FTD Group, Inc.
Form 10-Q
May 07, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2008

or

o **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: 001-32425
FTD Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**87-0719190**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3113 Woodcreek Drive
Downers Grove, IL 60515
(Address of principal executive offices)
(630) 719-7800
(Registrant s telephone number, including area code)

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

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).
YES o NO þ

As of April 30, 2008, there were 29,832,301 outstanding shares of the issuer s Common Stock, par value $0.01 per share.

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QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FTD GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2008 (Unaudited)	June 30, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 33,997	$ 25,462
Accounts receivable, less allowance for doubtful accounts of $6,736 at March 31, 2008 and $5,431 at June 30, 2007	38,958	32,416
Inventories, net	4,356	3,694
Other current assets	11,844	9,500
Total Current Assets	89,155	71,072
Property and Equipment:		
Property and equipment	36,931	35,791
Less accumulated depreciation	14,425	11,018
Property and Equipment, net	22,506	24,773
Other Assets:		
Computer software, net	12,674	12,699
Other noncurrent assets	23,228	21,085
Other intangible assets, less accumulated amortization of $11,548 at March 31, 2008 and $9,154 at June 30, 2007	11,052	13,454
Trademarks	187,525	187,816
Goodwill	417,645	418,001
Total Other Assets	652,124	653,055
Total Assets	$ 763,785	$ 748,900
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 70,547	$ 52,009
Other accrued liabilities	29,856	28,511
Current maturities of long-term debt	1,242	8,475
Dividends payable	4,801	4,707
Total Current Liabilities	106,446	93,702
Senior secured credit facility	121,079	133,418

Senior subordinated notes		170,117		170,117
Post-retirement benefits, accrued pension obligations and other liabilities		5,319		4,535
Deferred income taxes		80,072		85,350
Stockholders Equity:				
Common stock: $0.01 par value, 75,000 shares authorized; 29,832 shares issued as of March 31, 2008 and 29,482 shares issued as of June 30, 2007		298		295
Additional paid-in capital		237,142		235,589
Retained earnings		33,657		20,952
Accumulated other comprehensive income		9,655		9,933
Treasury stock, at cost, 519 shares as of June 30, 2007				(4,991)
Total Stockholders Equity		280,752		261,778
Total Liabilities and Stockholders Equity	$	763,785	$	748,900

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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FTD GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2008	**2007**	**2008**	**2007**
Revenues:				
Products	$ 149,726	$ 143,483	$ 353,551	$ 333,184
Services	42,261	39,416	117,670	110,026
Total revenues	191,987	182,899	471,221	443,210
Costs of Products Sold and Services Provided:				
Products	114,193	108,168	268,142	248,714
Services	4,848	3,435	14,029	12,630
Total costs of products sold and services provided	119,041	111,603	282,171	261,344
Gross Profit:				
Products	35,533	35,315	85,409	84,470
Services	37,413	35,981	103,641	97,396
Total gross profit	72,946	71,296	189,050	181,866
Operating Expenses:				
Advertising and selling	29,575	27,348	69,163	68,767
General and administrative	23,912	21,498	63,415	58,262
Total operating expenses	53,487	48,846	132,578	127,029
Income from operations	19,459	22,450	56,472	54,837
Other Income and Expenses:				
Interest income	(399)	(489)	(1,020)	(1,126)
Interest expense	5,456	6,444	17,998	21,679
Other (income) expense, net	23	570	(325)	(725)
Total other income and expenses	5,080	6,525	16,653	19,828
Income before income tax expense	14,379	15,925	39,819	35,009
Income tax expense	5,086	6,310	13,404	13,844
Net income	$ 9,293	$ 9,615	$ 26,415	$ 21,165
Other Comprehensive Income (Loss):				
Foreign currency translation adjustments	(51)	88	(278)	6,475

Comprehensive income	$ 9,242	$ 9,703	$ 26,137	$ 27,640
Net income per Common Share basic	$ 0.31	$ 0.34	$ 0.90	$ 0.75
Net income per Common Share diluted	$ 0.31	$ 0.32	$ 0.89	$ 0.72
Weighted Average Common Shares Outstanding:				
Basic	29,520	28,462	29,365	28,343
Diluted	29,755	29,827	29,698	29,510
Cash Dividends Declared per Common Share	$ 0.1625	$ 0.1625	$ 0.4875	$ 0.1625

