	259,628	-0.7 %
	42.6 %			42.6 %	43.6 %		-	44.2 %	
Corporate (a)	1,017			1,017	1,032		-	1,032	-1.5 %
	91.3 %			91.3 %	93.6 %		-	93.6 %	
Total gross profit	$489,025	$-	$-	$489,025	$520,281	$(32,571)	$-	$487,710	0.3 %
	42.5 %	-	-	42.5 %	43.6 %	-		43.9 %	

EBITDA (non-GAAP): Segment Contribution Margin (non-GAAP) (b):									
1-800-Flowers.com Consumer Floral	$50,808	$-	$-	$50,808	$51,860	$-	$-	$51,860	-2.0 %
BloomNet Wire Service	31,683			31,683	32,383	-	-	32,383	-2.2 %
Gourmet Foods & Gift Baskets	70,927			70,927	77,312	(2,575)	756	75,493	-6.0 %
Segment Contribution Subtotal	153,418	-	-	153,418	161,555	(2,575)	756	159,736	-4.0 %
Corporate (a)	(79,901)	429	426	(79,046)	(81,820)	1,310		(80,510)	1.8 %
EBITDA (non-GAAP)	73,517	429	426	74,372	79,735	(1,265)	756	79,226	-6.1 %
Add: Stock-based compensation	3,726			3,726	5,694			5,694	-34.6%
Add: Comp charge related to NQ Plan investment appreciation	797			797	987			987	-19.4%
Adjusted EBITDA (non-GAAP)	$78,040	$429	$426	$78,895	$86,416	$(1,265)	$756	$85,907	-8.2 %

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

	Years Ended	
	July 1, 2018	**July 2, 2017**
	(in thousands, except per share data)	
Net income	$40,791	$44,041
Adjustments to reconcile net income to adjusted net income (non-GAAP)		
Add back: Litigation Settlement	426	-
Add back: Severance costs	429	756
Deduct: Fannie May operating losses	-	(1,036)
Deduct: Gain from Sale of Fannie May	-	14,607
Deduct: Income tax benefit on adjustments	211	1,344
Deduct: U.S. tax reform benefit on deferred taxes (c)	12,158	-
Adjusted net income (non-GAAP)	$29,277	$29,882
Basic and diluted net income per common share		
Basic	$0.63	$0.68
Diluted	$0.61	$0.65
Basic and diluted adjusted net income per common share (non-GAAP)		
Basic	$0.45	$0.46
Diluted	$0.44	$0.44
Weighted average shares used in the calculation of net income and adjusted net income (non-GAAP) per common share		
Basic	64,666	65,191
Diluted	66,938	67,735

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

	Years Ended	
	July 1, 2018	**July 2, 2017**
Net income	$40,791	$44,041
Add:		
Interest expense, net	3,026	4,957
Depreciation and amortization	32,469	33,376
Income tax expense (benefit)	(2,769)	11,968
Less:		
Gain from sale of Fannie May		14,607
EBITDA (non-GAAP)	73,517	79,735
Add:		
Severance costs	429	756

Litigation Settlement	426	-
Compensation charge related to NQ plan investment appreciation	797	987
Stock-based compensation	3,726	5,694
Less:		
Fannie May EBITDA	-	1,265
Adjusted EBITDA (non-GAAP)	$78,895	$85,907

(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.

(b) 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.

(c) The adjustment to deduct the impact of the U.S. tax reform from net income, for the 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.

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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 2018 and 2017, which ended on July 1, 2018 and July 2, 2017, respectively, consisted of 52 weeks. Fiscal year 2016, which ended on July 3, 2016, consisted of 53 weeks.

Net Revenues

	Years Ended						
	July 1, 2018	**% Change**		**July 2, 2017**	**% Change**		**July 3, 2016**
	(dollars in thousands)						
Net revenues:							
E-Commerce	$921,848	2.8	%	$896,762	1.6	%	$882,782
Other	230,073	-22.5	%	296,863	2.3	%	290,242
	$1,151,921	-3.5	%	$1,193,625	1.8	%	$1,173,024

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

During the year ended July 1, 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 second half growth which improved 5.8%. This growth came from all business segments, with the Consumer Floral and BloomNet Segments benefiting from investments in strategic marketing and merchandising programs designed to accelerate growth and extend our market leadership in the floral space, while the Gourmet Foods & Gift Baskets segment growth reflected strong e-commerce growth in our Harry & David and 1-800-Baskets brands.

