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1800FLOWERS.COM, Inc. (NASDAQ: FLWS)

**Update: Potential to grow
BUY**

March 6, 2001

KEY CONSIDERATIONS

- 1800FLOWERS.COM continues to lead the Business-Consumer E-tailing industry in the floral and gift product sector by leveraging its brand equity and providing a variety of products to individuals and corporate consumers.
- 1800FLOWERS.COM's ability to realize profits will in a large part be determined by consumers acceptance of the Internet, and of the 1800Flowers.com brand name. With the increasing number of strategic relationships, acquisitions, and aggressive marketing plan, it appears that the Company could continue to gain market share and should be profitable in the future.
- The Company has been engaged in discussions with FTD, one of the Company's main competitors, (NASDAQ: EFTD) whereby FTD has stated that it is considering reducing the Company's level of access to the Mercury system. Any material decrease or elimination of access to the Mercury system by FTD would adversely impact the Company's ability to fulfill orders in a timely fashion during peak periods, possibly resulting in lost revenues and customers.

Recent Price	\$5.94
52WK Low	\$2.55
52WK High	\$8.88
P/E	N/A
P/Book	3.03
P/Sales	0.91
Market Capitalization	\$381.14M
Shares Outstanding	\$ 64.19M
Float	\$ 11.80M
Daily Volume (3-month Average)	0.09M
EPS	
1999A	(\$0.07)
2000A	(\$0.27)
2001E	(\$1.10)
Current Ratio	2.6
Total Debt to Equity	0.06
Total Cash	\$93 M

ONE-YEAR PRICE AND VOLUME GRAPH



COMPANY PROFILE

1800Flowers.com, Inc. is the leading e-commerce provider of floral products and gifts, gourmet foods, and home and garden merchandise in terms of number of customers and revenues. Its virtual electronic commerce platform has the capability of simplifying and expediting gift-purchasing decision with the help of its diverse product mix. The company's business model incorporates the Internet as a means to combat and reduce overhead cost of products by centralizing the business unit and cutting inventory costs. For the three months ended 12/31/01 the net revenues rose 19% to 134 million compared to the same period last year. The increase in revenue is mainly attributed higher marketing promotions and the company's continued success at diversifying its product mix and attracting new customers.

This report was prepared by Kendra Pierre-Louis and David Rivas, Ph.D.

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THE COMPANY

1-800FLOWERS.COM, Inc. is a leading e-commerce provider of floral product and gifts, gourmet foods, and home and garden merchandise. Customers are given the choice of purchasing their products either through purchasing products online, calling a toll-free number, or visiting one of the company owned or franchised retail stores. Of all the marketing channels, the Internet continues to be the fastest growing channel.

- The Company reported a second-quarter loss that beat Wall Street's estimates by 3 cents a share, narrowing losses from last year by approximately 40%. Losing 10.5 million or 16 cents a share in the second quarter ended December 31 down from its loss of 17.5 million or 28 cents a share a year ago
- Consumer acceptance a large determinant of 1800FLOWERS.com ability to realize profits is increasing as evidenced both by the sites repeated placement in PC Data's Top 20 websites for customer visits, and it's "Best of the Web" recognition by Forbes Magazine.
- The Company continues to lead the business-consumer e-tailing industry in the floral and gift product sector reporting a more than 50% increase in order volume for the Valentine's Day shopping period (January 29th through February 14, 2001) compared to the prior year, driven by increased traffic and the Company's expanded gift offering.

INDUSTRY OUTLOOK AND COMPETITION

The Internet retailing industry has floundered in the past few months with the economic downturn and industry experts hinting at a dreaded recession. Yet for 1800FLOWERS.Com fiscal year 2000 marked a more than 55% increase in Internet based revenue for the Company. Furthermore customer activity in the early part of 2001, indicates that the Company's growth trend shows little signs of slowing particularly as they head into what is traditionally their most profitable season, their fiscal fourth quarter. Beginning in April 1800Flowers.Com fourth quarter is marked by such important gift giving Holidays as Easter, Passover, Administrative Professionals Week, Father's Day, graduations, and their traditionally largest holiday of the year Mother's Day.

While in general it appears that competition may be on the decline as investors begin demanding profits and many dot-com's begin exiting the market, competition still exists particularly in the form of FTD.Com (NASDAQ:EFTD) which has already become profitable and managed to increase revenues by 38% in the past year. Further problems arise when one considers that 1800FLOWERS.COM dependence on the Mercury System, a network of order processing and messaging used to facilitate the transmission of floral orders between florists. A system owned and operated by 1800FLOWERS.COM main competition FTD, who has engaged in discussions with the Company whereby FTD has stated their present consideration of reducing the Company's level of access to the Mercury System, a move which would possibly result in lost revenues and customers for the Company.