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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FTD GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended March 31, 2008	Nine Months Ended March 31, 2007
Cash Flows from Operating Activities:		
Net income	$ 26,415	$ 21,165
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,463	10,890
Stock-based compensation expense	1,947	1,451
Amortization and write-off of deferred financing costs	742	2,512
Provision for doubtful accounts	2,504	2,088
Deferred income taxes	(5,817)	2,706
Excess tax benefit from stock-based compensation	(2,421)	(1,904)
(Decrease) increase due to changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(8,963)	(9,743)
Inventories	(663)	(341)
Other current assets	(1,007)	1,058
Other noncurrent assets	(3,160)	283
Accounts payable	17,849	2,444
Other accrued liabilities	5,365	4,784
Net cash provided by operating activities	42,254	37,393
Cash Flows from Investing Activities:		
Capital expenditures	(4,795)	(6,027)
Dividends received	48	
Acquisition of business, net of cash acquired		(96,717)
Net cash used in investing activities	(4,747)	(102,744)
Cash Flows from Financing Activities:		
Repayments of long-term debt	(19,572)	(57,750)
Dividends paid	(14,366)	
Proceeds from exercise of stock options	2,187	2,315
Excess tax benefit from stock-based compensation	2,421	1,904
Proceeds from issuance of common stock	6	
Proceeds from issuance of long-term debt, net of financing costs		148,536
Net cash (used in) provided by financing activities	(29,324)	95,005
Effect of foreign exchange rate changes on cash and cash equivalents	352	771
Net increase in cash and cash equivalents	8,535	30,425
Cash and cash equivalents at beginning of period	25,462	10,954

Cash and cash equivalents at end of period	$ 33,997	$ 41,379
Supplemental disclosures of cash flow information		
Non-cash disclosure:		
Issuance of notes payable associated with the purchase of Interflora Holdings Limited	$	$ 23,313
Issuance of treasury stock associated with the purchase of Interflora Holdings Limited	$	$ 3,206

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

FTD Group, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of the Business

Basis of Presentation

These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, therefore, do not include all information and footnote disclosures normally included in audited financial statements. However, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, unless otherwise noted herein, necessary to present fairly the results of operations, financial position and cash flows have been made. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in FTD Group, Inc. s Annual Report on Form 10-K for the year ended June 30, 2007. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

As used in this Form 10-Q, the term Company refers to FTD Group, Inc. and its consolidated subsidiaries, including FTD, Inc. taken as a whole. FTD, Inc. is a Delaware corporation that commenced operations in 1994.

On July 31, 2006, the Company completed its acquisition of Interflora Holdings Limited (Interflora), a U.K. based provider of floral-related products and services to consumers and retail floral locations in the U.K. and the Republic of Ireland. Refer to Note 2 below. As a result of the Interflora acquisition, the Company also acquired majority control of Interflora, Inc. Interflora, Inc. is an international clearinghouse for flowers-by-wire order exchanges between its members. The results of operations associated with Interflora and Interflora, Inc. are included in the international segment.

All intercompany accounts and transactions have been eliminated in consolidation.

Recently Issued Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired in a business combination. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. For the Company, SFAS No. 141(R) is effective as of July 1, 2009. This statement is applicable to business combinations entered into subsequent to the effective date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for noncontrolling ownership interests in entities controlled by parties other than the reporting entity, the amount of consolidated net income attributable to the controlling interest and to the noncontrolling interest, changes in a controlling entity s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the controlling entity and the interests of the noncontrolling owners. For the Company, SFAS No. 160 is effective as of July 1, 2009. The Company is currently evaluating the potential impact, if any, the adoption of SFAS No. 160 will have on the Company s consolidated financial statements.

In June 2007, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11). EITF 06-11 provides that a realized income tax benefit from dividends or dividend equivalents that are charges to retained earnings and are paid

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to employees for non-vested equity-classified share-based awards and equity-classified outstanding share options should be recognized as an increase to additional paid-in capital rather than a reduction of income tax expense. EITF 06-11 applies prospectively to the income tax benefits that result from dividends on equity-classified employee share-based payment awards and, for the Company, is effective as of July 1, 2008. The Company does not expect the adoption of EITF 06-11 to have a material impact on the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 provides a company with the option to measure selected financial instruments and certain other items at fair value at specified election dates. The election may be applied on an item by item basis, with disclosure regarding reasons for partial election and additional information about items for which the company elects the fair value option. SFAS No. 159 is effective for the Company as of July 1, 2008. The Company is currently evaluating the potential impact, if any, the adoption of SFAS No. 159 will have on the Company s consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS No. 157 and its related pronouncements are effective for the Company as of July 1, 2008. The Company is currently evaluating the potential impact, if any, the adoption of SFAS No. 157 will have on the Company s consolidated financial statements.

