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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2015

Or

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

For the transition period from _____ to _____

Commission file number 001-35901

FTD Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

32-0255852
(I.R.S. Employer Identification No.)

**3113 Woodcreek Drive,
Downers Grove, Illinois**
(Address of principal executive offices)

60515
(Zip Code)

(630) 719-7800
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

There were 28,618,947 shares of the Registrant's common stock outstanding at May 1, 2015.



FTD COMPANIES, INC.

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In this document, references to "FTD Companies," "FTD," the "Company," "we," "us," and "our" refer to FTD Companies, Inc. and its consolidated subsidiaries, unless the context otherwise requires.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as amended, based on our current expectations, estimates and projections about our operations, industry, financial condition, performance, results of operations, and liquidity. Statements containing words such as "may," "believe," "anticipate," "expect," "intend," "plan," "project," "projections," "business outlook," "estimate," or similar expressions constitute forward-looking statements. These forward-looking statements include, but are not limited to, statements about our strategies; statements regarding expected synergies and benefits of our acquisition of Provide Commerce, Inc.; expectations about future business plans, prospective performance and opportunities, including potential acquisitions; future financial performance; revenues; segment metrics; operating expenses; market trends, including those in the markets in which we compete; liquidity; cash flows and uses of cash; dividends; capital expenditures; depreciation and amortization; tax payments; foreign currency exchange rates; hedging arrangements; our ability to repay indebtedness and invest in initiatives; our products and services; pricing; marketing plans; competition; settlement of legal matters; and the impact of accounting changes and other pronouncements. Potential factors that could affect such forward-looking statements include, among others, the factors disclosed in the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC"), as updated from time to time in our subsequent filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that may cause actual performance and results to differ materially from those predicted. Reported results should not be considered an indication of future performance. Except as required by law, we undertake no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**FTD COMPANIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share amounts)

(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 76,390	\$ 95,595
Accounts receivable, net of allowances of \$6,598 and \$8,991 at March 31, 2015 and December 31, 2014, respectively	37,753	32,753
Inventories	29,732	28,342
Deferred tax assets, net	17,435	17,233
Prepaid expenses and other current assets	15,724	17,816
Total current assets	177,034	191,739
Property and equipment, net	70,991	63,607
Intangible assets, net	386,789	435,653
Goodwill	640,897	632,212
Other assets	28,913	29,402
Total assets	<u>\$ 1,304,624</u>	<u>\$ 1,352,613</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 76,572	\$ 70,301
Accrued liabilities	67,940	62,555
Accrued compensation	23,827	28,728
Deferred revenue	14,626	10,185
Income taxes payable	2,992	6,042
Current portion of long-term debt	20,000	20,000
Total current liabilities	205,957	197,811
Long-term debt	295,000	320,000
Deferred tax liabilities, net	138,537	149,834
Other liabilities	14,210	19,755
Total liabilities	653,704	687,400
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, 5,000,000 shares, par value \$0.0001, authorized; no shares issued and outstanding	—	—
Common stock, 60,000,000 shares, par value \$0.0001, authorized; 28,960,905 and 29,193,037 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	3	3
Treasury stock, 331,084 and no shares at March 31, 2015 and December 31, 2014, respectively	(10,000)	—
Additional paid-in capital	666,665	666,338
Retained earnings	28,741	26,707
Accumulated other comprehensive loss	(34,489)	(27,835)
Total stockholders' equity	650,920	665,213
Total liabilities and stockholders' equity	<u>\$ 1,304,624</u>	<u>\$ 1,352,613</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

FTD COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Quarter Ended	
	March 31,	
	2015	2014
Revenues:		
Products	\$ 331,739	\$ 153,172
Services	36,042	36,681
Total revenues	367,781	189,853
Operating expenses:		
Cost of revenues—products	231,509	118,353
Cost of revenues—services	4,916	5,136
Sales and marketing	76,412	30,528
General and administrative	33,135	15,898
Amortization of intangible assets	15,401	4,412
Restructuring and other exit costs	2,168	—
Total operating expenses	363,541	174,327
Operating income	4,240	15,526
Interest income	144	148
Interest expense	(2,452)	(1,386)
Other (expense) income, net	(11)	386
Income before income taxes	1,921	14,674
(Benefit) provision for income taxes	(113)	5,054
Net income	<u>\$ 2,034</u>	<u>\$ 9,620</u>
Earnings per common share:		
Basic earnings per share	<u>\$ 0.07</u>	<u>\$ 0.50</u>
Diluted earnings per share	<u>\$ 0.07</u>	<u>\$ 0.50</u>

The accompanying notes are an integral part of these
condensed consolidated financial statements.

FTD COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in thousands)

	Quarter Ended	
	March 31,	
	2015	2014
Net Income	\$ 2,034	\$ 9,620
Other comprehensive (loss) income:		
Foreign currency translation	(6,638)	793
Cash flow hedges:		
Changes in net losses on derivatives, net of tax of \$(10) and \$(146) for the quarters ended March 31, 2015 and 2014, respectively	(16)	(228)
Other comprehensive (loss) income	(6,654)	565
Comprehensive (loss) income	<u>\$ (4,620)</u>	<u>\$ 10,185</u>

The accompanying notes are an integral part of these
condensed consolidated financial statements.

FTD COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands except share amounts)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amounts				
Balance at December 31, 2014	29,193,037	\$ 3	—	\$ —	\$ 666,338	\$ (27,835)	\$ 26,707	\$ 665,213
Net income	—	—	—	—	—	—	2,034	2,034
Other comprehensive loss	—	—	—	—	—	(6,654)	—	(6,654)
Stock-based compensation	—	—	—	—	1,942	—	—	1,942
Tax benefits from equity awards	—	—	—	—	390	—	—	390
Vesting of restricted stock units and related repurchases of common stock	98,752	—	—	—	(2,012)	—	—	(2,012)
Repurchases of common stock	—	—	(331,084)	(10,000)	—	—	—	(10,000)
Exercise of stock options	200	—	—	—	7	—	—	7
Balance at March 31, 2015	<u>29,291,989</u>	<u>\$ 3</u>	<u>(331,084)</u>	<u>\$ (10,000)</u>	<u>\$ 666,665</u>	<u>\$ (34,489)</u>	<u>\$ 28,741</u>	<u>\$ 650,920</u>

The accompanying notes are an integral part of these
condensed consolidated financial statements.

FTD COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Quarter Ended	
	March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 2,034	\$ 9,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,755	6,927
Stock-based compensation	1,942	1,662
Provision for doubtful accounts receivable	285	358
Accretion of discounts and amortization of deferred financing and debt issue costs	340	193
Deferred taxes, net	(4,833)	(1,908)
Excess tax benefits from equity awards	(390)	(327)
Other, net	52	(6)
Changes in operating assets and liabilities, net of Acquisition-related purchase accounting adjustments:		
Accounts receivable, net	(4,439)	(7,428)
Inventories	(2,330)	2,235
Prepaid expenses and other assets	4,325	1,130
Accounts payable and accrued liabilities	125	(4,732)
Deferred revenue	4,487	1,965
Income taxes payable	2,579	5,910
Other liabilities	(2,991)	(84)
Net cash provided by operating activities	<u>21,941</u>	<u>15,515</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,602)	(1,498)
Net cash used for investing activities	<u>(3,602)</u>	<u>(1,498)</u>
Cash flows from financing activities:		
Payments on long-term debt	(25,000)	—
Repurchases of common stock	(12,012)	(1,167)
Excess tax benefits from equity awards	390	327
Proceeds from exercises of stock options	7	—
Net cash used for financing activities	<u>(36,615)</u>	<u>(840)</u>
Effect of foreign currency exchange rate changes on cash and cash equivalents	(929)	(13)
Change in cash and cash equivalents	(19,205)	13,164
Cash and cash equivalents, beginning of period	95,595	48,162
Cash and cash equivalents, end of period	<u>\$ 76,390</u>	<u>\$ 61,326</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS

Description of Business

We are a premier floral and gifting company with a vision to be the leading and most trusted floral and gifting company in the world. Our mission is to inspire, support, and delight our customers when expressing life's most important sentiments. We provide floral, specialty foods, gift and related products and services to consumers, retail florists, and other retail locations and companies in need of floral and gifting solutions. Our business uses the highly-recognized FTD®, Interflora® (both supported by the iconic Mercury Man logo), ProFlowers®, Shari's Berries®, and Personal Creations® brands. While we operate primarily in the United States ("U.S."), Canada, the United Kingdom ("U.K."), and the Republic of Ireland, we have worldwide presence as our Mercury Man logo is displayed in nearly 40,000 floral shops in approximately 150 countries. Our portfolio of brands also includes Flying Flowers, Flowers Direct, and Drake Algar in the U.K., and Cherry Moon Farms®, Gifts.com™, and Sincerely™ in the U.S. While floral arrangements and plants are our primary offerings, we also market and sell gift items, including gourmet-dipped berries, chocolate dip delights™ and other sweets, personalized gifts, premium fresh fruits, gift baskets, wine and champagne, jewelry and spa products.

FTD Group, Inc. ("FTD Group") is a wholly-owned subsidiary of FTD Companies, Inc. and has as its principal operating subsidiaries, Florists' Transworld Delivery, Inc., FTD.COM Inc. ("FTD.COM"), Interflora British Unit ("Interflora"), and Provide Commerce, Inc. The operations of the Company include those of its subsidiary, Interflora, Inc., of which one-third is owned by an outside third party. The minority interest related to Interflora, Inc. is not material for separate presentation. The Company's corporate headquarters is located in Downers Grove, Illinois. The Company also maintains offices in San Diego, California; Woodridge, Illinois; Centerbrook, Connecticut; Medford, Oregon; Sleaford, England; Quebec, Canada; and Hyderabad, India; and distribution centers in various locations throughout the U.S.

Acquisition of Provide Commerce, Inc.

On December 31, 2014, the Company acquired from a wholly-owned subsidiary of Liberty Interactive Corporation ("Liberty") all of the issued and outstanding shares of common stock of Provide Commerce, Inc., an indirect wholly-owned subsidiary of Liberty ("Provide Commerce"), for a purchase price consisting of (i) cash consideration of \$106.6 million, excluding acquired cash on hand of \$38.1 million and a post-closing working capital adjustment of \$9.9 million, and (ii) 10,203,010 shares of FTD common stock, representing approximately 35% of the issued and outstanding shares of FTD common stock (the "Acquisition"). In April 2015, FTD made a payment to Liberty in full satisfaction of the post-closing working capital adjustment. Upon the closing of the Acquisition, Provide Commerce became an indirect wholly-owned subsidiary of FTD (see Note 2).

Basis of Presentation

These interim condensed consolidated financial statements are unaudited. These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), including those for interim financial information, and with the instructions for Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission (the "SEC"). Accordingly,

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

such financial statements do not include all of the information and note disclosures required by GAAP for complete financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair presentation of financial position and operating results for the periods presented. The results of operations for such periods are not necessarily indicative of the results expected for any future periods. The condensed consolidated balance sheet information at December 31, 2014, was derived from the Company's audited consolidated financial statements, included in the Company's Annual Report on Form 10-K ("Form 10-K") for the year ended December 31, 2014, but does not include all of the disclosures required by GAAP.

The condensed consolidated financial statements reflect the historical financial position, results of operations, and cash flows of the Company. The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make accounting policy elections, estimates, and assumptions that affect a number of reported amounts and related disclosures in the condensed consolidated financial statements. Management bases its estimates on historical experience and assumptions that it believes are reasonable. Actual results could differ from those estimates and assumptions. The most significant areas of the condensed consolidated financial statements that require management's judgment include the Company's revenue recognition, goodwill, indefinite-lived intangible assets and other long-lived assets, allowance for doubtful accounts, income taxes, software capitalization, legal contingencies, and preliminary estimates of fair values of assets acquired and liabilities assumed with the Acquisition.

These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Form 10-K for the year ended December 31, 2014.

"Emerging Growth Company" Reporting Requirements

The Company qualifies as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act. As an "emerging growth company," the Company has elected to take advantage of the extended transition period for complying with new or revised accounting standards until such standards are also applicable to private companies. As a result of this election, the Company's consolidated financial statements may not be comparable to companies that comply with non-emerging growth companies' effective dates for such new or revised standards. Further, as a result of the Acquisition, the Company anticipates that it will no longer qualify as an "emerging growth company" as of December 31, 2015.

Accounting Policies

Refer to the Company's audited consolidated financial statements included in the Company's Form 10-K for the year ended December 31, 2014, for a discussion of the Company's accounting policies.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, as codified in FASB Accounting Standards Codification ("ASC") 740. The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU were effective for the Company beginning January 1, 2015. The amendments were applied prospectively to all unrecognized tax benefits that existed at the effective date. This update did not have a material impact on the Company's consolidated financial statements.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The amendments in this ASU affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The amendments in this ASU require an entity to recognize revenue related to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Tentatively, the amendments in this ASU will be effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2017. Adoption is permitted for fiscal years and interim periods beginning after December 15, 2016. The Company is currently assessing the impact of this update on its consolidated financial statements.

In January 2015, FASB issued ASU No. 2015-01, *Income Statement—Extraordinary and Unusual Items*, which eliminates the concept of extraordinary items from GAAP. The amendments in this ASU eliminate the requirement that an entity separately classify, present, and disclose extraordinary events and transactions. The amendments in this ASU will be effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2015. The amendments should be applied prospectively and retrospective application is permitted. The Company does not expect this update to have a material impact on its consolidated financial statements.

In April 2015, FASB issued ASU No. 2015-03, *Interest—Imputation of Interest*, which simplifies the presentation of debt issuance costs by requiring debt issuance costs related to a debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The amendments in this ASU will be effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2015. The amendments should be applied on a

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

retrospective basis. The Company expects that this update will reduce both other assets and the outstanding debt balance by approximately \$6 million as of March 31, 2015.

2. ACQUISITION

Acquisition of Provide Commerce

On December 31, 2014, the Company acquired all of the issued and outstanding shares of common stock of Provide Commerce from Liberty. Provide Commerce's portfolio of brands primarily includes ProFlowers and ProPlants for fresh-cut flowers, floral arrangements, and plants; Shari's Berries for gourmet-dipped berries and other products; Personal Creations for personalized gifts; Cherry Moon Farms for premium fresh fruits; and Sincerely for mobile gifting applications. The Acquisition expands the breadth of the Company's brand by combining two complementary businesses to offer customers a greater variety of floral and gifting products and an enhanced shopping experience and is expected to generate significant cost synergies. The Company believes that these factors support the estimated amount of goodwill related to the Acquisition.

The purchase price consisted of (i) cash consideration of \$106.6 million excluding acquired cash on hand of \$38.1 million and a post-closing working capital adjustment of \$9.9 million, and (ii) 10,203,010 shares of FTD common stock, representing approximately 35% of the issued and outstanding shares of FTD common stock. The FTD common stock was valued at \$34.82 per share, the closing price on December 31, 2014, the date of the Acquisition, for purposes of determining the purchase price. In April 2015, FTD made a payment to Liberty in full satisfaction of the post-closing working capital adjustment. The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on management's preliminary estimates of their respective fair values as of the closing date of the Acquisition. During the quarter ended March 31, 2015, the Company revised certain of its preliminary estimates of fair value, which changes were not considered material. The Company believes that the preliminary fair values assigned to the assets acquired and the liabilities assumed were based on reasonable assumptions, however, additional information is needed in order to determine the final fair values. The following table summarizes the preliminary estimates of fair value of the assets

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

2. ACQUISITION (Continued)

acquired and liabilities assumed, including the effects of immaterial adjustments to the preliminary purchase price allocation (in thousands):

	Preliminary Estimate of Fair Value
Net liabilities assumed:	
Cash	\$ 38,081
Accounts receivable	8,215
Inventories	18,909
Prepaid expenses	11,550
Other assets	14,931
Property and equipment	43,500
Accounts payable and accrued liabilities	(82,186)
Deferred tax liabilities, net	(86,402)
Other liabilities	(13,754)
Total net liabilities assumed	<u>(47,156)</u>
Intangible assets acquired:	
Trademarks and trade names	119,400
Customer contracts and relationships	91,100
Complete technology	36,300
Total intangible assets acquired	<u>246,800</u>
Goodwill	310,257
Total purchase price	<u>\$ 509,901</u>

The acquired intangibles are being amortized on a straight-line basis over their estimated useful lives, which range from two to fifteen years. The goodwill acquired in the Acquisition is not deductible for federal tax purposes.

The following unaudited pro forma information presents the consolidated results of operations of the Company as if the Acquisition had occurred as of January 1, 2013. The unaudited pro forma consolidated financial information is provided for illustrative purposes only and does not purport to present what the actual results of operations would have been had the transaction actually occurred on the date indicated, nor does it purport to represent results of operations for any future period. The information does not reflect any cost savings or other benefits that may be obtained through anticipated synergies as a result of the Acquisition.

(in thousands, except per share amounts)	For the Quarter Ended March 31, 2014
Revenues	\$ 381,908
Net income	\$ 1,513
Basic and diluted earnings per share	\$ 0.05

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. SEGMENT INFORMATION

Prior to the Acquisition, the Company reported its business operations in three operating and reportable segments: Consumer, Florist and International. As a result of the Acquisition, the Company began reporting its business in four operating and reportable segments: Consumer, Florist, International, and Provide Commerce. As the Acquisition was completed on December 31, 2014, no results of operations of Provide Commerce were included in the Company's consolidated statement of operations for the quarter ended March 31, 2014.