During the year ended July 2, 2017, net revenues increased 1.8% in comparison to the prior year, as a result of growth within the Company's Consumer Floral and BloomNet segments, with the 1-800-Flowers.com brand continuing to extend its market leadership position, driven by increased demand throughout the year, particularly during the Valentine's Day holiday. The increases above were partially offset by a decline in Harry & David revenues, due to the closure of a number of underperforming retail locations, and a reduction in e-commerce demand, primarily during the Christmas holiday selling season, and the timing of certain factors including: (i) the closing of the Company’s sale of the Fannie May Confection Brands business on May 30, 2017, (ii) a 52-week fiscal year in fiscal 2017 versus 53-week fiscal year in fiscal 2016, reflecting the Company’s retail calendar, and (iii) the shift of Harry & David’s Fruit of the Month Club® cherries shipment out of the Company’s fiscal fourth quarter in fiscal 2017, due to a late harvest, into the first quarter of fiscal 2018. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove: (i) the 53rd week ($8.0 million), (ii) Fannie May's June 2016 revenues ($4.8 million), and (iii) the June 2016 Harry & David Fruit of the Month Club® cherry shipment ($2.4 million), net revenues during fiscal 2017 increased 3.1% in comparison to fiscal 2016.

E-commerce revenues (combined online and telephonic sales channels) increased 2.8% during the year ended July 1, 2018 compared to the prior year. 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 the aforementioned e-commerce 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 the year ended July 1, 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.

E-commerce revenues increased 1.6% during the year ended July 2, 2017 compared to the prior year, as a result of the aforementioned e-commerce growth within the Company's Consumer Floral segment, partially offset by unfavorable e-commerce growth within the Gourmet Foods & Gift Baskets segment due to the Company's sale of the Fannie May Confection Brands business on May 30, 2017, a decrease in demand within the Harry & David brand during the Christmas Holidays, and the shift of Harry & David's Fruit of the Month Club® cherries shipment out of the Company's fiscal fourth quarter in fiscal 2017, due to a late harvest, into the first quarter of fiscal 2018, as well as the impact of the 53rd week in fiscal 2016

Other revenues, comprised of the Company's BloomNet Wire Service segment, as well as the wholesale and retail sales channels of the 1-800-Flowers.com Consumer Floral and Gourmet Foods & Gift Baskets segments 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 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. Other revenues increased by 2.3% during fiscal 2017, attributable to the BloomNet segment which increased revenues through improvements in membership, transaction and ancillary service fees, as well as from the Gourmet Foods & Gift Baskets segment, resulting from wholesale growth within the Fannie May, Harry & David and 1-800-Baskets wholesale gift businesses. This favorability was partially offset by a decrease in retail store sales within Fannie May, due to a decline in customer traffic, as well as a decline in Harry & David retail store sales due to the closure of several underperforming locations.

The 1-800-Flowers.com Consumer Floral 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) and royalties from its franchise operations. Net revenues during the fiscal year ended July 1, 2018 increased 4.7% 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, with broader price points at both the entry level and the luxury high-end. 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 was negatively impacted by hurricanes Harvey and Irma. Net revenues during the fiscal year ended July 2, 2017 increased 4.5%, as a result of increased order demand throughout the year, and during the Valentine’s Day holiday in particular, when the Company was able to leverage the holiday’s Tuesday date placement, in comparison to the prior year when Valentine's Day fell on a Sunday. The brand was successful at growing its “everyday” business, including birthdays, anniversaries, sympathy and "just because," due to expanded merchandise assortments, including the Flirty Feline® floral arrangement, and efforts to capitalize on its same day/next day delivery capabilities. These increases were partially offset by the impact of the 53rd week in fiscal 2016, reflecting the Company’s retail calendar. On a comparable basis, adjusting fiscal 2016 GAAP revenues to remove the 53rd week ($4.8 million), fiscal 2017 net revenues increased 5.7% in comparison to fiscal 2016.

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The BloomNet Wire Service segment includes revenues from membership fees as well as other product and service offerings to florists. Net revenues during fiscal 2018 increased 2.1% in comparison to the prior year 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. Net revenues during fiscal 2017 increased 2.6% in comparison to the prior year due to an increase in order volume processed through the network, driven primarily by the increase in 1-800-Flowers volume noted above, which enabled BloomNet to generate increased membership, transaction and ancillary revenue improvements. These improvements were partially offset by lower wholesale product revenue as a result of decreased demand and network shop count.

The Gourmet Foods & Gift Baskets segment includes the operations of Harry & David, Wolferman’s, Stockyards, Cheryl’s, Fannie May (through the date of its disposition on May 30, 2017), The Popcorn Factory, and 1-800-Baskets/DesignPac Gifts. 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, Cheryl’s and Fannie May (through the date of its disposition) brand names, as well as wholesale operations. 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