Note 2. Acquisition of Interflora Holdings Limited

On July 31, 2006 the Company completed the acquisition of Interflora for a purchase price of approximately $122.8 million plus transaction related costs totaling $2.3 million. Approximately $98.6 million of the acquisition price was paid in cash at closing and $1.9 million of cash was acquired in connection with the purchase. The consideration included notes payable, of which $23.1 million were paid in May 2007 and the remainder, $1.7 million, was paid on May 1, 2008. The remainder of the purchase price was funded through the issuance of 216,374 shares of common stock (consisting of treasury shares) to certain senior managers of Interflora. The Company financed the acquisition with a new senior secured credit facility (the 2006 Credit Agreement) consisting of a $150.0 million term loan and a $75.0 million revolving credit facility. The proceeds from the 2006 Credit Agreement were also used to repay the Company s existing term loan. In addition, the Company entered into foreign currency forward exchange contracts totaling £61.8 million to hedge the acquisition cost. A contract in the amount of £51.0 million was settled on July 28, 2006 and resulted in a gain of $1.4 million, which was recorded in other (income) expense, net within the Condensed Consolidated Statements of Income and Comprehensive Income. A contract in the amount of £10.0 million was settled on May 1, 2007 and resulted in a gain of $1.4 million, which offset the foreign currency loss on the notes in the same amount. The remaining forward contract for £0.8 million is expected to be settled during the first quarter of fiscal year 2009. For the three-month and nine-month periods ended March 31, 2008, other (income) expense, net, related to the mark-to-market adjustments on this forward contract and the related note payable was not significant. For the three-month and nine-month periods ended March 31, 2007, other (income) expense, net, included $0.1 million and $1.4 million, respectively, of income related to the mark-to-market adjustments on these forward contracts and the related notes payable.

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Financial results for Interflora are included herein beginning August 1, 2006. The pro forma information below presents the results of operations as if the acquisition occurred on July 1, 2006 (in thousands, except per share amounts). Pro forma financial information related to Interflora, Inc. has not been included herein, as the operating results of Interflora, Inc. are not material to the Company s operating results.

	Nine Months Ended March 31, 2007
Pro forma revenues	$ 453,863
Pro forma income from operations	$ 55,712
Pro forma net income	$ 21,335
Pro forma net income per share basic	$ 0.75
Pro forma net income per share diluted	$ 0.72

In conjunction with the acquisition, the Company implemented a deferred compensation plan for certain members of Interflora management. Under the terms of the plan, participants will be paid a cash bonus upon achieving a specified annual earnings target if such target is achieved in any annual period within the seven years following the acquisition. The maximum payout under such plan is £2.6 million ($5.2 million translated at the March 31, 2008 exchange rate). The amounts accrued under this deferred compensation plan were $2.0 million and $0.9 million as of March 31, 2008, and 2007, respectively.

Note 3. Income Taxes

Taxes on earnings reflect the estimated annual effective rates, excluding the effect of significant unusual items. Tax expense for the three months ended March 31, 2008 includes $0.4 million of tax benefit primarily related to the expiration of a tax statute associated with contingent tax liabilities. Tax expense in the nine months ended March 31, 2008 includes $1.7 million of tax benefit primarily related to a statutory income tax rate reduction in the U.K and the expiration of the aforementioned tax statute associated with contingent tax liabilities. Excluding these unusual items, the effective tax rate was 38.0% for the three-month and nine-month periods ended March 31, 2008. For the three-month and nine-month periods ended March 31, 2007, the effective rate was 39.6% and 39.5% respectively.

Unrecognized tax benefits as of the adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48) on July 1, 2007 were approximately $2.4 million. If recognized, $0.7 million of these unrecognized tax benefits would have reduced the effective tax rate. As a result of the implementation of FIN 48, the Company recognized a $0.7 million decrease in the liability for unrecognized tax benefits. This decrease in the liability resulted in an increase to beginning retained earnings of $0.7 million. The Company does not expect the total amount of unrecognized tax benefits to change significantly within the next twelve months. Consistent with prior periods, the Company recognizes interest and penalties related to unrecognized benefits as a component of tax expense. Reserves for interest and penalties are not significant. The Company is subject to U.S. Federal income tax examinations for the tax years ended June 30, 2005 through June 30, 2007. The examination period for the tax year ended June 30, 2004 expired on March 15, 2008. The Company is subject to income tax examinations in the U.K. for the twelve-month period ended May 31, 2007 and the one-month period ended June 30, 2007. In addition, the Company is subject to various state and local income tax examinations for the tax years ended June 30, 2003 through June 30, 2007. During the three and nine months ended March 31, 2008, unrecognized tax benefits decreased by $0.9 million, related to the expiration of the tax statute noted above. Unrecognized tax benefits as of March 31, 2008 were approximately $1.5 million. If recognized, $0.5 million of these unrecognized tax benefits would reduce the effective tax rate.