Below is a reconciliation of segment revenues to consolidated revenues (in thousands):

	Quarter Ended March 31,	
	2015	2014
Products revenues:		
Consumer	\$ 88,070	\$ 87,616
Florist	16,383	16,275
International	48,754	54,067
Provide Commerce	183,236	—
Segment products revenues	\$ 336,443	\$ 157,958
Services revenues:		
Florist	\$ 29,621	\$ 29,835
International	6,502	6,930
Segment services revenues	\$ 36,123	\$ 36,765
Intersegment eliminations	(4,785)	(4,870)
Consolidated revenues	\$ 367,781	\$ 189,853

Intersegment revenues represent amounts charged from one segment to the other for services provided based on order volume at a set rate per order. Intersegment revenues by segment were as follows (in thousands):

	Quarter Ended March 31,	
	2015	2014
Intersegment revenues:		
Consumer	\$ (4,704)	\$ (4,786)
Florist	(81)	(84)
Total intersegment revenues	\$ (4,785)	\$ (4,870)

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. SEGMENT INFORMATION (Continued)

Below is a reconciliation of segment operating income to consolidated operating income and income before income taxes (in thousands):

	Quarter Ended March 31,	
	2015	2014
Segment operating income ^(a) :		
Consumer	\$ 7,470	\$ 8,090
Florist	14,147	13,168
International	7,977	8,034
Provide Commerce	8,912	—
Total segment operating income	38,506	29,292
Unallocated expenses ^(b)	(13,511)	(6,839)
Depreciation expense and amortization of intangible assets	(20,755)	(6,927)
Operating income	4,240	15,526
Interest expense, net	(2,308)	(1,238)
Other (expense) income, net	(11)	386
Income before income taxes	<u>\$ 1,921</u>	<u>\$ 14,674</u>

(a) Segment operating income is operating income excluding depreciation, amortization, litigation and dispute settlement charges or gains, transaction and integration-related costs, and restructuring and other exit costs. Stock-based compensation and general corporate expenses are not allocated to the segments. Segment operating income is prior to intersegment eliminations and excludes other income (expense).

(b) Unallocated expenses include various corporate costs, such as corporate finance, legal, and human resources costs. In addition, unallocated expenses include stock-based compensation for all eligible Company employees, restructuring and other exit costs, transaction and integration-related costs, and litigation and dispute settlement charges or gains.

Geographic revenues to external customers were as follows for the periods presented (in thousands):

	Quarter Ended March 31,	
	2015	2014
U.S.	\$ 312,525	\$ 128,856
U.K.	55,256	60,997
Consolidated revenues	<u>\$ 367,781</u>	<u>\$ 189,853</u>

Assets and liabilities are reviewed at the consolidated level by management. Segment assets are not reported to, or used by, the Company's chief operating decision maker to allocate resources to or assess performance of the segments, and therefore, total segment assets have not been disclosed.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. SEGMENT INFORMATION (Continued)

Geographic information for long-lived assets, consisting of amortizable intangible assets, property and equipment and other non-current assets, was as follows (in thousands):

	March 31, 2015	December 31, 2014
U.S.	\$ 324,280	\$ 272,659
U.K.	7,953	8,335
Total long-lived assets	<u>\$ 332,233</u>	<u>\$ 280,994</u>

4. BALANCE SHEET COMPONENTS

Financing Receivables

The Company has financing receivables related to equipment sales to its floral network members. The current and noncurrent portions of financing receivables are included in accounts receivable and other assets, respectively, in the condensed consolidated balance sheets. The Company assesses financing receivables individually for balances due from current floral network members and collectively for balances due from terminated floral network members.

Credit quality of financing receivables was as follows (in thousands):

	March 31, 2015	December 31, 2014
Current	\$ 10,719	\$ 10,913
Past due	1,467	3,268
Total	<u>\$ 12,186</u>	<u>\$ 14,181</u>

The aging of past due financing receivables was as follows (in thousands):

	March 31, 2015	December 31, 2014
Current	\$ 10,719	\$ 10,913
Past due:		
1 - 150 days past due	145	147
151 - 364 days past due	212	163
365 - 730 days past due	197	244
731 or more days past due	913	2,714
Total	<u>\$ 12,186</u>	<u>\$ 14,181</u>

Financing receivables on nonaccrual status at March 31, 2015 and December 31, 2014 totaled \$1.5 million and \$3.3 million, respectively.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4. BALANCE SHEET COMPONENTS (Continued)

The allowance for credit losses and the recorded investment in financing receivables were as follows (in thousands):

	Quarter Ended March 31,	
	2015	2014
Allowance for credit losses:		
Balance at January 1	\$ 3,200	\$ 3,213
Provision	87	27
Write-offs charged against allowance	(1,905)	(21)
Balance at March 31	<u>\$ 1,382</u>	<u>\$ 3,219</u>
Ending balance collectively evaluated for impairment	<u>\$ 1,365</u>	<u>\$ 3,218</u>
Ending balance individually evaluated for impairment	<u>\$ 17</u>	<u>\$ 1</u>
Recorded investments in financing receivables:		
Balance collectively evaluated for impairment	<u>\$ 1,493</u>	<u>\$ 3,335</u>
Balance individually evaluated for impairment	<u>\$ 10,693</u>	<u>\$ 11,377</u>

Individually evaluated impaired loans, including the recorded investment in such loans, the unpaid principal balance and the allowance related to such loans, each totaled less than \$0.1 million at both March 31, 2015 and December 31, 2014. The average recorded investment in such loans was less than \$0.1 million in each of the quarters ended March 31, 2015 and 2014. Interest income recognized on impaired loans was less than \$0.1 million in each of the quarters ended March 31, 2015 and 2014.

Property and Equipment

Property and equipment consisted of the following (in thousands):

	March 31, 2015	December 31, 2014
Land and improvements	\$ 1,602	\$ 1,614
Buildings and improvements	16,112	16,203
Leasehold improvements	19,070	16,092
Computer equipment	29,567	27,144
Computer software	40,716	38,409
Furniture and fixtures	17,235	12,705
	124,302	112,167
Accumulated depreciation	(53,311)	(48,560)
Total	<u>\$ 70,991</u>	<u>\$ 63,607</u>

Depreciation expense, including the amortization of leasehold improvements, was \$5.4 million and \$2.5 million for the quarters ended March 31, 2015 and 2014, respectively.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

5. TRANSACTIONS WITH RELATED PARTIES

Transactions with Liberty

As a result of the Acquisition, Liberty owns approximately 35% of the issued and outstanding shares of FTD common stock. FTD and Liberty entered into an Investor Rights Agreement, which governs certain rights of and restrictions on Liberty in connection with the shares of FTD common stock that Liberty owns as a result of the Acquisition. In addition, Provide Commerce and Liberty entered into a services agreement (the "Services Agreement"), under which Provide Commerce, on a short-term transitional basis, has provided Liberty with certain support service and other assistance after the Acquisition in respect of the RedEnvelope business, which was not acquired by FTD as part of the Acquisition. Fees of \$0.3 million were earned during the quarter ended March 31, 2015 and were billed to Liberty in April 2015. On April 1, 2015, Provide Commerce and Liberty entered into an amendment to the Services Agreement to extend the term of the Services Agreement to June 30, 2015.

The Acquisition purchase price was subject to adjustment based upon the final closing working capital, which adjustment was determined to be \$9.9 million. The Company's consolidated balance sheet at March 31, 2015 reflects an accrual for such purchase price adjustment. In April 2015, FTD made a payment to Liberty in full satisfaction of this adjustment.

On April 30, 2015, the Company, through a wholly-owned subsidiary, entered into a Purchase and Sale Agreement with an indirect wholly-owned subsidiary of Liberty, pursuant to which the Company acquired certain residual assets previously used by Liberty in the online e-commerce business operated under the trade name of RedEnvelope for a cash purchase price of \$250,000.

The I.S. Group Limited

Interflora holds a 20.4% investment in The I.S. Group Limited ("I.S. Group"), which totaled \$1.7 million at both March 31, 2015 and December 31, 2014 and is included in other assets in the condensed consolidated balance sheets. The share of equity earnings was not material for separate presentation in these condensed consolidated financial statements. I.S. Group supplies floral-related products to Interflora's floral network members in both the U.K. and the Republic of Ireland as well as to other customers. Interflora derives revenues from I.S. Group from (i) the sale of products (sourced from third-party suppliers) to I.S. Group for which revenue is recognized on a gross basis, (ii) commissions on products sold by I.S. Group (sourced from third-party suppliers) to floral network members, and (iii) commissions for acting as a collection agent on behalf of I.S. Group. Revenues related to products sold to and commissions earned from I.S. Group were \$0.9 million and \$1.0 million in the quarters ended March 31, 2015 and 2014, respectively. In addition, Interflora purchases products from I.S. Group for sale to consumers. The cost of revenues related to products purchased from I.S. Group was \$0.2 million and less than \$0.1 million in the quarters ended March 31, 2015 and 2014, respectively. Amounts due from I.S. Group were \$0.6 million and \$0.5 million at March 31, 2015 and December 31, 2014, respectively, and amounts payable to I.S. Group were \$2.1 million and \$1.5 million at March 31, 2015 and December 31, 2014, respectively.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

6. GOODWILL, INTANGIBLE ASSETS, AND OTHER LONG-LIVED ASSETS

Goodwill

The changes in the net carrying amount of goodwill for the quarter ended March 31, 2015 were as follows (in thousands):

	Consumer	Florist	International	Provide Commerce	Total
Goodwill at December 31, 2014	\$ 133,226	\$ 109,651	\$ 92,259	\$ 297,076	\$ 632,212
Foreign currency translation	—	—	(4,496)	—	(4,496)
Provide Commerce acquisition ^(a)	—	—	—	13,181	13,181
Goodwill at March 31, 2015	\$ 133,226	\$ 109,651	\$ 87,763	\$ 310,257	\$ 640,897

(a) Adjustments to goodwill include immaterial revisions to preliminary fair value amounts and the final working capital adjustment, which were recorded during the quarter ended March 31, 2015.

In 2008, the Company recorded an impairment charge of \$116.3 million. The table above reflects the Company's goodwill balances net of this accumulated impairment charge. The gross goodwill balance was \$757.2 million at March 31, 2015.

Intangible Assets

Intangible assets are primarily related to the acquisition of Provide Commerce in December 2014 and the acquisition of the Company by United Online in August 2008 and consist of the following (in thousands):

	March 31, 2015			December 31, 2014		
	Gross Value	Accumulated Amortization	Net	Gross Value	Accumulated Amortization	Net
Complete technology	\$ 77,528	\$ (43,008)	\$ 34,520	\$ 77,847	\$ (41,480)	\$ 36,367
Customer contracts and relationships	195,313	(115,500)	79,813	199,271	(104,972)	94,299
Trademarks and trade names	274,779	(2,323)	272,456	305,245	(258)	304,987
Total	\$ 547,620	\$ (160,831)	\$ 386,789	\$ 582,363	\$ (146,710)	\$ 435,653

Some of the Company's trademarks and trade names are indefinite-lived for which there is no associated amortization expense or accumulated amortization. At March 31, 2015 and December 31, 2014, such indefinite-lived assets, after impairment and foreign currency translation adjustments, totaled \$154.5 million and \$247.5 million, respectively. Included in the above intangible assets are \$36.3 million of complete technology, \$91.1 million of customer contracts and relationships, and \$119.4 million of trademarks and trade names acquired in connection with the Acquisition, which are based on preliminary fair value estimates. During the quarter ended March 31, 2015, the Company revised certain of its preliminary estimates of fair value and useful lives. These changes were not material and have been fully reflected in the statement of operations for the quarter ended March 31, 2015.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

6. GOODWILL, INTANGIBLE ASSETS, AND OTHER LONG-LIVED ASSETS (Continued)

Estimated future intangible assets amortization expense for each of the next five years and thereafter, was as follows (in thousands):

2015 (remainder of year)	\$ 45,937
2016	61,160
2017	15,273
2018	15,272
2019	15,272
Thereafter	79,414
Total	<u>\$ 232,328</u>

7. FINANCING ARRANGEMENTS

Amended and Restated Credit Agreement

On July 17, 2013, FTD Companies, Inc. entered into a credit agreement (the "2013 Credit Agreement") with Interflora, certain wholly-owned domestic subsidiaries of FTD Companies, Inc. party thereto as guarantors, the financial institutions party thereto from time to time, Bank of America Merrill Lynch and Wells Fargo Securities, LLC, as joint lead arrangers and book managers, and Bank of America, N.A., as administrative agent (in such capacity, the "Administrative Agent"), which provided for a \$350 million five-year revolving credit facility. On July 17, 2013, FTD Companies, Inc. drew \$220 million of the new \$350 million revolving credit facility and used this, together with approximately \$19 million of its existing cash balance, to repay amounts outstanding under its previous credit facility in full and to pay fees and expenses related to the 2013 Credit Agreement.

On September 19, 2014, the Company entered into an amendment to the 2013 Credit Agreement (the "Credit Agreement Amendment"), with Interflora, the guarantors party thereto, the lenders party thereto, and the administrative agent. The Credit Agreement Amendment amended and restated the 2013 Credit Agreement in its entirety (as amended and restated, the "Amended and Restated Credit Agreement"). Among other things, the Amended and Restated Credit Agreement provided for a term loan in an aggregate principal amount of \$200 million and provided for a revolving loan advance (the "Acquisition Advance") to finance the cash portion of the Acquisition purchase price.

The proceeds of the term loan were used to repay a portion of outstanding revolving loans and, on December 31, 2014, the Company borrowed \$120 million under the Acquisition Advance to fund the cash portion of the Acquisition purchase price. The obligations under the Amended and Restated Credit Agreement are guaranteed by certain of FTD Companies, Inc.'s wholly-owned domestic subsidiaries (together with FTD Companies, Inc., the "U.S. Loan Parties"). In addition, the obligations under the Amended and Restated Credit Agreement are secured by a lien on substantially all of the assets of the U.S. Loan Parties, including a pledge of all of the outstanding capital stock of certain direct subsidiaries of the U.S. Loan Parties (except with respect to foreign subsidiaries and certain domestic subsidiaries whose assets consist primarily of foreign subsidiary equity interests, in which case such pledge is limited to 66% of the outstanding capital stock).

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

7. FINANCING ARRANGEMENTS (Continued)

The interest rates applicable to borrowings under the Amended and Restated Credit Agreement are based on either LIBOR plus a margin ranging from 1.50% per annum to 2.50% per annum, or a base rate plus a margin ranging from 0.50% per annum to 1.50% per annum, calculated according to the Company's net leverage ratio. At March 31, 2015, the base rate margin was 1.0% per annum and the LIBOR margin was 2.0% per annum. In addition, the Company pays a commitment fee ranging from 0.20% per annum to 0.40% per annum on the unused portion of the revolving credit facility. The interest rates (based on LIBOR) at March 31, 2015 under the term loan and the revolving credit facility were 2.28% and 2.18%, respectively. The commitment fee rate at March 31, 2015 was 0.30%. The Amended and Restated Credit Agreement contains customary representations and warranties, events of default, affirmative covenants and negative covenants, that, among other things, require the Company to maintain compliance with a maximum net leverage ratio and a minimum consolidated fixed charge coverage ratio, and impose restrictions and limitations on, among other things, investments, dividends, share repurchases, and asset sales, and the Company's ability to incur additional debt and additional liens.

The term loan is subject to amortization payments of \$5 million per quarter and customary mandatory prepayments under certain conditions. In addition, during the quarter ended March 31, 2015, the Company paid down \$20 million of the amounts outstanding under the revolving credit facility. The outstanding balance of the term loan and all amounts outstanding under the revolving credit facility are due upon maturity in September 2019. The future minimum principal payments through the maturity date of the Amended and Restated Credit Agreement were as follows for each of the next five years (in thousands):

2015 (remainder of year)	\$ 15,000
2016	20,000
2017	20,000
2018	20,000
2019	240,000
Total	<u>\$ 315,000</u>

At March 31, 2015, the remaining borrowing capacity under the Amended and Restated Credit Agreement, which was reduced by \$2.3 million in outstanding letters of credit, was \$227.7 million. The changes in the Company's debt balances for the quarter ended March 31, 2015 were as follows (in thousands):

	Balance at December 31, 2014	Repayments of Debt	Balance at March 31, 2015
Amended and Restated Credit Agreement:			
Revolving Credit Facility	\$ 140,000	\$ (20,000)	\$ 120,000
Term Loan	200,000	(5,000)	195,000
Total	<u>\$ 340,000</u>	<u>\$ (25,000)</u>	<u>\$ 315,000</u>

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

8. DERIVATIVE INSTRUMENTS

In March 2012, the Company entered into forward starting interest rate cap instruments based on 3-month LIBOR, effective January 2015 through June 2018. The forward starting interest rate cap instruments have aggregated notional values totaling \$130 million. The interest rate cap instruments are designated as cash flow hedges against expected future cash flows attributable to future 3-month LIBOR interest payments on a portion of the outstanding borrowings under the Company's Amended and Restated Credit Agreement. The gains or losses on the instruments are reported in other comprehensive income to the extent that they are effective and are reclassified into earnings when the cash flows attributable to 3-month LIBOR interest payments are recognized in earnings.