STRATEGY FOR GROWTH

The Company's largest asset and its future success depends on the management's continued aggressive role in leveraging its leading brand names which include 1800Flowers.com, Plow & Hearth, American Country Home, and GreatFood.com. The Company's future growth also depends on its ability to expand product offerings within the thoughtful gift giving sphere- despite the company's name the room for greatest expansion and highest profit margin are not in flowers but in its other gift offerings such as 1800FLOWERS.COM's exclusive line of Belgian chocolates " Fleur de Chocolate" brand. The Company plans to cost efficiently acquire new customers, while deepening customer relationships increase order frequency, expand corporate sales effort, and leveraging its brand name and growing traffic to attract merchant partners.

KEY RISK FACTORS

- If local florists and other third-party vendors do not fulfill orders to the Company's customers' satisfaction, its customers may not shop with the Company again. Floral orders placed by the Company's customers are fulfilled by local florists, a majority of which are part of the Company's "BloomNet" network of independent florists which apart from the 41 Company-owned stores as of December 31, 2000 the Company does not directly control any of these florists. As the Company's arrangements with local florists for order fulfillment may be terminated 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 area which may cause delays in delivery or a decline in quality, leading to customer dissatisfaction and loss of customers.
- Increased shipping costs and labor stoppages may adversely affect sales of the Company's non-floral products.
- Competition in the floral, plant, gift basket, gourmet treat, specialty gift and home and garden industries is intense and a failure to respond to competitive pressure could result in lost revenue.
- Interruptions in FTD's Mercury system or a reduction in the Company's access to this system may disrupt order fulfillment and create customer dissatisfaction.

FINANCIAL

Revenue- Sales of non-floral products accounted for 54.0% of total virtual net revenues during the three months ended December 31, 2000 compared to approximately 49.0% during the same period of the prior year, illustrating how customers are increasingly embracing 1800FLOWERS.COM's expanded product offering. Net revenues for the quarter were 134 million up 19% when compared with \$116 million in the comparable year-earlier quarter.

Net Loss- Net loss should continue for the next several quarters due to increasing advertising and acquisitions expenses, however the degree of loss should decrease as it has done so thus far with each successive quarter.

INVESTMENT OPINION

We believe that 1800FLOWERS.COM has the brand recognition, product expansion, and expertise to be able to grow significantly. 1800FLOWERS.COM shows promise in its aggressive ability to gain additional clients, and outperform industry expectations while many other dot-com's are struggling. We believe that in the long run 1800FLOWERS.COM will be profitable. We thus give it's stock a BUY recommendation.

1-800FLOWERS.COM, INC
Income Statement
Period End December 31, 2000
(all values in millions except per share values)

	FY End Jun-98 (Actual)	FY End Jun-99 (Actual)	FY End Jun-00 (Actual)	FY End Jun-01 (Estimated)	FY End Jun-02 (Estimated)
Revenue	\$221	\$296	\$385	\$474	\$578
Cost of Sales	\$137	\$180	\$237	\$294	\$366
Gross Profit	\$84	\$116	\$148	\$180	\$212
Operating Expenses					
Selling, General & Administrative	\$73	\$116	\$207	\$284	\$434
Operating Profit Before Depreciation & Amortization	\$11	\$0	(\$59)		
Depreciation & Amortization	\$4	\$8	\$17		
Operating Income after D & A	\$6	(\$8)	(\$76)		
Other Income (net)	\$3	\$1	\$9		
Interest Expense	\$1	\$3	\$1		
Pre-Tax Income (EBT)	\$8	(\$10)	(\$68)		
Net Income from Continuing Operations	\$5	(\$7)	(\$67)		
Net Income from Discontinued Operations	N/A	N/A	N/A	N/A	N/A
Net Income from Total Operations	\$5	(\$7)	(\$67)		
Special Income/Charges	N/A	N/A	N/A	N/A	N/A
Normalized Income	\$5	(\$7)	(\$67)		
Income from Extraordinary Gains/Losses	N/A	N/A	N/A	N/A	N/A
Income from Other Gains/Losses	N/A	N/A	N/A	N/A	N/A
Total Net Income	\$5	(\$7)	(\$67)		
Preferred Stock Dividends	N/A	\$5	N/A		
Net Income available for Common Shareholders	\$5	(\$12)	(\$67)		
Shares Outstanding	-	61,680	64,187		
Fully Diluted EPS	-	\$0.07	(\$0.27)	(\$1.10)	(\$0.60)
Growth					
Total Revenue	-	33.94%	30.07%	22.99%	22.07%
Gross Profit	-	38.10%	27.59%	21.28%	18.11%
Margin Analysis					
Gross Margin	38.01%	39.19%	38.44%	37.91%	36.68%
Sales & Marketing, Gen Admin.	33.03%	39.19%	53.77%	60.00%	75.00%