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Note 4. Financing Arrangements

On July 28, 2006, in connection with the Interflora acquisition, FTD, Inc. entered into a new senior secured credit facility consisting of a $150.0 million term loan and a $75.0 million revolving credit facility. Borrowings under the 2006 Credit Agreement bear interest based on a margin over, at FTD, Inc. s option, either the base rate or the London Interbank Offered Rate (LIBOR). The applicable margin for borrowings varies based on the Company s consolidated leverage ratio, as defined in the 2006 Credit Agreement. The interest rate at March 31, 2008 and 2007 on the term loan was 4.45% and 7.36%, respectively. The Credit Agreement also requires the Company to pay commitment fees on the unused portion of the revolving credit facility. For the three-month and nine-month periods ended March 31, 2008 and 2007, the commitment fees remained consistent at $0.1 million and $0.2 million, respectively. The Agreement also includes covenants that, among other things, require that FTD, Inc. maintain a certain ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization (subject to certain adjustments), as well as a certain fixed charge ratio. Such ratios adjust quarterly in accordance with the terms of the Agreement. FTD, Inc. was in compliance with all debt covenants as of March 31, 2008.

On February 20, 2007, the Board of Directors of the Company approved, and the Company entered into, an amendment to the 2006 Credit Agreement, which, among other things, allows the Company to make certain restricted junior payments, including dividend payments, subject to certain conditions.

Both the 2006 Credit Agreement and the indenture governing the 7.75% Senior Subordinated Notes (the Notes) impose various restrictions on the Company, including restrictions that limit FTD, Inc. s ability to incur liens or encumbrances, make investments or acquisitions, incur additional debt, enter into sale leaseback transactions, incur certain contingent liabilities, make certain restricted junior payments and other similar distributions, enter into mergers, consolidations and similar combinations, sell assets or engage in similar transfers, amend certain material agreements, make capital expenditures and engage in transactions with affiliates.

In conjunction with the Company s completion of a going private transaction on February 24, 2004, FTD, Inc. entered into a senior secured credit facility (the 2004 Credit Agreement). There was $50.0 million in outstanding debt at June 30, 2006 under the 2004 Credit Agreement, which was subsequently paid off on July 28, 2006 with the proceeds from the 2006 Credit Agreement. As a result of repaying amounts borrowed under the 2004 Credit Agreement, the Company wrote off $1.8 million of deferred financing costs, net of accumulated amortization, during the first quarter of fiscal year 2007. This expense is recorded in interest expense in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income. In connection with the 2006 Credit Agreement, the Company incurred $1.5 million of deferred financing costs, which were allocated, pro rata, to the six-year revolving credit facility and the seven-year term loan and are being amortized using the effective interest method.

At March 31, 2008, the Company had $170.1 million of Notes outstanding, $122.3 million outstanding under the 2006 Credit Agreement, $1.7 million of notes payable related to the acquisition of Interflora (which were paid on May 1, 2008) and an additional $1.2 million in outstanding letters of credit and, as a result, the Company had approximately $72.1 million available under the revolving credit facility.

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Note 5. Net Income Per Common Share

The computations of basic and diluted net income per common share for the three-month and nine-month periods ended March 31, 2008 and 2007 are as follows (in thousands, except per share amounts):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2008	2007	2008	2007
Net income	$ 9,293	$ 9,615	$ 26,415	$ 21,165
Weighted average common shares outstanding basic	29,520	28,462	29,365	28,343
Effect of dilutive securities stock options and restricted stock	235	1,365	333	1,167
Weighted average common shares outstanding diluted	29,755	29,827	29,698	29,510
Net income per share of Common Stock basic	$ 0.31	$ 0.34	$ 0.90	$ 0.75
Net income per share of Common Stock diluted	$ 0.31	$ 0.32	$ 0.89	$ 0.72

For the three-month and nine-month periods ended March 31, 2008 there were 1,256,076 and 974,999 outstanding stock options, respectively, that were not included in the computation of diluted earnings per share because the exercise prices of the options were greater than the average market prices of the Company s Common Stock during the periods and, therefore, their effect was anti-dilutive. For the three-month period ended March 31, 2007 all outstanding stock options were included in the computation of diluted earnings per share because the average market price of the Company s Common Stock during the period was greater than the exercise price of all options. For the nine-month period ended March 31, 2007, there were 12,500 outstanding stock options which were not included in the computation of diluted earnings per share because their effect was anti-dilutive.