The estimated fair values and notional values of outstanding derivative instruments at March 31, 2015 and December 31, 2014 were as follows (in thousands):

	Balance Sheet Location	Estimated Fair Value of Derivative Instruments		Notional Value of Derivative Instruments	
		March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Derivative Assets:					
Interest rate caps	Other assets	\$ 225	\$ 370	\$ 130,000	\$ 130,000

The Company recognized the following losses from derivatives, before tax, in other comprehensive income (loss) (in thousands):

	Quarter Ended March 31,	
	2015	2014
Derivatives Designated as Cash Flow Hedging Instruments:		
Interest rate caps	\$ (144)	\$ (374)

The effective portion, before tax effect, of the Company's interest rate caps designated as cash flow hedging instruments was \$1.6 million and \$1.5 million at March 31, 2015 and December 31, 2014, respectively, \$0.5 million of which was expected to be reclassified from accumulated other comprehensive loss into interest expense in the consolidated statements of operations within the next twelve months. During the quarter ended March 31, 2015, \$0.1 million was reclassified from accumulated other comprehensive loss into interest expense in the condensed consolidated statements of operations. No amounts were reclassified out of accumulated other comprehensive loss during the quarter ended March 31, 2014.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. FAIR VALUE MEASUREMENTS

The following table presents estimated fair values of financial assets and liabilities and derivative instruments that were required to be measured at fair value on a recurring basis (in thousands):

	March 31, 2015			December 31, 2014		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets:						
Money market funds	\$ 37,310	\$ 36,965	\$ 345	\$ 56,595	\$ 55,350	\$ 1,245
Derivative assets	225	—	225	370	—	370
Total	\$ 37,535	\$ 36,965	\$ 570	\$ 56,965	\$ 55,350	\$ 1,615
Liabilities:						
Non-qualified deferred compensation plan	\$ 9,649	\$ —	\$ 9,649	\$ 11,617	\$ —	\$ 11,617
Total	\$ 9,649	\$ —	\$ 9,649	\$ 11,617	\$ —	\$ 11,617

Provide Commerce has an executive deferred compensation plan for key management level employees in which the employees may elect to defer receipt of current compensation. This plan is intended to be an unfunded, non-qualified deferred compensation plan that complies with the provisions of section 409A of the Internal Revenue Code. At the time of the Acquisition, contributions to the plan were suspended except those relating to any compensation earned but not yet paid as of the date of the Acquisition. The plan assets, which consist primarily of life insurance contracts recorded at their cash surrender value, were \$12.6 million and \$12.5 million at March 31, 2015 and December 31, 2014, respectively, and are included in other assets in the accompanying condensed consolidated balance sheets.

The Company estimated the fair value of its long-term debt using a discounted cash flow approach that incorporates a market interest yield curve with adjustments for duration and risk profile. In determining the market interest yield curve, the Company considered, among other factors, its estimated credit spread. At March 31, 2015, the Company estimated its credit spread as 1.8% and 2.5% for the term loan and revolving credit facility, respectively, resulting in yield-to-maturity estimates for the term loan and revolving credit facility of 3.1% and 3.7%, respectively. At December 31, 2014, the Company estimated its credit spread as 2.0% and 2.6% for the term loan and revolving credit facility, respectively, resulting in yield-to-maturity estimates for the term loan and revolving credit facility of 3.6% and 4.2%, respectively. The table below summarizes the carrying amounts and estimated fair values for long-term debt (in thousands):

	March 31, 2015		December 31, 2014	
	Carrying Amount	Estimated Fair Value Level 2	Carrying Amount	Estimated Fair Value Level 2
Long-term debt, including current portion	\$ 315,000	\$ 314,849	\$ 340,000	\$ 338,223

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. FAIR VALUE MEASUREMENTS (Continued)

Fair value approximates the carrying amount of financing receivables because such receivables are discounted at a rate comparable to market. Fair values of cash and cash equivalents, short-term accounts receivable, accounts payable, and accrued liabilities approximate their carrying amounts because of their short-term nature.

10. STOCKHOLDERS' EQUITY

Common Stock Repurchases

On February 27, 2014, the Company's board of directors authorized a common stock repurchase program (the "Repurchase Program") that allows FTD Companies, Inc. to repurchase up to \$50 million of its common stock from time to time over a two-year period in both open market and privately negotiated transactions. Repurchased shares generally will be held in treasury pending use for general corporate purposes, including issuances under various employee and director stock plans. No purchases were made under the Repurchase Program prior to 2015. As of March 31, 2015, the Company has repurchased 331,084 shares under the Repurchase Program at an average cost per share of \$30.20. In addition, during April 2015, the Company repurchased an additional 341,958 shares under the Repurchase Program at an average cost per share of \$29.24.

Upon vesting of RSUs or exercise of stock options, the Company does not collect the minimum statutory withholding taxes in cash from employees. Instead, the Company automatically withholds, from the RSUs that vest or stock options exercised, the portion of those shares with a fair market value equal to the amount of the minimum statutory withholding taxes due. The withheld shares are accounted for as repurchases of common stock but are not considered repurchases under the Repurchase Program. The Company then pays the minimum statutory withholding taxes in cash. During the quarter ended March 31, 2015, 157,537 RSUs vested for which 58,785 shares were withheld to cover the minimum statutory withholding taxes of \$2.0 million.

11. INCENTIVE COMPENSATION PLANS

The FTD Companies, Inc. Amended and Restated 2013 Incentive Compensation Plan (the "2013 Plan") authorizes the granting of awards to employees and non-employee directors, including stock options, stock appreciation rights, restricted stock units ("RSUs") and other stock-based awards. Under the 2013 Plan, 1.6 million shares of FTD common stock have been reserved for issuance of awards. At March 31, 2015, the Company had less than 0.1 million shares available for issuance under the 2013 Plan.

On March 9, 2015, the Company granted RSUs to certain employees totaling 0.3 million shares. The RSUs granted will generally vest in four equal annual installments beginning on February 15, 2016. The RSUs were granted with an exercise price of \$34.44, the market value of the underlying stock on the grant date.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

11. INCENTIVE COMPENSATION PLANS (Continued)

The following table summarizes the non-cash stock-based compensation incurred under the 2013 Plan for the quarters ended March 31, 2015 and 2014, respectively, that has been included in the condensed consolidated statements of operations (in thousands):

	Quarter Ended March 31,	
	2015	2014
Cost of revenues	\$ 15	\$ 33
Sales and marketing	457	516
General and administrative	1,470	1,113
Total stock-based compensation	<u>\$ 1,942</u>	<u>\$ 1,662</u>

12. INCOME TAXES

During the quarter ended March 31, 2015, the Company recorded a tax benefit of \$0.1 million on pre-tax income of \$1.9 million, compared to a tax provision of \$5.1 million on pre-tax income of \$14.7 million for the quarter ended March 31, 2014. The effective tax rate decreased primarily due to a decrease in income earned in a higher rate jurisdiction as well as a reduction in the statutory tax rate in a foreign jurisdiction.

13. EARNINGS PER SHARE

Certain of the Company's RSUs are considered participating securities because they contain a non-forfeitable right to dividends irrespective of whether dividends are actually declared or paid or the awards ultimately vest. Accordingly, the Company computes earnings per share pursuant to the two-class method in accordance with ASC 260, *Earnings Per Share*.

The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except share and per share amounts):

	Quarter Ended March 31,	
	2015	2014
Numerator:		
Net income	\$ 2,034	\$ 9,620
Income allocated to participating securities	(32)	(203)
Net income attributable to common stockholders	<u>\$ 2,002</u>	<u>\$ 9,417</u>
Denominator:		
Basic average common shares outstanding	29,217,246	18,876,959
Add: Dilutive effect of non-participating securities	66,574	53,064
Diluted average common shares outstanding	<u>29,283,820</u>	<u>18,930,023</u>
Basic earnings per common share	<u>\$ 0.07</u>	<u>\$ 0.50</u>
Diluted earnings per common share	<u>\$ 0.07</u>	<u>\$ 0.50</u>

FTD COMPANIES, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****13. EARNINGS PER SHARE (Continued)**

In connection with the Acquisition, the Company issued 10,203,010 shares of FTD common stock to Liberty. The diluted earnings per common share computations exclude stock options and RSUs which are antidilutive. Weighted-average antidilutive shares for the quarter ended March 31, 2015 were 0.3 million.

14. RESTRUCTURING AND OTHER EXIT COSTS

Restructuring and other exit costs were as follows (in thousands):

Accrued restructuring and other exit costs as of December 31, 2014	\$ 2,144
Restructuring and other exit costs	2,168
Cash paid for restructuring and other exit costs	(18)
Accrued restructuring and other exit costs as of March 31, 2015	<u>\$ 4,294</u>

During the quarter ended March 31, 2015, the Company incurred restructuring and other exit costs of \$2.2 million primarily related to severance, lease termination costs related to the shutdown of certain of the Provide Commerce developing businesses, as well as other headcount reductions related to the integration of the Provide Commerce and legacy FTD businesses. The Company paid \$0.1 million of restructuring and other exit costs during the quarter ended March 31, 2014.

15. CONTINGENCIES—LEGAL MATTERS

In 2010, FTD.COM and Classmates, Inc. (a wholly-owned subsidiary of United Online) received subpoenas from the Attorney General for the State of Kansas and the Attorney General for the State of Maryland, respectively. These subpoenas were issued on behalf of a Multistate Work Group that consists of the Attorneys General for the following states: Alabama, Alaska, Delaware, Florida, Idaho, Illinois, Kansas, Maine, Maryland, Michigan, Nebraska, New Mexico, New Jersey, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Texas, Vermont, Washington, and Wisconsin. The primary focus of the inquiry concerns certain post transaction sales practices in which these companies previously engaged with certain third party vendors. In the second quarter of 2012, FTD.COM and Classmates, Inc. received an offer of settlement from the Multistate Work Group consisting of certain injunctive relief and the consideration of two areas of monetary relief: (1) restitution to consumers and (2) a \$20 million payment by these companies for the violations alleged by the Multistate Work Group and to reimburse the Multistate Work Group for its investigation costs. FTD.COM and Classmates, Inc. rejected the Multistate Work Group's offer. FTD.COM and Classmates, Inc. have since had ongoing discussions with the Multistate Work Group regarding a negotiated resolution, with the most recent proposal made by the companies on December 23, 2014 to resolve the matter without admitting liability by making a settlement payment in an aggregate amount of \$8 million relating to both companies and \$2.5 million restitution by Classmates, Inc. to a group of purchasers of its subscription services. On January 15, 2015, the Multistate Work Group responded to the companies' December 23, 2014 offer with a counter offer seeking a payment from FTD.COM and Classmates, Inc. of \$8 million and restitution from Classmates, Inc. of \$3 million. In March 2015, FTD.COM and Classmates, Inc. accepted the Multistate Work Group's latest counter offer. The settlement remains subject to final documentation and court approval in each of the States listed above.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

15. CONTINGENCIES—LEGAL MATTERS (Continued)

The Company cannot predict the outcome of these or any other governmental investigations or other legal actions or their potential implications for its business. There are no assurances that additional governmental investigations or other legal actions will not be instituted in connection with the Company's former post-transaction sales practices or other current or former business practices.

The Separation and Distribution Agreement which was executed between FTD and United Online in connection with the Company's November 2013 separation from United Online ("the Separation") provides United Online with the right to control the litigation and settlement of certain litigation matters that relate to United Online, its predecessors and its consolidated subsidiaries and the Company, its predecessors and its consolidated subsidiaries, and which were asserted before the Separation, as well as specified litigation matters which are asserted after the Separation. These matters include the ongoing matters relating to the Company's former post-transaction sales practices or other current or former business practices described above. The Separation and Distribution Agreement also provides for the allocation of liabilities and expenses between United Online and the Company with respect to these matters. It also establishes procedures with respect to claims subject to indemnification, insurance claims, and related matters. The Company and United Online may not prevail in existing or future claims and any judgments against the Company, or settlement or resolution of such claims may involve the payment of significant sums, including damages, fines, penalties, or assessments, or changes to the Company's business practices.

In December 2008, Interflora, Inc. (in which the Company has a two-thirds ownership interest) and Interflora issued proceedings against Marks and Spencer plc ("Marks and Spencer") seeking injunctive relief, damages, interest, and costs in an action claiming infringement of U.K. trademark registration number 1329840 and European Community trademark registration number 909838, both for the word "Interflora". Marks and Spencer did not make a counterclaim. In July 2009, the High Court of Justice of England and Wales (the "High Court"), referred certain questions to the Court of Justice of European Union ("CJEU") for a preliminary ruling. In September 2011, the CJEU handed down its judgment on the questions referred by the High Court. In February 2012, the High Court scheduled the trial for April 2013. In September 2012, Interflora executed an indemnity agreement by which Interflora agreed to indemnify Interflora, Inc. against all losses and expenses arising out of this action which Interflora, Inc. may incur after July 10, 2012. The trial in this matter concluded in April 2013. In May 2013, the High Court ruled that Marks and Spencer infringed the Interflora trademarks. In June 2013, the High Court issued an injunction prohibiting Marks and Spencer from infringing the Interflora trademarks in specified jurisdictions and ordered Marks and Spencer to provide certain disclosures in order for damages to be quantified. The High Court granted Marks and Spencer permission to appeal the ruling. The appeal was heard by the Court of Appeal at a hearing held July 8-10, 2014. On November 5, 2014, the Court of Appeal issued its judgment upholding the appeal but did not determine the case in favor of either party, and instead remitted the case for a retrial by the High Court. On November 12, 2014, the Court of Appeal determined the order from its judgment, which became effective as of November 18, 2014, setting aside the order of the High Court from June of 2013. Pursuant to the order, Interflora made an interim payment of \$0.3 million to Marks and Spencer towards the cost of the appeal and repaid the \$1.8 million payment on account of its costs of the first High Court trial that Marks and Spencer was ordered to pay to Interflora in 2013. The part of the order lifting the injunction prohibiting Marks and Spencer from infringing the Interflora trademarks was lifted on December 2, 2014. No date or other directions have been set for the retrial.

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

15. CONTINGENCIES—LEGAL MATTERS (Continued)

Commencing on August 19, 2009, the first of a series of consumer class action lawsuits was brought against Provide Commerce, Inc. and co-defendant Regent Group, Inc. d/b/a Encore Marketing International ("EMI"). These cases were ultimately consolidated during the next three years into Case No. 09 CV 2094 in the United States District Court for the Southern District of California under the title In re EasySaver Rewards Litigation. Plaintiffs' claims arise from their online enrollment in subscription based membership programs known as EasySaver Rewards, RedEnvelope Rewards, and Preferred Buyers Pass (collectively the "Membership Programs"). Plaintiffs claim that after they ordered items from certain of Provide Commerce's websites, they were presented with an offer to enroll in one of the Membership Programs, each of which is offered and administered by EMI. Plaintiffs purport to represent a putative nationwide class of consumers allegedly damaged by Provide Commerce's purported unauthorized or otherwise allegedly improper transferring of the putative class members' billing information to EMI, who then posted allegedly unauthorized charges to their credit or debit card accounts for membership fees for the Membership Programs. On February 22, 2010, Provide Commerce and EMI respectively filed motions to dismiss. On August 13, 2010, the court entered an order granting in part and denying in part the motions. Between August 13, 2010 and December 2011, plaintiffs filed various amended complaints and added or dismissed certain named plaintiffs. Plaintiffs filed the fourth amended complaint on December 14, 2011. The fourth amended complaint is the operative complaint. Plaintiffs assert ten claims against Provide Commerce and EMI in the fourth amended complaint: (1) breach of contract (against Provide Commerce only); (2) breach of contract (against EMI only); (3) breach of implied covenant of good faith and fair dealing; (4) fraud; (5) violations of the California Consumers Legal Remedies Act; (6) unjust enrichment; (7) violation of the Electronic Funds Transfer Act (against EMI only); (8) invasion of privacy; (9) negligence; and (10) violations of the Unfair Competition Law. Plaintiffs assert their claims individually and on behalf of a putative nationwide class. Plaintiffs sought damages, attorneys' fees, and costs. Provide Commerce and EMI filed motions to dismiss the claims of plaintiffs Lawler, Walters, Cox, and Dickey on January 24, 2012. The motions to dismiss were fully briefed as of February 23, 2012, but the court had not yet conducted a hearing or ruled on the motions. The parties participated in numerous settlement conferences and mediations throughout the case in an effort to resolve this matter. On April 9, 2012, the parties reached an agreement on the high level terms of a settlement, conditioned on the parties negotiating and executing a complete written agreement. In the weeks following April 9, 2012, the parties negotiated a formal written settlement agreement ("Settlement"). Upon reaching the Settlement, the hearing on the motions to dismiss was vacated, and Provide Commerce and EMI have not answered the fourth amended complaint in light of the Settlement. The court granted the plaintiffs' unopposed motion for preliminary approval of the Settlement on June 13, 2012. After notice to the class and briefing by the parties, the court conducted a final approval hearing (also known as a fairness hearing) on January 28, 2013, and took the matter under submission at the conclusion of the hearing. On February 4, 2013, the court entered its final order approving class action settlement, granting plaintiffs' motion for attorneys' fees, costs, and incentive awards, and overruling objections filed by a single objector to the Settlement. The court entered judgment on the settlement on February 21, 2013. The objector filed a notice of appeal with the Ninth Circuit Court of Appeals on March 4, 2013. After the completion of briefing, the Ninth Circuit set oral argument on the appeal for February 2, 2015. But on January 29, 2015, the Ninth Circuit entered an order deferring argument and resolution of the appeal pending the Ninth Circuit's decision in a matter captioned *Frank v. Netflix*, No. 12 15705+. The Ninth Circuit issued its opinion in *Frank v. Netflix*, No. 12 15705+ on February 27, 2015, affirming the

FTD COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

15. CONTINGENCIES—LEGAL MATTERS (Continued)

district court's approval of a settlement between Walmart and a class of Netflix DVD subscribers. On March 19, 2015, the Ninth Circuit entered an order vacating the judgment in this matter and remanding it to the district court for further proceedings consistent with *Frank v. Netflix*. The Ninth Circuit's mandate issued on April 14, 2015, and the matter is now pending before the district court to consider final approval of the Settlement in light of *Frank v. Netflix*. On April 23, 2015, the district court entered an order reopening the case and ordering the parties to jointly submit a memorandum summarizing the import of the *Frank v. Netflix* decision and stating their intentions going forward. On May 4, 2015, such memorandum was filed by the parties and the objector also filed his own memorandum regarding these same topics on such date. The issue of whether the Settlement should receive final approval presently remains pending before the district court.