Note 6. Stock-Based Compensation

During the three-month and nine-month periods ended March 31, 2008, the Company granted 30,000 and 330,000 shares, respectively, of restricted stock to certain members of management. During the nine-month period ended March 31, 2008, the Company granted 15,000 options to various directors of the Company in accordance with the Company s director compensation plan, none of which were granted during the three-month period ended March 31, 2008. During the nine-month period ended March 31, 2007, the Company granted 1,380,217 options, to various employees and directors of the Company, none of which were granted during the three-month period ended March 31, 2007. The restricted shares vest equally each year over a five-year service period. Outstanding non-qualified stock options have an expiration date ten years from the date of grant and begin vesting as early as the date of grant, depending upon the individual agreements. Vesting accelerates in connection with a change in control, as defined in the plan. All stock options were granted with an exercise price equal to the fair market value of the Company s stock on the date of grant.

During the three-month and nine-month periods ended March 31, 2008, 5,000 and 221,332 options, respectively, were forfeited. During the nine-month period ended March 31, 2008, 20,000 shares of restricted stock were forfeited, none of which were forfeited in the three-month period ended March 31, 2008. During the three-month and nine-month periods ended March 31, 2007, 39,000 and 155,666 options, respectively, were forfeited. During the three-month and nine-month periods ended March 31, 2008, 4,333 and 559,597 options, respectively, were exercised. During the three-month and nine-month periods ended March 31, 2007, 605,879 and 746,659 options, respectively, were exercised.

Stock-based compensation expense was $0.6 million and $1.9 million, and $0.5 million and $1.5 million for the three-month and nine-month periods ended March 31, 2008, and 2007, respectively.

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Note 7. Commitments and Contingencies

The Company is involved in various claims and lawsuits and other matters arising in the normal course of business. In the opinion of management of the Company, although the outcomes of these matters are uncertain, they are not expected to have a material adverse effect on the Company s financial condition, results of operations or cash flows.

Note 8. Segment Information

Operating segments are components of the business for which separate financial information is available that is regularly reviewed by the enterprise s chief operating decision maker to make decisions about resources to be allocated to each segment and to assess its performance. Revenue earned and expenses charged between segments are recorded at fair value and eliminated in consolidation.

During the first quarter of the fiscal year ending June 30, 2008, the Company eliminated certain allocations of costs between its consumer and florist segments in order to simplify financial reporting and to reflect how the Company now manages its businesses. Certain reclassifications have been made to the basis of presentation to reflect the elimination of these allocations to facilitate comparable reporting. Such changes do not impact the consolidated financial statements.

For purposes of managing the Company, management reviews segment financial performance to the operating income level for each of its reportable segments. As such, interest income, interest expense and tax expense are recorded on a consolidated corporate basis.

The consumer segment encompasses sales of floral and specialty gift products, which are sold to consumers primarily in the U.S. and Canada through the Company s web site*, www.ftd.com*, in addition to its toll-free telephone number, 1-800-SEND-FTD.

The florist segment includes all products and services sold to FTD members and other retail locations offering floral products primarily in the U.S. and Canada, encompassing clearinghouse services, publishing services, online services, technology sales and leases, fresh flower sales and other specialty wholesale products.

The international segment is primarily comprised of Interflora, a U.K. based provider of floral-related products and services to consumers and retail floral locations in the U.K. and the Republic of Ireland. Interflora s products and services enable its members to send and deliver floral orders. It is also an Internet and telephone marketer of flowers and specialty gift items to consumers, operating primarily thorough the *www.interflora.co.uk* Web site as well as a toll-free telephone number. Interflora was acquired by the Company on July 31, 2006. As such, the nine months ended March 31, 2008 includes the results of operations of Interflora for nine months, whereas the nine months ended March 31, 2007 includes the results of Interflora s operations for only eight months.

The Company s total assets by segment are as follows (in thousands):

	March 31,	
	2008	2007
Consumer segment	$ 263,686	$ 266,017
Florist segment*	315,588	316,139
International segment	184,511	197,228
Total	$ 763,785	$ 779,384

* Includes corporate assets.

The following tables report the Company s operating results by reportable segment for the three-month and nine-month periods ended March 31, 2008 and 2007:

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	Three Months Ended March 31,					
	2008			2007		
(In thousands)	Gross Segment	Eliminations	Consolidated	Gross Segment	Eliminations	Consolidated
Revenues:						
Consumer segment	$ 85,082	$ (3,396)	$ 81,686	$ 83,244	$ (3,028)	$ 80,216
Florist segment	49,385	(121)	49,264	49,221	(98)	49,123
International segment	60,940	97	61,037	53,476	84	53,560
Total	195,407	(3,420)	191,987	185,941	(3,042)	182,899
Cost of Products Sold and Services Provided:						
Consumer segment	58,435	(121)	58,314	57,078	(98)	56,980
Florist segment	17,483		17,483	16,639		16,639
International segment	42,761	(31)	42,730	37,528	(37)	37,491
Corporate	514		514	493		493
	119,193	(152)	119,041	111,738	(135)	111,603
Gross Profit:						
Consumer segment	26,647	(3,275)	23,372	26,166	(2,930)	23,236
Florist segment	31,902	(121)	31,781	32,582	(98)	32,484
International segment	18,179	128	18,307	15,948	121	16,069
Corporate	(514)		(514)	(493)		(493)
Total	76,214	(3,268)	72,946	74,203	(2,907)	71,296
Advertising and Selling:						
Consumer segment	11,681		11,681	11,346		11,346
Florist segment	15,935	(3,396)	12,539	14,821	(3,028)	11,793
International segment	5,324	31	5,355	4,292	(83)	4,209
Total	32,940	(3,365)	29,575	30,459	(3,111)	27,348
General and Administrative:						
Consumer segment	5,637		5,637	6,525		6,525
Florist segment	2,292		2,292	2,052		2,052
International segment	5,637	(26)	5,611	6,486	61	6,547
Corporate	10,372		10,372	6,374		6,374
Total	23,938	(26)	23,912	21,437	61	21,498

Operating Income (Loss) before Corporate Allocations:						
Consumer segment	9,329	(3,275)	6,054	8,295	(2,930)	5,365
Florist segment	13,675	3,275	16,950	15,709	2,930	18,639
International segment	7,218	123	7,341	5,170	143	5,313
Corporate	(10,886)		(10,886)	(6,867)		(6,867)
Total	19,336	123	19,459	22,307	143	22,450
Corporate Allocations:						
Consumer segment	1,311		1,311	1,151		1,151
Florist segment	2,479		2,479	2,284		2,284
International segment						
Corporate	(3,790)		(3,790)	(3,435)		(3,435)
Total						
Operating Income (Loss):						
Consumer segment	8,018	(3,275)	4,743	7,144	(2,930)	4,214
Florist segment	11,196	3,275	14,471	13,425	2,930	16,355
International segment	7,218	123	7,341	5,170	143	5,313
Corporate	(7,096)		(7,096)	(3,432)		(3,432)
Total	$ 19,336	$ 123	$ 19,459	$ 22,307	$ 143	$ 22,450
Depreciation and Amortization:						
Consumer segment	$ 877	$	$ 877	$ 950	$	$ 950
Florist segment	660		660	799		799
International segment	851		851	1,078		1,078
Corporate	656		656	862		862
Total	$ 3,044	$	$ 3,044	$ 3,689	$	$ 3,689

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	Nine Months Ended March 31,					
	2008			2007		
(In thousands)	Gross Segment	Eliminations	Consolidated	Gross Segment	Eliminations	Consolidated
Revenues:						
Consumer segment	$ 200,459	$ (8,419)	$ 192,040	$ 205,437	$ (8,353)	$ 197,084
Florist segment	137,037	(351)	136,686	137,834	(312)	137,522
International segment	142,197	298	142,495	108,422	182	108,604
Total	479,693	(8,472)	471,221	451,693	(8,483)	443,210
Cost of Products Sold and Services Provided:						
Consumer segment	136,114	(351)	135,763	140,779	(312)	140,467
Florist segment	46,811		46,811	44,167		44,167
International segment	98,229	(99)	98,130	75,280	(77)	75,203
Corporate	1,467		1,467	1,507		1,507
	282,621	(450)	282,171	261,733	(389)	261,344
Gross Profit:						
Consumer segment	64,345	(8,068)	56,277	64,658	(8,041)	56,617
Florist segment	90,226	(351)	89,875	93,667	(312)	93,355
International segment	43,968	397	44,365	33,142	259	33,401
Corporate	(1,467)		(1,467)	(1,507)		(1,507)
Total	197,072	(8,022)	189,050	189,960	(8,094)	181,866
Advertising and Selling:						
Consumer segment	23,915		23,915	25,087		25,087
Florist segment	41,321	(8,419)	32,902	43,395	(8,353)	35,042
International segment	12,280	66	12,346	8,834	(196)	8,638
Total	77,516	(8,353)	69,163	77,316	(8,549)	68,767
General and Administrative:						
Consumer segment	14,515		14,515	16,750		16,750
Florist segment	6,570		6,570	6,348		6,348
International segment	17,584	6	17,590	15,231	318	15,549
Corporate	24,740		24,740	19,615		19,615
Total	63,409	6	63,415	57,944	318	58,262