The Company records a liability when it believes that it is both probable that a loss has been incurred, and the amount of loss can be reasonably estimated. The Company evaluates, at least quarterly, developments in its legal matters that could affect the amount of liability that has been previously accrued, and makes adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount. The Company may be unable to estimate a possible loss or range of possible loss due to various reasons, including, among others: (i) if the damages sought are indeterminate, (ii) if the proceedings are in early stages, (iii) if there is uncertainty as to the outcome of pending appeals, motions or settlements, (iv) if there are significant factual issues to be determined or resolved, and (v) if there are novel or unsettled legal theories presented. In such instances, there is considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any. At both March 31, 2015 and December 31, 2014, the Company had reserves totaling \$5.4 million for estimated losses related to certain legal matters. With respect to other legal matters, the Company has determined, based on its current knowledge, that the amount of possible loss or range of loss, including any reasonably possible losses in excess of amounts already accrued, is not reasonably estimable. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company's control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect the Company's business, financial condition, results of operations, or cash flows.

16. SUPPLEMENTAL CASH FLOW INFORMATION

The following table sets forth supplemental cash flow disclosures (in thousands):

	Quarter Ended March 31,	
	2015	2014
Cash paid for interest	\$ 2,156	\$ 1,204
Cash paid for income taxes, net	\$ 1,849	\$ 1,533

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a premier floral and gifting company with a vision to be the leading and most trusted floral and gifting company in the world. Our mission is to inspire, support, and delight our customers when expressing life's most important sentiments. We provide floral, specialty foods, gift and related products and services to consumers, retail florists, and other retail locations and companies in need of floral and gifting solutions. Our business uses the highly-recognized FTD®, Interflora® (both supported by the iconic Mercury Man logo), ProFlowers®, Shari's Berries®, and Personal Creations® brands. While we operate primarily in the United States ("U.S."), Canada, the United Kingdom ("U.K."), and the Republic of Ireland, we have worldwide presence as our Mercury Man logo is displayed in nearly 40,000 floral shops in approximately 150 countries. Our portfolio of brands also includes Flying Flowers, Flowers Direct, and Drake Algar in the U.K., and Cherry Moon Farms®, Gifts.com™, and Sincerely™ in the U.S. While floral arrangements and plants are our primary offerings, we also market and sell gift items, including gourmet-dipped berries, chocolate dip delights™ and other sweets, personalized gifts, premium fresh fruits, gift baskets, wine and champagne, jewelry and spa products.

Acquisition of Provide Commerce

On December 31, 2014, we acquired from a wholly-owned subsidiary of Liberty Interactive Corporation ("Liberty") all of the issued and outstanding shares of common stock of Provide Commerce, Inc., an indirect wholly-owned subsidiary of Liberty ("Provide Commerce"), for a purchase price consisting of (i) cash consideration of \$106.6 million, excluding acquired cash on hand of \$38.1 million and a post-closing working capital adjustment of \$9.9 million, and (ii) 10,203,010 shares of FTD common stock, representing approximately 35% of the issued and outstanding shares of FTD common stock (the "Acquisition"). In April 2015, FTD made a payment to Liberty in full satisfaction of the post-closing working capital adjustment. Upon the closing of the Acquisition, Provide Commerce became an indirect wholly-owned subsidiary of FTD.

Concurrent with the closing of the Acquisition, FTD and Liberty entered into the Investor Rights Agreement, which governs certain rights of and restrictions on Liberty in connection with the shares of FTD common stock that were issued to Liberty as a result of the Acquisition.

Reportable Segments

Prior to the Acquisition, we reported our business operations in three operating and reportable segments: Consumer, Florist and International. As a result of the Acquisition, which was completed on December 31, 2014, we began reporting our business in four operating and reportable segments: Consumer, Florist, International, and Provide Commerce.

Through our Consumer segment, we are a leading direct marketer of floral and gift products for consumers, primarily in the U.S. and Canada. Our Consumer segment operates primarily through the *www.ftd.com* website, associated mobile sites, and the 1-800-SEND-FTD telephone number. Through our Florist segment, we are a leading provider of products and services to our floral network members, which include traditional retail florists and other non-florist retail locations, primarily in the U.S. and Canada. We also provide products and services to other companies in need of floral and gifting solutions. Our International segment consists of Interflora, which operates primarily in the U.K. and the Republic of Ireland. Interflora is a leading direct marketer of floral and gift products for consumers and operates primarily through its *www.interflora.co.uk* and *www.interflora.ie* websites, associated mobile sites, and various telephone numbers. Interflora also provides products and services to floral network members, funeral directors, independent gift shops, other retailers, and to other companies in need of floral and gifting solutions. Through our Provide Commerce segment, we are a leading direct marketer

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of floral and gift products for consumers, including specialty foods, personalized gifts, and other gifting products, primarily in the U.S. We operate primarily through our [www.proflowers.com](#), [www.berries.com](#), [www.personalcreations.com](#), [www.cherrymoonfarms.com](#), [www.proplants.com](#), and [www.gifts.com](#) websites, associated mobile sites, mobile applications and various telephone numbers.

Items Affecting Comparability of Financial Results

As the Acquisition was completed on December 31, 2014, the Company's condensed consolidated statement of operations for the quarter ended March 31, 2014 did not include the operations of the Provide Commerce segment. The financial information provided related to Provide Commerce for the quarter ended March 31, 2014 is provided for informational purposes only and is unaudited. These unaudited pre-acquisition results of operations of Provide Commerce do not purport to be indicative of the results of future operations of the Provide Commerce segment or the results that would have actually been attained had the Acquisition been completed on or prior to January 1, 2014.

KEY BUSINESS METRICS

We review a number of key business metrics to help us monitor our performance and trends affecting our segments, and to develop forecasts and budgets. These key metrics include the following:

Segment operating income. Our chief operating decision maker uses segment operating income to evaluate the performance of our business segments and to make decisions about allocating resources among segments. Segment operating income is operating income excluding depreciation, amortization, litigation and dispute settlement charges or gains, transaction and integration-related costs, and restructuring and other exit costs. Stock-based compensation and general corporate expenses are not allocated to the segments. Segment operating income is prior to intersegment eliminations and excludes other income (expense). See Note 3—"Segment Information" of the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q for a reconciliation of segment operating income to consolidated operating income and consolidated income before income taxes.

Consumer orders. We monitor the number of consumer orders for floral, gift and related products during a given period. Consumer orders are orders delivered during the period that originated in the U.S. and Canada, primarily from the [www.ftd.com](#), [www.proflowers.com](#), [www.berries.com](#), [www.personalcreations.com](#), and [www.gifts.com](#) websites, associated mobile sites, and mobile applications, the 1-800-SEND-FTD telephone number and various other telephone numbers; and in the U.K. and the Republic of Ireland, primarily through the [www.interflora.co.uk](#) and [www.interflora.ie](#) websites, associated mobile sites, and various telephone numbers. The number of consumer orders is not adjusted for non-delivered orders that are refunded on or after the scheduled delivery date. Orders originating with a florist or other retail location for delivery to consumers are not included as part of this number.

Average order value. We monitor the average value for consumer orders delivered in a given period, which we refer to as the average order value. Average order value represents the average amount received for consumer orders delivered during a period. The average order value of consumer orders within our Consumer, International, and Provide Commerce segments is tracked in their local currency, the U.S. Dollar for both the Consumer and Provide Commerce segments and the British Pound ("GBP") for the International segment. The local currency amounts received for the International segment are then translated into U.S. dollars at the average currency exchange rate for the period. Average order value includes merchandise revenues and shipping or service fees paid by the consumer, less discounts and refunds (net of refund-related fees charged to floral network members).

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Average revenues per member. We monitor average revenues per member for our floral network members in the Florist segment. Average revenues per member represents the average revenues earned from a member of our floral network during a period. Revenues include services revenues and products revenues, but exclude revenues from sales to non-members. Floral network members include our retail florists and other non-florist retail locations who offer floral and gifting solutions. Average revenues per member is calculated by dividing Florist segment revenues for the period, excluding sales to non-members, by the average number of floral network members for the period.

The table below sets forth, for the periods presented, our consolidated revenues, segment revenues, segment operating income, consumer orders, average order values, average revenues per member, and average currency exchange rates. The results of operations for Provide Commerce for the quarter ended March 31, 2014 are set forth below and were derived from the unaudited pre-Acquisition results of operations of Provide Commerce. These unaudited pre-Acquisition results of operations of Provide Commerce have been included herein for informational purposes only and do not purport to be indicative of the results of future operations of the Provide Commerce segment or the results that would have actually been attained had the Acquisition been completed on or prior to January 1, 2014.

	Quarter Ended March 31,		Change	
	2015	2014	\$	%
(in thousands, except for average order values, average revenues per member, and average currency exchange rates)				
Consolidated:				
Consolidated revenues	\$ 367,781	\$ 189,853	\$ 177,928	94%
Consumer:				
Segment revenues ^(a)	\$ 88,070	\$ 87,616	\$ 454	1%
Segment operating income	\$ 7,470	\$ 8,090	\$ (620)	(8)%
Consumer orders	1,168	1,199	(31)	(3)%
Average order value	\$ 71.39	\$ 69.08	\$ 2.31	3%
Florist:				
Segment revenues ^(a)	\$ 46,004	\$ 46,110	\$ (106)	—%
Segment operating income	\$ 14,147	\$ 13,168	\$ 979	7%
Average revenues per member	\$ 3,619	\$ 3,377	\$ 242	7%
International:				
Segment revenues	\$ 55,256	\$ 60,997	\$ (5,741)	(9)%
Segment operating income	\$ 7,977	\$ 8,034	\$ (57)	(1)%
Consumer orders	887	921	(34)	(4)%
Average order value (in GBP)	£ 33.77	£ 33.47	£ 0.30	1%
Average order value (in USD)	\$ 51.08	\$ 55.47	\$ (4.39)	(8)%
Average currency exchange rate: GBP to USD	1.51	1.66		
Provide Commerce:				
Segment revenues	\$ 183,236	\$ 192,055	\$ (8,819)	(5)%
Segment operating income	\$ 8,912	\$ 10,445	\$ (1,533)	(15)%
Consumer orders	3,579	3,804	(225)	(6)%
Average order value	\$ 50.77	\$ 50.07	\$ 0.70	1%

- (a) Segment revenues are prior to intersegment eliminations. See Note 3—"Segment Information" of the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q for a reconciliation of segment revenues to consolidated revenues.

CONSOLIDATED OPERATING RESULTS

The following table sets forth selected historical consolidated financial data. The information contained in the table below should be read in conjunction with "Liquidity and Capital Resources," included in this Item 2, and the condensed consolidated financial statements and accompanying notes thereto included in Part I, Item 1 of this Form 10-Q.

	<u>Quarter Ended March 31,</u>		<u>Change</u>	
	<u>2015</u>	<u>2014</u>	<u>\$</u>	<u>%</u>
	(in thousands, except percentages and per share amounts)			
Revenues	\$ 367,781	\$ 189,853	\$ 177,928	94%
Operating expenses:				
Cost of revenues	236,425	123,489	112,936	91%
Sales and marketing	76,412	30,528	45,884	150%
General and administrative	33,135	15,898	17,237	108%
Amortization of intangible assets	15,401	4,412	10,989	249%
Restructuring and other exit costs	2,168	—	2,168	—
Total operating expenses	<u>363,541</u>	<u>174,327</u>	<u>189,214</u>	<u>109%</u>
Operating income	4,240	15,526	(11,286)	(73)%
Interest expense, net	(2,308)	(1,238)	(1,070)	(86)%
Other (expense) income, net	(11)	386	(397)	(103)%
Income before income taxes	1,921	14,674	(12,753)	(87)%
(Benefit) provision for income taxes	(113)	5,054	(5,167)	(102)%
Net income	<u>\$ 2,034</u>	<u>\$ 9,620</u>	<u>\$ (7,586)</u>	<u>(79)%</u>
Earnings per common share:				
Basic	<u>\$ 0.07</u>	<u>\$ 0.50</u>	<u>\$ (0.43)</u>	<u>(86)%</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.50</u>	<u>\$ (0.43)</u>	<u>(86)%</u>

Consolidated Revenues

Consolidated revenues increased \$177.9 million for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. Foreign currency exchange rates unfavorably impacted revenues by \$5.3 million during the quarter ended March 31, 2015. The increase in consolidated revenues was primarily due to \$183.2 million of revenues associated with our Provide Commerce segment, a \$0.5 million increase in revenues from our Consumer segment, partially offset by a \$5.7 million decrease (\$0.4 million in constant currency) in revenues from our International segment, and a \$0.1 million decrease in revenues from our Florist segment. The quarters ended March 31, 2015 and 2014 included the Valentine's Day and the U.K. Mother's Day holidays. Consolidated revenues were negatively impacted during the quarter ended March 31, 2015 as a result of the Saturday timing of the Valentine's Day holiday.

Consolidated Cost of Revenues

Consolidated cost of revenues increased \$112.9 million for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. Foreign currency exchange rates had a \$3.7 million favorable impact on cost of revenues for the quarter ended March 31, 2015. The increase in consolidated cost of revenues was primarily due to \$118.0 million of cost of revenues associated with our Provide Commerce segment, partially offset by a \$4.2 million decrease (\$0.5 million in constant currency) in cost of revenues associated with our International segment, a \$1.0 million decrease in cost

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of revenues associated with our Florist segment, and a \$0.8 million decrease in cost of revenues associated with our Consumer segment. In addition depreciation expense increased \$0.9 million for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. Consolidated cost of revenues, as a percentage of consolidated revenues, was 64% for the quarter ended March 31, 2015, compared to 65% for the quarter ended March 31, 2014.

Consolidated Sales and Marketing

Consolidated sales and marketing expenses increased \$45.9 million during the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. Foreign currency exchange rates had a \$0.5 million favorable impact on sales and marketing expenses for the quarter ended March 31, 2015. The increase in consolidated sales and marketing expenses was primarily due to \$45.3 million of sales and marketing expenses associated with our Provide Commerce segment, a \$1.9 million increase in sales and marketing expenses associated with our Consumer segment, partially offset by a \$1.3 million decrease (\$0.8 million in constant currency) in sales and marketing expenses associated with our International segment. Consolidated sales and marketing expenses, as a percentage of consolidated revenues, was 21% for the quarter ended March 31, 2015, compared to 16% for the quarter ended March 31, 2014.

Consolidated General and Administrative

Consolidated general and administrative expenses increased \$17.2 million for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. The increase in consolidated general and administrative expenses was primarily due to \$11.0 million of general and administrative expenses associated with our Provide Commerce segment. In addition, during the quarter ended March 31, 2015, consolidated general and administrative expenses included \$4.1 million of transaction and integration-related costs associated with the acquisition of Provide Commerce. Further, depreciation expense increased \$1.9 million primarily due to assets acquired in the Acquisition. Consolidated general and administrative expenses, as a percentage of consolidated revenues, was 9% for the quarter ended March 31, 2015, compared to 8% for the quarter ended March 31, 2014.

Amortization of Intangible Assets

The increase of \$11.0 million in consolidated amortization of intangible assets for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014, was due to the addition of intangible assets acquired in the Acquisition.

Restructuring and Other Exit Costs

During the quarter ended March 31, 2015, the Company incurred restructuring and other exit costs of \$2.2 million primarily related to severance, lease termination costs related to the shutdown of certain of the Provide Commerce developing businesses, as well as other headcount reductions related to the integration of the Provide Commerce and legacy FTD businesses.

Interest Expense, Net

Net interest expense increased \$1.1 million for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014, due to higher debt principal balances outstanding and higher interest rates on our variable rate borrowings that are associated with our increased net leverage ratio, all of which are associated with the incremental borrowing for the Acquisition.

Provision for Income Taxes

During the quarter ended March 31, 2015, we recorded a tax benefit of \$0.1 million on pre-tax income of \$1.9 million, compared to a tax provision of \$5.1 million on pre-tax income of \$14.7 million for the quarter ended March 31, 2014. The effective tax rate decreased primarily due to a decrease in income earned in a higher rate jurisdiction as well as a reduction in the statutory tax rate in a foreign jurisdiction.