Operating Income (Loss) before Corporate Allocations:						
Consumer segment	25,915	(8,068)	17,847	22,821	(8,041)	14,780
Florist segment	42,335	8,068	50,403	43,924	8,041	51,965
International segment	14,104	325	14,429	9,077	137	9,214
Corporate	(26,207)		(26,207)	(21,122)		(21,122)
Total	56,147	325	56,472	54,700	137	54,837
Corporate Allocations:						
Consumer segment	3,339		3,339	3,021		3,021
Florist segment	8,039		8,039	7,007		7,007
International segment						
Corporate	(11,378)		(11,378)	(10,028)		(10,028)
Total						
Operating Income (Loss):						
Consumer segment	22,576	(8,068)	14,508	19,800	(8,041)	11,759
Florist segment	34,296	8,068	42,364	36,917	8,041	44,958
International segment	14,104	325	14,429	9,077	137	9,214
Corporate	(14,829)		(14,829)	(11,094)		(11,094)
Total	$ 56,147	$ 325	$ 56,472	$ 54,700	$ 137	$ 54,837
Depreciation and Amortization:						
Consumer segment	$ 2,645	$	$ 2,645	$ 2,883	$	$ 2,883
Florist segment	1,970		1,970	2,430		2,430
International segment	2,882		2,882	2,783		2,783
Corporate	1,966		1,966	2,794		2,794
Total	$ 9,463	$	$ 9,463	$ 10,890	$	$ 10,890

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Note 9. Subsequent Events

On April 30, 2008, the Company and United Online, Inc. (United Online) announced that they had entered into a definitive merger agreement providing for the acquisition of the Company by United Online.

Under the terms of the merger agreement, FTD stockholders will receive $7.34 in cash, 0.4087 of a share of United Online common stock (United Online Stock) and $3.31 principal amount of United Online 13% senior secured notes due 2013 (the Notes) for each share of FTD common stock in the merger, for a total value of $15.08 per share of FTD common stock based on United Online s closing stock price of $10.83 on April 29, 2008. The total consideration to FTD stockholders will be approximately $456 million, consisting of $222 million in cash, 12.35 million shares of United Online Stock and $100 million aggregate principal amount of Notes. The remaining purchase price consists of repayment of FTD indebtedness and expenses incurred in connection with the transaction. Upon closing of the transaction, the former FTD stockholders will own approximately 15% of United Online.

Under the terms of the merger agreement, United Online may elect to increase the per share cash consideration payable to FTD s stockholders by $2.81 in full substitution of the Notes, in which case FTD stockholders will receive a total of $10.15 in cash and 0.4087 of a share of United Online Stock in exchange for each share of FTD common stock in the merger, or a total value of $14.58 per share of FTD common stock, based on United Online s closing stock price of $10.83 on April 29, 2008. In such case, the total consideration to FTD stockholders will be approximately $440 million, consisting of $307 million in cash and 12.34 million shares of United Online Stock. FTD will notify its stockholders as to the amount of cash, United Online Stock and, if applicable, Notes consideration they will receive for each share of FTD common stock in the merger in the definitive proxy/prospectus materials to be mailed to FTD s stockholders.

In connection with the transaction, FTD s 7.75% senior subordinated notes either will be defeased at closing or acquired and amended pursuant to a tender offer and consent solicitation.

The acquisition is anticipated to close during the first quarter of the Company s 2009 fiscal year. The transaction requires the approval of FTD stockholders and is subject to a financing condition and customary closing conditions. Green Equity Investors IV, L.P. and FTD Co-Investment, LLC, affiliates of Leonard Green & Partners, L.P. which collectively own approximately 31% of the outstanding shares of FTD, have agreed to vote their shares in favor of the transaction, subject to the terms of a voting agreement.

Under the terms of the merger agreement, FTD has agreed to suspend all dividends on its common stock for 180 days after the date of the signing of the merger agreement.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