BUSINESS SEGMENT OPERATING RESULTS

Prior to the Acquisition, the Company reported its business operations in three operating and reportable segments: Consumer, Florist and International. As a result of the Acquisition, the Company began reporting its business in four operating and reportable segments: Consumer, Florist, International, and Provide Commerce. Segment operating income is operating income excluding depreciation, amortization, litigation and dispute settlement charges or gains, transaction and integration-related costs, and restructuring and other exit costs. Stock-based compensation and general corporate expenses are not allocated to the segments. Segment operating income is prior to intersegment eliminations and excludes other income (expense).

CONSUMER SEGMENT

	Quarter Ended March 31,		Change	
	2015	2014	\$	%
	(in thousands, except percentages and average order values)			
Segment revenues	\$ 88,070	\$ 87,616	\$ 454	1%
Segment operating income	\$ 7,470	\$ 8,090	\$ (620)	(8)%
Key metrics and other financial data:				
Consumer orders	1,168	1,199	(31)	(3)%
Average order value	\$ 71.39	\$ 69.08	\$ 2.31	3%
Segment operating margin	8%	9%		

Consumer Segment Revenues

Consumer segment revenues increased \$0.5 million, or 1%, for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014, primarily driven by a 3% increase in average order value associated with our sympathy business and consumers upgrading to higher price point offerings, partially offset by a 3% decrease in consumer order volume. Consumer order volume was negatively impacted by the Saturday timing of the Valentine's Day holiday, offset in part by growth in order volume outside of the holiday period.

Consumer Segment Operating Income

Consumer segment operating income decreased \$0.6 million, or 8%, for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014, as revenue increased \$0.5 million while operating expenses increased by \$1.1 million. Cost of revenues decreased \$0.8 million primarily driven by a decrease in product and shipping costs associated with the lower order volume and other cost favorability. Sales and marketing expenses increased \$1.9 million primarily due to increased spending on online search and certain partner programs. As a result, consumer segment operating margin declined to 8% for the quarter ended March 31, 2015, compared to 9% for the quarter ended March 31, 2014.

FLORIST SEGMENT

	Quarter Ended March 31,		Change	
	2015	2014	\$	%
	(in thousands, except percentages and average revenues per member)			
Segment revenues	\$ 46,004	\$ 46,110	\$ (106)	—%
Segment operating income	\$ 14,147	\$ 13,168	\$ 979	7%
Key metrics and other financial data:				
Average revenues per member	\$ 3,619	\$ 3,377	\$ 242	7%
Segment operating margin	31%	29%		

Florist Segment Revenues

Florist segment revenues decreased \$0.1 million for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. Services revenues decreased \$0.2 million due to a \$0.7 million decrease in subscription and other services revenues, partially offset by a \$0.5 million increase in order-related revenues. In addition, product revenues increased \$0.1 million primarily due to an increase in sales of fresh flowers. Average revenues per member increased 7% to \$3,619 for the quarter ended March 31, 2015, compared to \$3,377 for the quarter ended March 31, 2014.

Florist Segment Operating Income

Florist segment operating income increased \$1.0 million, or 7%, for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014, primarily due to a \$1.1 million decrease in operating expenses. Cost of revenues decreased \$1.0 million, primarily due to an improvement in product margins associated with our wholesale products. Sales and marketing expenses were relatively flat for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014, as an increase of \$0.5 million in marketing expenditures related to floral network orders was offset by reductions in other sales and marketing expenses and personnel-related costs. The Florist segment operating margin increased to 31% for the quarter ended March 31, 2015, compared to 29% in the quarter ended March 31, 2014.

INTERNATIONAL SEGMENT

	Quarter Ended March 31,		Change	
	2015	2014	\$	%
	(in thousands, except percentages and average order values)			
Segment revenues	\$ 55,256	\$ 60,997	\$ (5,741)	(9)%
Segment operating income	\$ 7,977	\$ 8,034	\$ (57)	(1)%
Key metrics and other financial data:				
Consumer orders	887	921	(34)	(4)%
Average order value (in GBP)	£ 33.77	£ 33.47	£ 0.30	1%
Average order value (in USD)	\$ 51.08	\$ 55.47	\$ (4.39)	(8)%
Segment operating margin	14%	13%		
Average currency exchange rate: GBP to USD	1.51	1.65		

We present certain results from our International segment on a constant currency basis. Such constant currency information compares results between periods as if foreign currency exchange rates had remained constant period-over-period. We calculate constant currency by applying the foreign currency exchange rate for the prior period to the local currency results for the current period.

International Segment Revenues

International segment revenues decreased \$5.7 million, or 9% (\$0.4 million, or 1%, in constant currency), for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. The decrease in revenues was due to a decrease in consumer order volume of 4% primarily related to declines in the Valentine's Day and U.K. Mother's Day holiday periods, offset in part by growth in order volume outside of the holiday period. Excluding the unfavorable impact of foreign currency exchange rates, average order value increased 1% for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014.

International Segment Operating Income

International segment operating income decreased \$0.1 million, or 1% (increased \$0.7 million, or 9%, in constant currency), for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. Revenue decreases of \$5.7 million (\$0.4 million in constant currency) were offset by a decrease in operating expenses of \$5.6 million (\$1.1 million in constant currency). Cost of revenues decreased \$4.2 million (\$0.5 million in constant currency) primarily driven by decreased product costs related to the decrease in order revenues. Sales and marketing expenses decreased \$1.3 million (\$0.8 million in constant currency) related to lower consumer order volume, reduced brand advertising, and closure of the concession stands, partially offset by investments related to improving customer service metrics. International segment operating margin increased to 14% for the quarter ended March 31, 2015, compared to 13% for the quarter ended March 31, 2014.

PROVIDE COMMERCE SEGMENT

The results of operations for Provide Commerce for the quarter ended March 31, 2014 are set forth below and were derived from the unaudited pre-Acquisition results of operations of Provide Commerce. These unaudited pre-Acquisition results of operations of Provide Commerce have been included herein for informational purposes only and do not purport to be indicative of the results of future operations of the Provide Commerce segment or the results that would have actually been attained had the Acquisition been completed on or prior to January 1, 2014.

	Quarter Ended March 31,		Change	
	2015	2014 (Pre-Acquisition)	\$	%
	(in thousands, except percentages and average order values)			
Segment revenues	\$ 183,236	\$ 192,055	\$ (8,819)	(5)%
Segment operating income	\$ 8,912	\$ 10,445	\$ (1,533)	(15)%
Key metrics and other financial data:				
Consumer orders	3,579	3,804	(225)	(6)%
Average order value	\$ 50.77	\$ 50.07	\$ 0.70	1%
Segment operating margin	5%	5%		

Provide Commerce Segment Revenues

Provide Commerce segment revenues decreased \$8.8 million, or 5%, for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014, primarily driven by a 6% decrease in consumer order volume partially offset by a 1% increase in average order value. Revenue declines in the ProFlowers business were only partially offset by growth in the Gourmet Foods and Personal Creations businesses.

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Provide Commerce Segment Operating Income

Provide Commerce segment operating income decreased \$1.5 million, or 15%, for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014, as the revenue decrease of \$8.8 million was partially offset by a \$7.3 million decrease in operating expenses. The decrease in operating expenses was due primarily to reductions in product and shipping costs associated with the lower order volume, as well as reduced marketing expenditures, during the quarter ended March 31, 2015. Despite these reductions, the Company incurred costs associated with excess product and inefficient marketing programs for Valentine's Day that were committed to prior to the Acquisition date. Provide Commerce segment operating margin remained consistent at 5% for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014.

UNALLOCATED EXPENSES

	Quarter Ended March 31,		Change	
	2015	2014	\$	%
	(in thousands, except percentages)			
Unallocated expenses	\$ 13,511	\$ 6,839	\$ 6,672	98%

Unallocated expenses include various corporate costs, such as corporate finance, legal, and human resources costs. In addition, unallocated expenses include stock-based compensation for all eligible Company employees, restructuring and other exit costs, transaction and integration-related costs, and litigation and dispute settlement charges or gains.

Unallocated expenses increased \$6.7 million for the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014. During the quarter ended March 31, 2015, we incurred \$4.2 million of transaction and integration-related costs and \$2.2 million of restructuring and other exit costs associated with the Acquisition. Personnel-related costs increased \$0.8 million, primarily due to increased headcount, stock-based compensation, and other compensation costs. Costs related to insurance and other professional services fees increased \$0.4 million. Partially offsetting these increases was a decrease in litigation and dispute settlement charges of \$0.7 million in the quarter ended March 31, 2015, compared to the quarter ended March 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

2013 Credit Agreement

On July 17, 2013, FTD Companies, Inc. entered into a credit agreement (the "2013 Credit Agreement") with Interflora British Unit, certain wholly-owned domestic subsidiaries of FTD Companies, Inc. party thereto as guarantors, the financial institutions party thereto from time to time, Bank of America Merrill Lynch and Wells Fargo Securities, LLC, as joint lead arrangers and book managers, and Bank of America, N.A., as the administrative agent for the lenders, which provided for a \$350 million five-year revolving credit facility. On July 17, 2013, FTD Companies, Inc. drew \$220 million of the \$350 million revolving credit facility and used this, together with approximately \$19 million of its existing cash balance, to repay amounts outstanding under its previous credit facility in full and to pay fees and expenses related to the 2013 Credit Agreement.

On September 19, 2014, the Company entered into an amendment to the 2013 credit agreement (the "Amended and Restated Credit Agreement"). Among other things, the Amended and Restated Credit Agreement provided for a term loan in an aggregate principal amount of \$200 million, the proceeds of which were used to repay a portion of outstanding revolving loans under the Amended and Restated Credit Agreement, and also provided for a revolving loan advance (the "Acquisition Advance") to finance the cash portion of the Acquisition purchase price. On December 31, 2014, we

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borrowed \$120 million under the Acquisition Advance to fund the cash portion of the Acquisition purchase price.

The obligations under the Amended and Restated Credit Agreement are guaranteed by certain of FTD Companies, Inc.'s wholly-owned domestic subsidiaries (together with FTD Companies, Inc., the "U.S. Loan Parties"). In addition, the obligations under the Amended and Restated Credit Agreement are secured by a lien on substantially all of the assets of the U.S. Loan Parties, including a pledge of all of the outstanding capital stock of certain direct subsidiaries of the U.S. Loan Parties (except with respect to foreign subsidiaries and certain domestic subsidiaries whose assets consist primarily of foreign subsidiary equity interests, in which case such pledge is limited to 66% of the outstanding capital stock).

The interest rates applicable to borrowings under the Amended and Restated Credit Agreement are based on either LIBOR plus a margin ranging from 1.50% per annum to 2.50% per annum, or a base rate plus a margin ranging from 0.50% per annum to 1.50% per annum, calculated according to the Company's net leverage ratio. In addition, the Company pays a commitment fee ranging from 0.20% per annum to 0.40% per annum on the unused portion of the revolving credit facility. The interest rates (based on LIBOR) at March 31, 2015 under the term loan and the revolving credit facility were 2.28% and 2.18%, respectively. The commitment fee rate at March 31, 2015 was 0.30%. The Amended and Restated Credit Agreement contains customary representations and warranties, events of default, affirmative covenants, and negative covenants, that, among other things, require the Company to maintain compliance with a maximum net leverage ratio and a minimum consolidated fixed charge coverage ratio, and impose restrictions and limitations on, among other things, investments, dividends, share repurchases, and asset sales, and the Company's ability to incur additional debt and additional liens. The Company was in compliance with all covenants under the Amended and Restated Credit Agreement at March 31, 2015.

The term loan is subject to amortization payments of \$5 million per quarter and customary mandatory prepayments under certain conditions. During the quarter ended March 31, 2015, the Company paid down \$20 million of the amounts outstanding under the revolving credit facility. The outstanding balance of the term loan and all amounts outstanding under the revolving credit facility are due upon maturity in September 2019.

The degree to which our assets are leveraged and the terms of our debt could materially and adversely affect our ability to obtain additional capital, as well as the terms at which such capital might be offered to us. We currently expect to have sufficient liquidity to meet our obligations for at least the next twelve months, including interest payment obligations, quarterly amortization payments and mandatory prepayments, if any, under the Amended and Restated Credit Agreement.

Quarter Ended March 31, 2015 compared to Quarter Ended March 31, 2014

Our total cash and cash equivalents balance decreased by \$19.2 million to \$76.4 million at March 31, 2015, compared to \$95.6 million at December 31, 2014. Our summary cash flows for the periods presented were as follows (in thousands):

	Quarter Ended	
	March 31,	
	2015	2014
Net cash provided by operating activities	\$ 21,941	\$ 15,515
Net cash used for investing activities	\$ (3,602)	\$ (1,498)
Net cash used for financing activities	\$ (36,615)	\$ (840)

Net cash provided by operating activities increased by \$6.4 million. Net cash provided by operating activities is driven by our net income adjusted for non-cash items including, but not limited to,

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depreciation and amortization, deferred taxes, stock-based compensation, and changes in working capital. The increase in net cash provided by operating activities was due to an increase of \$11.2 million in non-cash items and a \$2.8 million favorable change in operating assets and liabilities, partially offset by a decrease of \$7.6 million in net income. Changes in working capital can cause variation in our cash flows provided by operating activities due to seasonality, timing, and other factors.

Net cash used for investing activities increased by \$2.1 million due to an increase in purchases of property and equipment. We currently anticipate that our total capital expenditures for 2015 will be approximately \$25 million. The actual amount of future capital expenditures may fluctuate due to a number of factors, including, without limitation, potential future acquisitions and new business initiatives, which are difficult to predict and which could change significantly over time. Additionally, technological advances may require us to make capital expenditures to develop or acquire new equipment or technology in order to replace aging or technologically obsolete equipment.

Net cash used for financing activities increased by \$35.8 million. The increase in net cash used for financing activities was primarily due to the repayment of \$25.0 million of outstanding amounts under the Amended and Restated Credit Agreement during the quarter ended March 31, 2015. In addition, we paid \$10.0 million to repurchase 331,084 shares of our common stock under the Repurchase Program, as described below, and we also paid \$2.0 million related to withholding taxes on vested restricted stock units, during the quarter ended March 31, 2015. During the quarter ended March 31, 2014, we paid \$1.2 million related to withholding taxes on vested restricted stock units. We withhold shares to cover withholding taxes on vested restricted stock units and pay these taxes in cash.

We currently expect to continue to generate positive cash flows from operations at least for the next twelve months. We may use our existing cash balances and future cash generated from operations to fund, among other things, working capital, stock repurchases, interest payment obligations, quarterly amortization payments and mandatory prepayments, if any, under the Amended and Restated Credit Agreement, capital expenditures, and acquisitions.

If we need to raise additional capital through public or private debt or equity financings, strategic relationships, or other arrangements, this capital might not be available to us in a timely manner, on acceptable terms, or at all. Our failure to raise sufficient capital when needed could severely constrain or prevent us from, among other factors, developing new or enhancing existing services or products, acquiring other services, businesses, or technologies, or funding significant capital expenditures and may have a material adverse effect on our business, financial position, results of operations, and cash flows, as well as impair our ability to service our debt obligations. If additional funds were raised through the issuance of equity or convertible debt securities, the percentage of stock owned by the then-current stockholders could be reduced. Furthermore, such equity or any debt securities that we issue might have rights, preferences, or privileges senior to holders of our common stock. In addition, trends in the securities and credit markets may restrict our ability to raise any such additional funds, at least in the near term.

On February 27, 2014, our board of directors authorized a common stock repurchase program (the "Repurchase Program") that allows us to repurchase up to \$50 million of FTD common stock from time to time over a two-year period in both open market and privately negotiated transactions. No purchases were made under the Repurchase Program prior to 2015. As of March 31, 2015, the Company has repurchased 331,084 shares under the Repurchase Program at an average cost per share of \$30.20. In addition, during April 2015, the Company repurchased an additional 341,958 shares under the Repurchase Program at average cost per share of \$29.24.

Contractual Obligations and Other Commitments

There have been no material changes, outside the ordinary course of business, related to the Company's contractual obligations or other commitments as disclosed in Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Off-Balance Sheet Arrangements

At March 31, 2015, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC, that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures, or capital resources.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, as codified in FASB Accounting Standards Codification ("ASC") 740. The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU were effective for the Company beginning January 1, 2015. The amendments were applied prospectively to all unrecognized tax benefits that existed at the effective date. This update did not have a material impact on our consolidated financial statements.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The amendments in this ASU affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The amendments in this ASU require an entity to recognize revenue related to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Tentatively, the amendments in this ASU will be effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2017. Adoption is permitted for fiscal years and interim periods beginning after December 15, 2016. We are currently assessing the impact of this update on our consolidated financial statements.

In January 2015, FASB issued ASU No. 2015-01, *Income Statement—Extraordinary and Unusual Items*, which eliminates the concept of extraordinary items from GAAP. The amendments in this ASU eliminate the requirement that an entity separately classify, present, and disclose extraordinary events and transactions. The amendments in this ASU will be effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2015. The amendments should be applied prospectively and retrospective application is permitted. We do not expect this update to have a material impact on our consolidated financial statements.

In April 2015, FASB issued ASU No. 2015-03, *Interest—Imputation of Interest*, which simplifies the presentation of debt issuance costs, by requiring debt issuance costs related to a debt liability to be

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presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The amendments in this ASU will be effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2015. The amendments should be applied on a retrospective basis. We expect that this update will reduce both other assets and the outstanding debt balance by approximately \$6 million as of March 31, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes related to the Company's market risk as disclosed in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As permitted by interpretive guidance issued by the Securities and Exchange Commission ("SEC") staff, companies are allowed to exclude acquired businesses from their assessment of internal control over financial reporting during the first year after completion of an acquisition while integrating the acquired company. Accordingly, as Provide Commerce was acquired by the Company on December 31, 2014, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2014 excluded Provide Commerce. Management's evaluation and conclusion as to the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report excludes any evaluation of the internal controls of Provide Commerce. Provide Commerce's assets and revenues represented approximately 52% and approximately 50% of the Company's consolidated total assets and consolidated total revenues, respectively, as of and for the three months ended March 31, 2015.

Changes in internal controls

As the Company completed the acquisition of Provide Commerce on December 31, 2014, the Company is currently evaluating the internal controls of Provide Commerce and the impact of Provide Commerce on the Company's internal control over financial reporting. Except as described in this Item 4, during the Company's most recent quarter, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Since the Company excluded Provide Commerce from its assessment of internal control over financial reporting as of December 31, 2014, such assessment did not include the material weaknesses identified by Provide Commerce's external auditor related to the audit of the December 31, 2013

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Provide Commerce financial statements. The following deficiencies were considered to be material weaknesses in Provide Commerce's internal controls in connection with that audit:

- Provide Commerce's accounting department does not include an individual who serves as the resident expert in technical GAAP matters.
- Provide Commerce's accounting department is not staffed with a sufficient number of qualified accounting resources to allow for independent reviews of accounting schedules in order to address all relevant key risk points in the underlying accounting analysis.
- Provide Commerce's general information technology ("IT") controls ("GITCs") are ineffective, in large part, because access to Provide Commerce's various IT systems are not properly restricted to appropriate personnel, including administrative access rights. Further, controls are not in place to assess the completeness and accuracy of system reports given the lack of effective GITCs.

The Company is assessing plans to improve the competency and staffing of the accounting department of the Provide Commerce segment as well as the general information technology controls for this segment. The Company will include Provide Commerce in its evaluation of internal control over financial reporting that will be included in its Annual Report on Form 10-K for the year ending December 31, 2015.

PART II—OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

For a description of our material pending legal proceedings, please refer to Note 15—"Contingencies—Legal Matters" of the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information regarding repurchases of our common stock during the quarter ended March 31, 2015:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^(a)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs ^(b)
January 1 - January 31	—	\$ —	—	—
February 1 - February 28	—	—	—	—
March 1 - March 31	331,084	30.20	331,084	1,324,504
Total	331,084	\$ 30.20	331,084	1,324,504

(a) On February 27, 2014, the Company's board of directors authorized the Repurchase Program, a common stock repurchase program that allows FTD Companies, Inc. to repurchase up to \$50 million of its common stock from time to time over a two-year period in both open market and privately negotiated transactions. No purchases were made under the Repurchase Program prior to 2015.

(b) Maximum number of shares based on average price per share (which includes commission).

ITEM 6. EXHIBITS

See the Exhibit Index following the signature page to this Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

EXHIBIT INDEX

<u>No.</u>	<u>Exhibit Description</u>	<u>Filed with this Form 10-Q</u>	<u>Incorporated by Reference to</u>		
			<u>Form</u>	<u>File No.</u>	<u>Date Filed</u>
10.1	FTD Companies, Inc. 2015 Management Bonus Plan	X			
10.2	Amendment to Service Agreement between Liberty Interactive Corporation and Provide Commerce, Inc.	X			
10.3	Purchase and Sale Agreement dated as of April 30, 2015 by and between Provide Creations, Inc. and Provide Gifts, Inc.	X			
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	X			
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	X			
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002	X			
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema Document	X			
101.CAL	XBRL Taxonomy Calculation Linkbase Document	X			
101.LAB	XBRL Taxonomy Label Linkbase Document	X			
101.PRE	XBRL Taxonomy Presentation Linkbase Document	X			
101.DEF	XBRL Taxonomy Extension Definition Document	X			

**FTD COMPANIES, INC.
2015 MANAGEMENT BONUS PLAN**

I. PURPOSES OF THE PLAN

1.01 The FTD Companies, Inc. (the “*Company*”) 2015 Management Bonus Plan (the “*Plan*”) is hereby established under the Incentive Bonus Program of the Company’s stockholder-approved Amended and Restated 2013 Incentive Compensation Plan (the “*2013 ICP*”) and is intended to promote the interests of the Company by creating an incentive program to (i) attract and retain employees who will strive for excellence and (ii) motivate those individuals to achieve above-average objectives by providing them with rewards for contributions to the financial performance of one or more business segments or business units of the Company.

1.02 For purposes of the Plan, the financial performance for the 2015 fiscal year of the Company shall be measured to determine the bonus amounts (if any) payable for such fiscal year to the participants in the Plan.

II. ADMINISTRATION OF THE PLAN

2.01 The Plan is hereby adopted by the Compensation Committee of the Company’s Board of Directors (the “*Committee*”) as a special cash bonus program under the Incentive Bonus Program of the 2013 ICP and shall be administered by the Committee pursuant to the administrative authority provided the Committee under the 2013 ICP and the Incentive Bonus Program thereunder.

2.02 The bonuses that may be earned under the Plan shall be tied to the financial performance of the Company for the Company’s 2015 fiscal year ending December 31, 2015 (the “*2015 Fiscal Year*”). The Committee shall establish the applicable performance goals for the Company in writing not later than ninety (90) days after the commencement of the 2015 Fiscal Year, provided that the outcome of the applicable goals must be substantially uncertain at the time of their establishment (the “*Performance Goals Schedule*”). The Performance Goals Schedule shall be attached to the minutes of the meeting or the consent resolutions at or by which such performance goals were established.

2.03 The interpretation and construction of the Plan and the adoption of rules and regulations for administering the Plan shall be made by the Committee in its sole discretion. Decisions of the Committee shall be final and binding on all parties who have an interest in the Plan.

III. DETERMINATION OF PARTICIPANTS

3.01 The following individuals (each, a “*Participant*”) will participate in the Plan on the following basis:

(i) The bonus potential for Robert S. Apatoff shall be allocated one hundred percent (100%) to the consolidated financial results of the Company.

(ii) The bonus potential for the individuals set forth on Schedule I attached hereto shall be allocated to the financial results of the Company and to achievement of such person's approved divisional or departmental goals for the 2015 Fiscal Year as set forth on such Schedule I next to the name of each person. The Company's CEO shall approve all divisional or departmental goals.

3.02 Except as provided below and except as otherwise provided in any employment agreement or severance agreement between the Company (or a subsidiary thereof) and a Participant, if a Participant does not continue in the employ of the Company or one of its subsidiaries through the last business day of the 2015 Fiscal Year (the "**Bonus Qualification Date**"), then such Participant will not be eligible to receive a bonus under the Plan. However, the following special partial payment provisions shall be in effect:

(i) Should the Participant's employment terminate prior to the Bonus Qualification Date as a result of death or permanent disability (as defined below), then that individual or such individual's estate shall be entitled to a pro-rated portion of the bonus such individual would have earned, based on the Company's actual performance for the 2015 Fiscal Year had such individual continued in the Company's employ through the Bonus Qualification Date.

(ii) A Participant who is on a leave of absence or whose employment terminates after the start of the 2015 Fiscal Year but recommences prior to the Bonus Qualification Date may remain eligible at the discretion of the Committee, and the Committee may provide that individual with a pro-rated portion (based on period or periods of active employment during such year) of the bonus such individual would have earned, based on the Company's actual performance for the 2015 Fiscal Year had such individual remained continuously in the Company's employ through the Bonus Qualification Date.

3.03 For purposes of the Plan:

A. A Participant shall be considered an **employee** for so long as such individual remains employed by the Company or one or more corporations that are subsidiary corporations of the Company at all times during the 2015 Fiscal Year.

B. Each corporation (other than the Company) in an unbroken chain of corporations beginning with the Company shall be considered to be a **subsidiary** of the Company, provided each such corporation (other than the last corporation in the unbroken chain) owns, at the time of determination, stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in such chain.

C. Unless defined otherwise in any employment or severance agreement entitling the Participant to a full or pro-rated bonus upon a disability termination, **permanent disability** shall mean the Participant's inability to engage in any substantial activity necessary to perform the duties and responsibilities of his position with the Company (or any subsidiary thereof) by reason of any medically-determinable physical or mental impairment which can be expected to result in such individual's death or which has lasted, or can be expected to last, for a continuous period of not less than twelve (12) months.

D. In no event shall there be any duplication of bonus payments under this Plan and any employment agreement or severance agreement between the Company (or any subsidiary thereof) and a Participant that provides such individual with a stated bonus or bonus formula for a particular year or includes an annual bonus payment as part of a severance pay formula thereunder. Accordingly, in order to avoid any such potential duplication, such Participant shall only be entitled to receive the annual bonus amount to which he may otherwise be entitled under his employment or severance agreement based on the terms and conditions set forth therein and shall not be entitled to any bonus payment under the Plan. However, the accelerated vesting of any outstanding equity awards held by the Participant under any of the Company's stock plans, including any outstanding stock options, restricted stock or restricted stock unit awards, or the extension of any exercise periods for such stock options, shall not be deemed to constitute a bonus payment for purposes of this Section 3.03D.

IV. BONUS AWARDS

4.01 The following provisions shall govern the calculation and payment of the individual bonus awards that become payable under the Plan.

(a) The individual bonus award payable under the Plan to each Participant for the 2015 Fiscal Year shall be payable in cash on the Bonus Payment Date (as defined in Section 5.01), with the cash bonus amount to be determined on the basis of the performance of the Company and the achievement of the divisional or departmental goals, as applicable, to which the bonus potential for that Participant has been allocated in accordance with Section 3.01.

(b) The performance of the Company shall be measured in terms of (i) the revenue for the Company and (ii) the net income before depreciation, amortization, stock based compensation, interest and taxes, and certain other expenses and subject to certain adjustments, all as specified in Section 4.02 ("**Adjusted EBITDA**"), for the Company. Accordingly, fifty percent (50%) of the portion of the bonus potential allocated to the performance of the Company shall be based upon the achievement of the revenue target ("**Revenue Targets**") specified for the Company in the Performance Goals Schedule, and the remaining fifty percent (50%) of the bonus potential allocated to the performance of the Company shall be based upon the achievement of the Adjusted EBITDA target ("**Adjusted EBITDA Targets**") specified for the Company in the Performance Goals Schedule.

4.02 The following provisions shall govern the calculation of the levels at which the Revenue Targets and Adjusted EBITDA Targets are attained for the 2015 Fiscal Year and the determination of the bonus amounts based on those calculations:

(a) The actual level at which revenue for the Company has been attained for the 2015 Fiscal Year will be determined on the basis of the revenues to be reported in the Company's Financial Statements (as defined in Section 4.03) for such fiscal year and will be calculated, for purposes of the Plan, in a manner consistent with the methodology utilized by the Committee in establishing the Company Revenue Targets.

(b) In determining the actual level at which Adjusted EBITDA for the Company has been attained, Adjusted EBITDA will be determined consistent with the Company's methodology for calculating Adjusted EBITDA for financial reporting purposes. For financial reporting purposes, Adjusted EBITDA is defined as net income before net interest expense, provision (benefit) for income tax expense, depreciation, amortization, stock-based compensation, litigation or dispute settlement charges or gains (including, without limitation, fees, expenses, damages and settlement costs related to litigation, arbitration, investigations, disputes or similar matters), transaction related costs (including, without limitation, expenses resulting from actual or potential transactions such as business combinations, mergers, acquisitions, and financing transactions, and including compensation expense and expense for advisors and representatives such as investment bankers, consultants, attorneys and accounting firms), restructuring and other exit costs (including, without limitation, severance expenses, facility closure expenses, relocation costs and other restructuring charges) and impairment of goodwill, intangible assets and long-lived assets. In addition, to the extent the following are not otherwise taken into account in calculating Adjusted EBITDA for financial reporting purposes, Adjusted EBITDA shall be calculated before, and expenses for the purpose of calculating Adjusted EBITDA shall exclude: (1) any bonus amounts which accrue under this Plan; (2) any adjustments to Adjusted EBITDA attributable to a change in accounting principles that occurs after the start of the 2015 Fiscal Year (such that the actual Adjusted EBITDA is calculated consistently with Adjusted EBITDA target as it relates to accounting principles); (3) all items of gain, loss or expense determined to be extraordinary, unusual or non-recurring (it being understood and agreed that Item 10(e) of Regulation S-K under the Securities Act of 1933 shall not constitute a limitation on any such determination); (4) losses, charges or expenses with respect to litigation, investigations or other legal matters; and (5) all items of gain, loss or expense related to the sale or divestiture of a business; *provided, however*, that in determining the actual level at which the Company Adjusted EBITDA has been attained, the associated amount under clause (1), clause (3) or clause (4) shall be excluded from the calculation of Adjusted EBITDA only to the extent the actual aggregate amount under clause (1), clause (3) or clause (4) exceeds the aggregate budgeted amount therefor that was included in the Company's Adjusted EBITDA Targets set forth in the Performance Goals.

(c) In the event the actual foreign currency exchange rate (determined as set forth below) for the GBP: U.S. Dollar for the 2015 Fiscal Year is lower than 1:1.48 (the "**GBP Floor**"), the final revenue and/or Adjusted EBITDA calculations for the Company will be adjusted using the GBP Floor. In the event the actual foreign currency exchange rate (determined as set forth below) for the Euro: U.S. Dollar for the 2015 Fiscal Year is lower than 1:1.11 (the

“Euro Floor”), the final revenue and Adjusted EBITDA calculations for the Company will be adjusted using the Euro Floor. For the purpose of clarity, the GBP Floor and/or the Euro Floor will not be used to adjust the final revenues and Adjusted EBITDA calculations in the event the actual foreign currency exchange rates for the GBP: U.S. Dollar and/or the Euro: U.S. Dollar for such financial measures for the 2015 Fiscal Year are higher than the GBP Floor or the Euro Floor, respectively. For the purposes of this paragraph, an “actual foreign currency exchange rate” will be determined for each of year-end revenues and Adjusted EBITDA and calculated by (i) translating into U.S. Dollars the year-end revenues and Adjusted EBITDA amounts for the applicable non-U.S. subsidiaries in a manner consistent with the Company’s historical methodology for financial reporting purposes and (ii) dividing each such U.S. Dollars amount by its pre-translation (GBP or Euro) year-end revenues or Adjusted EBITDA amount, as applicable.

(d) In the event the Company acquires other companies or businesses during the 2015 Fiscal Year, the financial performance of those acquired entities shall not be taken into account in determining whether the Revenue Targets or Adjusted EBITDA Targets for the Company for the 2015 Fiscal Year have been achieved.

(e) Should the Company sell, divest or spin off a business during the 2015 Fiscal Year and the financial performance of such business was taken into account in establishing the Revenue Targets and Adjusted EBITDA Targets set forth in the Performance Goals Schedule, then for the purpose of determining whether the Revenue Targets or Adjusted EBITDA Targets for the Company for the 2015 Fiscal Year have been attained, the revenue and Adjusted EBITDA calculations for the Company shall be made (1) by taking into account the actual revenue and Adjusted EBITDA performance of the divested business during the portion of the 2015 Fiscal Year preceding the closing of such sale, divestiture or spin off and (2) for the post-closing portion of the 2015 Fiscal Year, by assuming that the sold, divested or spun business attained the level of revenue and Adjusted EBITDA performance that was projected for that period by the Committee for purposes of establishing the “Target” bonus payout levels (i.e., payout level 6) for the Revenue Targets and Adjusted EBITDA Targets for the Company.

4.03 The Committee shall, within seventy-five (75) days following the close of the 2015 Fiscal Year, determine and certify on the basis of the Company’s financial statements for such fiscal year as publicly reported by the Company in connection with its earnings release related to the 2015 Fiscal Year (the “*Financial Statements*”), the actual level of attainment for revenue and Adjusted EBITDA for the 2015 Fiscal Year. Such certification shall be included as part of the formal minutes of the meeting at which such determinations are made. On the basis of such certification, the Committee shall determine the actual bonus award for each Participant. However, the Committee, in making such determination, shall not award a bonus in excess of the dollar amount determined for the Participant on the basis of the bonus potential established for the particular levels at which revenue and Adjusted EBITDA for the 2015 Fiscal Year are in fact attained unless the Committee determines that it is in the best interests of the Company to do so. In the event that revenue or Adjusted EBITDA falls between two specified levels set forth in the schedule approved by the Committee, the resulting bonus amount shall be interpolated on a straight-line basis between those two points. In no event shall the bonus awarded to any Participant exceed the maximum dollar limitation of Section 4.05.

4.04 Except as otherwise provided in Section 3.02, no Participant shall earn or accrue any right to any portion of a bonus award hereunder until the Bonus Qualification Date.

4.05 In no event shall the actual bonus amount payable under this Plan to any individual Participant for the 2015 Fiscal Year exceed the dollar amount of One Million Five Hundred Thousand dollars (\$2,000,000).

V. PAYMENT OF BONUS AWARDS

5.01 The actual bonus to which each Participant becomes entitled based on the certified level at which the Revenue and Adjusted EBITDA Targets are actually attained for the 2015 Fiscal Year shall be paid in cash, subject to the Company's collection of all applicable federal, state and local income, employment and payroll withholding taxes. Schedule II attached hereto sets forth the bonus amounts payable to each Participant based on the level at which such Revenue and Adjusted EBITDA Targets are attained. Except as otherwise provided in Section 3.02, the bonus payments shall be made in the 2016 calendar year but not later than March 15, 2016, with the actual payment date to constitute the **Bonus Payment Date**.

VI. GENERAL PROVISIONS

6.01 The Committee may at any time amend, suspend or terminate the Plan, provided such action is effected by written resolution and is subject to stockholder approval to the extent required under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "**Code**"). Moreover, the Committee reserves the right to amend this Plan as may be necessary or appropriate to avoid adverse tax consequences under Section 409A of the Code.

6.02 No amounts awarded or accrued under this Plan shall actually be funded, set aside or otherwise segregated prior to payment. The obligation to pay the bonuses awarded hereunder shall at all times be an unfunded and unsecured obligation of the Company. Plan participants shall have the status of general creditors and shall look solely to the general assets of the Company for the payment of their bonus awards.

6.03 No Participant shall have the right to alienate, pledge or encumber his/her interest in this Plan or any bonus payable hereunder, and such interest shall not (to the extent permitted by law) be subject in any way to the claims of the employee's creditors or to attachment, execution or other process of law.

6.04 Neither the action of the Company in establishing the Plan, nor any action taken under the Plan by the Committee, nor any provision of the Plan, shall be construed so as to grant any person the right to remain in the employ of the Company or its subsidiaries for any period of specific duration. Rather, each employee will be employed "at-will," which means that either such employee or the Company may terminate the employment relationship at any time for any reason, with or without cause, subject in each case to any applicable benefits that may become payable under any employment agreement between such person and the Company or any of its subsidiaries.

6.05 The Plan shall be administered, operated and construed in compliance with the requirements of the short-term deferral exception to Section 409A of the Code and Treasury Regulations Section 1.409A-1(b)(4). Accordingly, to the extent there is any ambiguity as to whether one or more provisions of the Plan would otherwise contravene the requirements or limitations of Section 409A of the Code applicable to such short-term deferral exception, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the requirements or limitations of Section 409A of the Code and the Treasury Regulations thereunder that apply to such exception.

6.06 This is the full and complete agreement between the Participants and the Company with respect to their incentive bonus compensation for the 2015 Fiscal Year and the related service period through the Bonus Qualification Date. This Plan does not supersede, but is supplemental to, any provisions of any employment agreement to which any of the Participants in this Plan may be a party.

SCHEDULE I

Name	Corporate	Divisional/Departmental
Dorion, Michael	20% (Consolidated); 60% (Domestic)	20%
Howard, Clark	20% (Consolidated); 60% (Domestic)	20%
Hughes, Rhys	30% (Consolidated)	70%
Levin, Scott	80% (Consolidated)	20%
Michie, Cheryl	20% (Consolidated); 60% (Domestic)	20%
Moeller, Tom	30% (Consolidated)	70%
Mueller, Holger	20% (Consolidated); 60% (Domestic)	20%
Saunders, Anne	30% (Consolidated)	70%
Sheehan, Becky	80% (Consolidated)	20%

SCHEDULE II

	Rob Apatoff Consolidated		Becky Sheehan/Scott Levin Consolidated	
	Revenue Payout %	Adj EBITDA Payout %	Revenue Payout %	Adj EBITDA Payout %
1	25.0%	25.0%	20.0%	20.0%
2	30.0%	30.0%	24.0%	24.0%
3	35.0%	35.0%	28.0%	28.0%
4	40.0%	40.0%	32.0%	32.0%
5	45.0%	45.0%	36.0%	36.0%
6	50.0%	50.0%	40.0%	40.0%
7	55.0%	55.0%	42.0%	42.0%
8	60.0%	60.0%	44.0%	44.0%
9	65.0%	65.0%	46.0%	46.0%
10	70.0%	70.0%	48.0%	48.0%
11	75.0%	75.0%	50.0%	50.0%

	Anne Saunders		Tom Moeller / Rhys Hughes	
	Consolidated Payout %	Division Payout %	Consolidated Payout %	Division Payout %
1	11.3%	26.3%	15.0%	35.0%
2	13.5%	31.5%	18.0%	42.0%
3	15.8%	36.8%	21.0%	49.0%
4	18.0%	42.0%	24.0%	56.0%
5	20.3%	47.3%	27.0%	63.0%
6	22.5%	52.5%	30.0%	70.0%
7	23.4%	54.6%	31.2%	72.8%
8	24.3%	56.7%	32.4%	75.6%
9	25.2%	58.8%	33.6%	78.4%
10	26.1%	60.9%	34.8%	81.2%
11	27.0%	63.0%	36.0%	84.0%

[Continues on Next Page]

	Clark Howard		Michael Dorion / Holger Mueller	
	Consolidated Payout %	Domestic Payout %	Consolidated Payout %	Domestic Payout %
1	7.0%	21.0%	10.0%	30.0%
2	8.4%	25.2%	12.0%	36.0%
3	9.8%	29.4%	14.0%	42.0%
4	11.2%	33.6%	16.0%	48.0%
5	12.6%	37.8%	18.0%	54.0%
6	14.0%	42.0%	20.0%	60.0%
7	14.7%	44.1%	21.0%	63.0%
8	15.4%	46.2%	22.0%	66.0%
9	16.1%	48.3%	23.0%	69.0%
10	16.8%	50.4%	24.0%	72.0%
11	17.5%	52.5%	25.0%	75.0%

	Cheryl Michie	
	Consolidated Payout %	Domestic Payout %
1	7.5%	22.5%
2	9.0%	27.0%
3	10.5%	31.5%
4	12.0%	36.0%
5	13.5%	40.5%
6	15.0%	45.0%
7	15.8%	47.3%
8	16.5%	49.5%
9	17.3%	51.8%
10	18.0%	54.0%
11	18.8%	56.3%

AMENDMENT #1 TO SERVICES AGREEMENT

This AMENDMENT #1 TO SERVICES AGREEMENT (the "Addendum"), dated as of April 1, 2015 (the "Effective Date"), is entered into between Liberty Interactive Corporation ("Liberty") and Provide Commerce, Inc. ("Provide").

RECITALS

- A. Liberty and Provide (collectively, the "Parties") have previously entered into a Services Agreement dated December 31, 2014 (the "Agreement") and desire to modify certain terms and conditions therein.
- B. All capitalized terms used herein but not defined shall have the meanings given to such terms in the Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and in consideration of mutual covenants and agreements of the Parties hereto, the Parties mutually covenant and agree as follows:

- 1. Section 6.02 of the Agreement shall be amended and replaced in its entirety with the following:
"6.02 Termination. Notwithstanding anything herein to the contrary, the rights and obligations of each Party under this Services Agreement shall terminate, and the obligation of the Service Provider to provide or cause to be provided any Service shall cease, on the earliest to occur of (i) the last date indicated for the termination of any Service as indicated on the Services Schedule, (ii) the date on which the provision of all Services has been cancelled pursuant to Article IV hereof, (iii) the date on which this Services Agreement is terminated by either Party, as the case may be, in accordance with the terms of Section 6.03 hereof or (iv) June 30, 2015; provided, that, in each case, no such termination shall relieve any Party of any liability for any breach of any provision of this Services Agreement prior to the date of such termination."
- 2. Exhibit A of the Agreement shall be amended and replaced in its entirety, as of the Effective Date, with the Exhibit A attached to this Amendment.
- 3. Except as otherwise amended herein, the Agreement shall remain in full force and effect.
- 4. This Amendment may be executed in any number of counterparts, each of which may be executed by less than all of the Parties hereto, and all of which together shall constitute one instrument. This Amendment may be executed and delivered by facsimile and the Parties agree that such facsimile execution and delivery shall have the same force and effect as delivery of an original document with original signatures, and that each Party may use such facsimile signatures

as evidence of the execution and delivery of this Amendment by all Parties to the same extent that an original signature could be used.

5. This Amendment shall be governed by, and construed in accordance with, the Laws of the State of Delaware, without regard to Laws that may be applicable under conflicts of Laws principles (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Law of any jurisdiction other than the State of Delaware.

IN WITNESS WHEREOF, Liberty and Provide have executed this Amendment as of the Effective Date.

LIBERTY INTERACTIVE CORPORATION

Signed: /s/ Craig Troyer

Printed Name: Craig Troyer

Title: Vice President

PROVIDE COMMERCE, INC.

Signed: /s/ Scott D. Levin

Printed Name: Scott D. Levin

Title: Executive Vice President and General Counsel

**Exhibit A
Schedule of Services**

Functional Area	Description of Service	Service End Date(1)	Payment for Service(2)
IT SERVICES			
Network Access through VPN, where applicable.	As Needed.	Outside Date	Hourly Rates for Services between April 1, 2015 and Outside Date: \$75/Hr
Segregated Data Storage on Provide's Servers.	Access restricted to drive segments containing RedEnvelope data, as needed.	Outside Date	
E-mail (including web based and VPN access)	Same as pre-close level of access and support.	Outside Date	All OH Telecom and Network Services shall be billed to RedEnvelope at cost.
Help Desk (including Footprints support for all IT Services specified herein)	Same as pre-close level of access and support.	Outside Date	

(1) Services contemplated in this Exhibit A shall initiate on April 1, 2015. The Receiving Party shall have the right to terminate a service soon as practicable (in accordance with the terms of the Services Agreement) but the provision of such service shall not extend past June 30, 2015 ("Outside Date"). The Outside Date may be amended by the Parties from time to time upon written amendment of this Exhibit A.

(2) Invoices shall be submitted electronically on a bi-weekly basis, with such amounts being due within thirty (30) days of receipt of invoice.

Telecom and Network Services (e.g. internet, phone, fax, conference call, video conference, support for company approved cell/smart phones, PDAs, etc.)	Same as pre-close level of access and support.	Outside Date	
IT Backup/Data Security	Same as pre-close level of access and support, as needed.	Outside Date	
Computer Accessories (e.g. keyboard, mouse, monitors, ethernet cables, etc.)	To the extent it is feasible, the same as pre-close level of access and support.	Outside Date	Provide will pass through the cost to purchase any additional accessories; such costs to be approved by RedEnvelope upon request for such accessories.
Computer Software (i.e. all laptop/desktop software currently licensed to Provide, like Microsoft Office, Exchange, etc.)	To the extent it is feasible, the same as pre-close level of access and support for those suites of software. Computer Software access and support is contingent upon RedEnvelope's agreement to destroy any such Computer Software after use.	Outside Date	Provide will pass through Provide's cost to purchase/license any software

Additional Transition-Out Services - Data Transfer; - Hard Good transfer; - Removal of Equipment.	Assistance (as needed) to transition the above-listed services, stand-alone systems, or platforms of Provide out to RedEnvelope.	Outside Date	External costs shall pass through to RedEnvelope.
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MANAGEMENT SERVICES

Executive Management	Management of Wind-Down and Potential sale of Business and/or Assets	Outside Date	
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Continued legal support for corporate filings and notices from Provide	Includes access and support, including but not limited to support for corporate filings, notices, intellectual property management, and contract review.	Outside Date	Hourly Rates for Services between April 1, 2015 and Outside Date: <ul style="list-style-type: none"> • Management: <ul style="list-style-type: none"> EVP, SCO: \$200/Hr VP, GM: \$140/Hr VP, SCO: \$140/Hr VP, HR: \$100/Hr • Legal: \$140/Hr
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Accounting Services	Same level	Outside Date	<ul style="list-style-type: none"> • On-site Wind-down
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Invoice Processing	Provide will continue to administer the collection of receivables and payment of bills on behalf of RedEnvelope (Provide not responsible for payment)	Outside Date	Services related to Inventory Management: \$100/Hr <ul style="list-style-type: none"> All other services (e.g., Payroll, General HR, Accounting): \$75/Hr
Access to financial systems	Access and support as currently provided, plus normal course access and assistance for any transition to a new platform.	Outside Date	All filing costs, RedEnvelope employee costs or outside costs incurred shall pass through to RedEnvelope.
Payroll	Payroll services for salary, commissions, bonuses, direct deposit, manual checks, etc.	Outside Date	
On-Site Wind-Down Services	Shut Down of Operations; Return Handling, etc.	Outside Date	

PURCHASE AND SALE AGREEMENT

DATED AS OF APRIL 30, 2015

BY AND BETWEEN

PROVIDE CREATIONS, INC.

AND

PROVIDE GIFTS, INC.

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LIST OF SCHEDULES PROVIDED SEPARATELY

Schedule 2.1 — Purchased Assets

Allocation Schedule

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this "**Agreement**") is dated as of April 30, 2015 (the "**Closing Date**"), by and between Provide Gifts, Inc., a Delaware corporation ("**Seller**"), and Provide Creations, Inc., a Delaware corporation ("**Buyer**"). Seller and Buyer are referred to individually as a "**Party**" and collectively as the "**Parties**."

RECITALS:

A. Until December 31, 2014, Seller was engaged in the online e-commerce business operated under the trade name of RedEnvelope (the "**RedEnvelope Business**").

B. Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, all of Seller's right, title and interest in and to the Purchased Assets, on the terms and conditions set forth in this Agreement.

AGREEMENTS:

In consideration of the representations, warranties, covenants and agreements contained herein and other consideration the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound do hereby agree as follows:

SECTION 1. DEFINED TERMS

1.1 Terms Defined in this Section. The following terms shall have the following meanings in this Agreement:

"**Affiliate**" has the meaning set forth in Rule 12b-2 under the Securities Exchange Act of 1934, as amended; provided that, for the avoidance of doubt, Seller shall be deemed not to be an Affiliate of Buyer or any of its Affiliates.

"**Agreement**" has the meaning given such term in the Preamble.

"**Allocation Schedule**" has the meaning given such term in Section 5.6.

"**Business Day**" means any day except Saturday, Sunday or any other day on which commercial banks located in New York City are required or authorized by law to be closed for business.

"**Buyer**" has the meaning given such term in the Preamble.

"**Closing**" has the meaning given such term in Section 6.1.

"**Closing Date**" has the meaning given such term in the Preamble.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time (including corresponding provisions of subsequent revenue laws).

“**Consents**” means all of the consents, permits or approvals of Governmental Authorities and other Third Parties necessary to consummate the Transactions.

“**Contracts**” means all contracts, leases, license agreements, undertakings and all other agreements, commitments and legally binding arrangements, whether written or oral, relating to the Purchased Assets and to which Seller is a party.

“**Enforceability Exceptions**” means the exceptions or limitations to the enforcement of contract terms arising in the instance of bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ rights generally, and the application of general principles of equity.

“**Governmental Authority**” any government or any arbitrator, tribunal or court of competent jurisdiction, administrative agency, board, department or commission, legislative body or other governmental authority or instrumentality (in each case whether Federal, state, local, foreign, international or multinational) or entity which lawfully assumes the powers and functions of the same (including any taxing or other revenue collecting authority or other body).

“**Legal Requirements**” means applicable common law and any applicable statute, ordinance, code or other law, rule, regulation, order, technical or other standard, requirement or procedure enacted, adopted, promulgated or applied by any Governmental Authority, including any applicable order, decree or judgment which may have been handed down, adopted or imposed by any Governmental Authority.

“**Liens**” means all claims, charges, restrictions, mortgages, pledges, security interests, liens or other encumbrances of any nature whatsoever (whether absolute, accrued, contingent or otherwise).

“**Party**” and “**Parties**” have the meanings given such terms in the Preamble.

“**Person**” means any natural person, corporation, general or limited partnership, limited liability company, joint venture, trust, association, unincorporated entity of any kind, or a Governmental Authority.

“**Proceeding**” means any suit, action, proceeding, arbitration, audit, hearing, or investigation (in each case, whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority.

“**Purchase Price**” has the meaning given such term in Section 2.2.

“**Purchased Assets**” has the meaning given such term in Section 2.1.

“**RedEnvelope Business**” has the meaning given such term in the Recitals.

“**Seller**” has the meaning given such term in the Preamble.

“**Tax Return**” means, with respect to a Person, any federal, state, local or foreign tax return, report, declaration of estimated Tax payments, statement, information return or statement, or other similar filing, including any related or supporting information with respect to any of the foregoing and any amendment thereof, filed or to be filed by such Person with any taxing authority in connection with the determination, assessment, collection or administration of any Taxes.

“**Taxes**” means (a) all Federal, state, county, local, municipal, foreign and other taxes, assessments, duties fees, regulatory impositions, price support impositions or similar charges of any kind whatsoever, including all franchise, capital, income, sales, use, ad valorem, receipts, value added, profits, license, withholding, payroll, employment, excise, premium, property, customs, net worth, capital gains, transfer, stamp, documentary, social security, environmental, alternative minimum, occupation, recapture gross receipts, universal service, recovery and other taxes and levies, and including all interest, penalties and additions imposed with respect to such amounts, and (b) any liability for any amounts described in clause (a) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local, or foreign law), or as a transferee or co-vendor, agent, responsible person, by contract, by operation of law or otherwise.

“**Third Party**” means any Person that is not Seller or any Affiliate thereof, Buyer or any Affiliate thereof, or an officer or director of any of the foregoing.

“**Transactions**” means the transactions contemplated by this Agreement.

“**Treasury Regulations**” means the Treasury regulations promulgated under the Code.

1.2 Clarifications. Words used in this Agreement, regardless of the gender and number specifically used, shall be deemed and construed to include any other gender and any other number as the context requires. As used in this Agreement, the word “including” shall be deemed to be followed by the words “without limiting the generality of the foregoing,” and the word “or” has the inclusive meaning of “and/or.” Except as specifically otherwise provided in this Agreement in a particular instance, a reference to a Section, Exhibit or Schedule is a reference to a Section of this Agreement or an Exhibit or Schedule hereto, and the terms “hereof,” “herein,” and other like terms refer to this Agreement as a whole, including the Exhibits and Schedules to this Agreement, and not solely to any particular part of this Agreement. Except as specifically otherwise provided in this Agreement, “Buyer” and “Seller” refer only to the Parties explicitly identified in the Preamble. If the deadline for any action specified to be taken under this Agreement is not a Business Day, the deadline for such action shall be extended to the next Business Day. The descriptive headings in this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting an instrument or causing any instrument to be drafted.

SECTION 2. AGREEMENT TO PURCHASE AND SELL; PURCHASE PRICE

2.1 Purchase and Sale of Assets. Subject to the terms and conditions set forth in this Agreement, at the Closing, Seller shall sell, assign, transfer, convey and deliver to Buyer, and

Buyer shall purchase from Seller, all of Seller's right, title and interest in and to the assets set forth in Schedule 2.1 (the "**Purchased Assets**"), on a quit claim basis, without any representation or warranty, express or implied, regarding Seller's title to the Purchased Assets (other than as specifically set forth in Section 3.3), and specifically subject to any Liens that may exist on or with respect to the Purchased Assets. Seller is not selling, assigning, transferring or conveying, and Buyer is not acquiring, any right, title or interest in any assets or rights of Seller, including rights under any Contracts, or any rights or interest in the RedEnvelope Business, except the Purchased Assets specifically identified and being conveyed pursuant to this Agreement.

2.2 **Purchase Price.** The aggregate purchase price for the Purchased Assets shall be \$250,000.00 (the "**Purchase Price**"). Buyer shall pay the Purchase Price in full in cash by wire transfer of immediately available funds to an account designated by Seller simultaneously with the Closing.

2.3 **No Assumption of Liabilities.** Seller is not delegating or otherwise transferring, and Buyer is not assuming, any liabilities, obligations or commitments of Seller or otherwise related to the Purchased Assets, whether direct or indirect, known or unknown, absolute or contingent.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer, as of the Closing Date, as follows:

3.1 **Organization, Standing and Authority.** Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has all requisite power to execute, deliver, and perform its obligations under this Agreement and the documents contemplated hereby according to their respective terms.

3.2 **Authorization and Binding Obligation.** The execution, delivery and performance of this Agreement and the documents contemplated hereby by Seller have been duly authorized by all necessary corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, except to the extent such enforceability may be limited by the Enforceability Exceptions.

3.3 **Title.** Except as set forth in Schedule 2.1, Seller has good and marketable title to all of the Purchased Assets.

3.4 **Disclaimer of Representations and Warranties.** Except for the representations and warranties specifically set forth in this Section 3, Seller does not make any representations or warranties, express or implied, concerning Seller, the Purchased Assets or the RedEnvelope Business, including any representation, express or implied, regarding any Liens that may exist on or with respect to the Purchased Assets or any Consents that may be required in connection with the execution, delivery and performance of this Agreement by Seller. Without limiting the generality of the foregoing, Seller specifically disclaims any implied warranties of merchantability or fitness for a particular purpose with respect to the Purchased Assets. Buyer acknowledges and agrees that it is buying the Purchased Assets with the understanding that the Purchased Assets are being sold on an as-is, where-is, with all faults basis.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as of the Closing Date, as follows:

4.1 Organization, Standing and Authority. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer has all requisite power to execute, deliver, and perform its obligations under this Agreement and the documents contemplated hereby according to their respective terms.

4.2 Authorization and Binding Obligation. The execution, delivery and performance of this Agreement and the documents contemplated hereby by Buyer have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, except to the extent such enforceability may be limited by the Enforceability Exceptions.

4.3 Independent Investigation. Buyer has conducted its own independent investigation, review and analysis of the Purchased Assets, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of the Purchased Assets for such purpose. Buyer acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the Transactions, Buyer has relied solely upon its own investigation and the express representations and warranties of Seller set forth in Section 3 of this Agreement; and (b) neither Seller nor any other Person has made any representation or warranty as to Seller, the Purchased Assets or this Agreement, except as expressly set forth in Sections 3 and 4 of this Agreement and in the secretary's certificates contemplated by Sections 6.2 and 6.3.

SECTION 5. COVENANTS

5.1 Further Assurances. Seller shall take, and cause its Affiliates to take, such actions, and execute and deliver to Buyer, such further transfer documents as may be reasonably necessary to transfer all of Seller's right, title and interest in and to the Purchased Assets to Buyer, pursuant to this Agreement; *provided, however*, that Buyer shall be responsible for all fees, taxes and other costs (other than any other Party's attorneys' fees and expenses) payable with respect to the filing or recording of any such further transfer documents, except as otherwise mutually agreed upon by the Parties.

5.2 Taxes, Fees and Expenses.

(a) Seller shall, at its expense, prepare and file (or cause to be prepared and filed) all Tax Returns of Seller or its Affiliates relating to the ownership of the Purchased Assets for any Tax period ending on or prior to the Closing Date. Buyer shall, at its expense, prepare and file (or cause to be prepared and filed) all Tax Returns of Buyer or its Affiliates relating to the Purchased Assets for any Tax period ending after the Closing Date. The Parties will cooperate in good faith in the preparation and filing of Tax Returns relating to the Purchased Assets and provide information to the other Party as is reasonably necessary for such Tax Returns.

(b) Seller shall pay and hold Buyer and its Affiliates harmless from any liability for payment of or otherwise with respect to any Taxes, without duplication, (i) of Seller or its Affiliates or (ii) relating to the operation of the RedEnvelope Business or the ownership of the Purchased Assets for any Tax period (or portion thereof) ending on or prior to the Closing Date (for purposes of this clause (ii), all real property Taxes, personal property Taxes and similar ad valorem obligations levied with respect to the Purchased Assets for a Tax period that includes (but does not end on) the Closing Date shall be apportioned between Seller and Buyer based upon the number of days of such period (which period shall include the Closing Date) included in the pre-Closing Tax period and the number of days of such Tax period after the Closing Date).

(c) Buyer shall pay, or shall reimburse Seller (to the extent Seller shall have paid) for, all sales, use, transfer, and recordation and documentary Taxes, if any, arising out of the transfer by Seller of the Purchased Assets to Buyer pursuant to this Agreement.

(d) Upon receipt of any bill for real or personal property Taxes or similar ad valorem Taxes relating to the Purchased Assets, or upon the filing of any Tax Return with respect to any such ad valorem Taxes, Seller or Buyer, as applicable, shall present a statement to the other setting forth the amount of such Taxes that is attributable to the portion of the applicable Tax period that ended on the Closing Date, with such supporting evidence as is reasonably necessary to calculate such prorated amount. The prorated amount shall be paid by the Party owing it to the other within 30 days after delivery of such statement. Any payment required under this Section 5.2(d) and not made within 30 days of delivery of the relevant statement shall bear interest at LIBOR plus 10% per annum until fully paid.

(e) Except as otherwise provided in this Agreement, each Party shall pay its own attorneys' fees and other expenses incurred in connection with the negotiation, authorization, preparation, execution, and performance of this Agreement.

5.3 Brokers. Each Party shall indemnify and hold the other Party harmless from any finders' or brokers' fees or commissions in connection with the Transactions that were incurred by such Party or any Person acting on its behalf.

5.4 Post-Closing Consents. Neither of the Parties is aware of any Consent required to assign or transfer any of the Purchased Assets to be assigned or transferred by Seller to Buyer pursuant to this Agreement. The Parties shall use their respective reasonable best efforts to obtain any such Consent that may be identified by either Party after Closing as soon as practicable. The rights and obligations of the Parties under this Section 5.4 shall terminate and be of no further force and effect 90 days after the Closing Date.

5.5 Press Releases; Other Public Statements.

(a) Each Party shall, and shall cause its Affiliates to, consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statements with respect to the Transactions and shall not issue any such press release or make any such public statement without the prior written consent of the other Party, except with respect to any disclosures to any Governmental Authority which it is required

to make under any Legal Requirement (including with respect to any such Person's public reporting obligations under applicable securities laws).

(b) Seller shall, and shall cause its Affiliates to, consult with Buyer before issuing, and provide Buyer the opportunity to review and comment upon, any communication to customers of or vendors to the RedEnvelope Business in connection with the Transactions.

5.6 Allocation. The Parties agree that the Purchase Price (including any other items treated as consideration paid by Buyer for such purposes) shall be allocated among the Purchased Assets sold by Buyer in accordance with Code Section 1060 and the Treasury Regulations (and any similar provision of state, local or foreign law, as appropriate) as shown on the allocation schedule (the "**Allocation Schedule**"). The Allocation Schedule shall be (i) prepared by the Parties as soon as practicable following the Closing Date, and (ii) subject to mutual agreement by the Parties. The Parties and their Affiliates shall file all Tax Returns (including Internal Revenue Service Form 8594) in a manner consistent with, and shall take no position in any audit or administrative proceeding inconsistent with, the Allocation Schedule.

SECTION 6. CLOSING AND CLOSING DELIVERIES

6.1 Time and Place of Closing. The closing of the Transactions (the "**Closing**") will take place by electronic delivery of all closing deliveries on the Closing Date.

6.2 Deliveries by Seller. On the Closing Date, Seller shall deliver to Buyer the following, in form and substance reasonably satisfactory to Buyer and its counsel:

(a) Transfer Documents. Duly executed bills of sale, assignments of intellectual property and such other transfer documents to transfer all of Seller's right, title and interest in and to the Purchased Assets to Buyer, on a quit-claim basis as provided in this Agreement;

(b) Secretary's Certificate. A certificate dated as of the Closing Date, executed by the Secretary or Assistant Secretary of Seller (i) certifying that the resolutions, as attached to such certificate, were duly adopted by such Seller's board of directors and shareholders (if required), authorizing and approving the execution of this Agreement and the consummation of the Transactions and that such resolutions remain in full force and effect; and (ii) providing, as attachments thereto, Seller's certificate of incorporation, bylaws and a certificate of good standing certified by an appropriate state official, as of a date not more than 45 days before the Closing Date and by Seller's Secretary or Assistant Secretary as of the Closing Date;

(c) Records. Copies of all files and records included in the Purchased Assets that are in the possession or control of Seller; and

(d) Insurance Information. Documentation and information regarding the Purchased Assets reasonably required by Buyer to obtain insurance with respect to the Purchased Assets effective as of the Closing, to the extent such requested documentation or information is reasonably available to Seller.

6.3 Deliveries by Buyer. On the Closing Date, Buyer shall deliver to Seller the following, in form and substance reasonably satisfactory to Seller and its counsel:

(a) Purchase Price. The Purchase Price as provided in Section 2.2; and

(b) Secretary's Certificate. A certificate dated as of the Closing Date, executed by the Secretary or Assistant Secretary of Buyer: (i) certifying that the resolutions, as attached to such certificate, were duly adopted by Buyer's board of directors and shareholders (if required), authorizing and approving the execution of this Agreement and the consummation of the Transactions and that such resolutions remain in full force and effect; and (ii) providing, as attachments thereto, Buyer's certificate of incorporation, bylaws and a certificate of good standing certified by an appropriate state official, all certified by such state official as of a date not more than 45 days before the Closing Date and by Buyer's Secretary or Assistant Secretary as of the Closing Date;

SECTION 7. MISCELLANEOUS

7.1 Notices. All notices, demands and requests required or permitted to be given under the provisions of this Agreement shall be (i) in writing, (ii) sent by email, delivered by personal delivery, or sent by commercial delivery service or certified mail, return receipt requested, (iii) deemed to have been given on the date sent by email with receipt confirmed, the date of personal delivery, or the date set forth in the records of the delivery service or on the return receipt, and (iv) addressed as follows:

If to the Seller:

Provide Gifts, Inc.
c/o Liberty Interactive Corporation
12300 Liberty Boulevard
Englewood, CO 80112
Attention: General Counsel
Email: legalnotices@libertymedia.com

with a copy (which shall not alone constitute notice) to:

Sherman & Howard L.L.C.
633 17th Street, Suite 3000
Denver, CO 80202
Attention: Peggy Knight
Email: pknight@shermanhoward.com

If to Buyer:

Provide Creations, Inc.
3113 Woodcreek Drive
Downers Grove, Illinois 60515
Attention: Scott D. Levin
Email: slevin@ftdi.com

or to any such other or additional Persons and addresses as the Person to whom notice is to be provided may from time to time designate in a writing delivered in accordance with this Section 7.1.

7.2 Benefit and Binding Effect. This Agreement shall inure solely to the benefit of the Parties, without conferring on any other Person any rights of enforcement or other rights. No Party may assign this Agreement without the prior written consent of the other Parties. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

7.3 Entire Agreement. This Agreement together with the other documents delivered pursuant hereto and all exhibits and schedules hereto or thereto, and all documents and certificates delivered by the Parties contemporaneously and in connection herewith, or to be delivered by the Parties pursuant hereto or in connection herewith, collectively represent the entire understanding and agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes all prior negotiations, letters of intent or other writings between the Parties with respect to the subject matter hereof, and cannot be amended, supplemented or modified except by a written agreement which makes specific reference to this Agreement and which is signed by the Party against which enforcement of any such amendment, supplement or modification is sought. Nothing in this agreement will be construed to, or have the effect of, amending or superseding (a) the Stock Purchase Agreement, dated July 30, 2014, by and among FTD Companies, Inc. (“**FTD**”), Liberty Interactive Corporation (“**Liberty**”) and Provide Commerce, Inc. or (b) the Investor Rights Agreement, dated December 31, 2014, by and between FTD and Liberty.

7.4 Waiver of Compliance: Consents. Except as otherwise provided in this Agreement, any failure of any Party to comply with any obligation, representation, warranty, covenant, agreement or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, representation, warranty, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any Party, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 7.4.

7.5 Severability. If any provision hereof or the application thereof to any Person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by applicable Legal Requirements.

7.6 Law. This Agreement shall be governed, construed and enforced in accordance with the laws of the State of Delaware, without regard to conflicts of law principles thereunder.

7.7 Selection of Forum; Venue; Service of Process. The Parties hereby irrevocably submit in any Proceeding arising out of or relating to this Agreement or any Transactions to the exclusive jurisdiction of the United States District Court for the District of Delaware or if jurisdiction is not available therein the jurisdiction of any court of the State of Delaware, and waive any and all objections to such jurisdiction or venue that they may have under the laws of any state or country, including any argument that jurisdiction, sites and/or venue are inconvenient or otherwise improper.

7.8 WAIVER OF JURY TRIAL. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, INVOLVING OR OTHERWISE IN RESPECT OF THIS AGREEMENT, ANY DOCUMENTS DELIVERED PURSUANT HERETO OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND DELIVER THE DOCUMENTS CONTEMPLATED HEREBY, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.88.

7.9 Limitations on Remedies.

(a) The Parties acknowledge and agree that, following the Closing, their sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth herein, or for any and all claims of any nature arising under, out of, or related to this Agreement, or the sale and purchase of the Purchased Assets shall be limited to a claim for breach of contract and shall be further limited as set forth in this Section 7.9. In furtherance of the foregoing, each Party hereby waives, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein it may have against the other Parties hereto and their Affiliates and each of their respective representatives arising under or based upon any applicable law, and no Person will have any other entitlement, remedy or recourse, whether in tort or otherwise, it being agreed that all of such other remedies, entitlements and recourse are expressly waived and released by the Parties to the fullest extent permitted under applicable law.

(b) The aggregate amount for which Seller shall be liable for any claims made with respect to this Agreement or the Transactions shall not exceed the Purchase Price.

(c) In no event shall any Party be liable under this Agreement to another Party for any punitive, incidental, indirect, special or consequential damages, including any damages for business interruption, loss of use, revenue or profit, whether arising out of breach of contract, tort (including negligence) or otherwise, regardless of whether such damages were foreseeable and whether or not the breaching Party was advised of the possibility of such damages.

7.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, and all of which counterparts together shall constitute one and the same fully executed instrument.

Signature page follows

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties as of the Closing Date.

PROVIDE GIFTS, INC.

By: /s/ Christopher W. Shean
Name: Christopher W. Shean
Title: Senior Vice President and Chief Financial Officer

PROVIDE CREATIONS, INC.

By: /s/ Chris Shimojima
Name: Chris Shimojima
Title: Chief Executive Officer

[Signature page to Purchase and Sale Agreement]

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert S. Apatoff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FTD Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and to the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ ROBERT S. APATOFF

Robert S. Apatoff
President and Chief Executive Officer

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[Exhibit 31.1](#)

[CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14\(a\) AND 15d-14\(a\) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002](#)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Becky A. Sheehan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FTD Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and to the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ BECKY A. SHEEHAN

Becky A. Sheehan
Executive Vice President and Chief Financial Officer

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[Exhibit 31.2](#)

[CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14\(a\) AND 15d-14\(a\) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002](#)

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Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert S. Apatoff, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (a) The Quarterly Report on Form 10-Q of FTD Companies, Inc. for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2015

/s/ ROBERT S. APATOFF

Robert S. Apatoff
President and Chief Executive Officer

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[Exhibit 32.1](#)

[CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)

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Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Becky A. Sheehan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (a) The Quarterly Report on Form 10-Q of FTD Companies, Inc. for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2015

/s/ BECKY A. SHEEHAN

Becky A. Sheehan
Executive Vice President and Chief Financial Officer

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[Exhibit 32.2](#)

[CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)