Unless the context otherwise indicates, as used in this Form 10-Q, the term Company refers to FTD Group, Inc. and its consolidated subsidiaries, taken as a whole. This Quarterly Report on Form 10-Q contains various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include statements regarding the Company s outlook, anticipated revenue growth and profitability; anticipated benefits of its acquisition of Interflora Holdings Limited (Interflora), anticipated benefits of investments in new products, programs and offerings and opportunities and trends within both the domestic and international floral businesses, including opportunities to expand these businesses and capitalize on growth opportunities or increase penetration of service offerings. The international business includes the operations of Interflora. These forward-looking statements are based on management s current expectations, assumptions, estimates and projections about the Company and the Company s industry. Investors are cautioned that actual results could materially differ from those contained in any forward-looking statements as a result of: the Company s ability to acquire and retain FTD and Interflora members and continued recognition by members of the value of the Company s products and services; the acceptance by members of new or modified service offerings recently introduced; the Company s ability to sell additional products and services to FTD and Interflora members; the Company s ability to expand existing marketing partnerships and secure new marketing partners within the domestic and international consumer businesses; the success of the Company s marketing campaigns; the ability to retain customers and maintain average order value within the domestic and international consumer businesses; the ability to manage foreign currency exchange rate risk; the Company s performance during key holiday selling seasons such as Christmas, Valentine s Day and Mother s Day; the existence of failures in the Company s computer systems; competition from existing and potential new competitors; levels of discretionary consumer purchases of flowers and specialty gifts; the Company s ability to manage or reduce its level of expenses within both the domestic and international businesses; actual growth rates for the markets in which the Company competes compared with forecasted growth rates; the Company s ability to increase capacity and introduce enhancements to its Web sites; the Company s ability to integrate additional partners or acquisitions, if any are identified; and other factors described in this Quarterly Report on Form 10-Q and in the Company s Annual Report on Form 10-K, including under Item 1A Risk Factors, as well as other potential risks and uncertainties, which are discussed in the Company s other reports and documents filed with the Securities and Exchange Commission. The Company expressly disclaims any obligation to update its forward-looking statements.

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes to those statements that appear elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements that reflect the Company s plans, estimates and beliefs. The Company s actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to any differences include, but are not limited to, those discussed under the captions Forward-Looking Information, Risk Factors and elsewhere in this Quarterly Report on Form 10-Q.

Overview

FTD Group, Inc. is a leading provider of floral and specialty gift products to consumers and retail florists, as well as other retail locations offering floral products, primarily in the U.S., Canada, the U.K. and the Republic of Ireland. The business utilizes the highly recognized FTD and Interflora brands, both supported by the Mercury Man logo, which is displayed in approximately 45,000 floral shops worldwide. The Company conducts business through three operating segments, the consumer segment, the florist segment and the international segment.

Consumer Segment. The consumer segment is an Internet and telephone marketer of flowers and specialty gift items, which sells products directly to consumers primarily through the *www.ftd.com* Web site, in addition to the 1-800-SEND-FTD toll-free telephone number.

Florist Segment. The florist segment provides a comprehensive suite of products and services that enable FTD members to send and deliver floral orders. The Company provides these services to its network of independent members located primarily in the U.S. and Canada, which includes traditional retail florists as well as other retailers offering floral products.

International Segment. The international segment is primarily comprised of Interflora, which serves both the florist and consumer markets in the U.K. and Republic of Ireland. Interflora markets floral products and specialty gifts direct to consumers in the U.K. and the Republic of Ireland through both the *www.interflora.co.uk* Web site and a toll-free telephone number. Interflora also provides various products and services to its members.

Corporate Costs. Costs related to corporate headquarters, including accounting, executive, legal, facilities, corporate information technology and credit and collections are charged to Corporate. Costs related to facilities, corporate information technology and credit and collections are then allocated to the consumer and florist segments.

Seasonality. In view of seasonal variations in the revenues and operating results of the Company s florist, consumer and international segments, the Company believes that comparisons of its revenues and operating results for any period with those of the immediately preceding period, or in some instances, the same period of the preceding fiscal year may be of limited relevance in evaluating the Company s historical performance and predicting the Company s future financial performance. The Company s working capital, cash and short-term borrowings also fluctuate during the year as a result of the factors set forth below.

Revenues and operating results tend to be lower for the quarter ending September 30 because none of the most popular floral and gift holidays, which include Valentine s Day, Easter, Mother s Day, Thanksgiving and Christmas, fall within that quarter. In addition, depending on the year, the popular floral holidays of Easter and the U.K. Mother s Day sometimes fall within the quarter ending March 31 and sometimes fall within the quarter ending June 30.

Acquisition of Company by United Online, Inc. On April 30, 2008, the Company and United Online, Inc. (United Online) announced that they had entered into a definitive merger agreement providing for the acquisition of the Company by United Online.

Under the terms of the merger agreement, FTD stockholders will receive $7.34 in cash, 0.4087 of a share of United Online common stock (United Online Stock) and $3.31 principal amount of United Online 13% senior secured notes due 2013 (the Notes) for each share of FTD common stock in the merger, for a total value of $15.08 per share of FTD common stock based on United Online s closing stock price of $10.83 on April 29, 2008. The total consideration to FTD stockholders will be approximately $456 million, consisting of $222 million in cash, 12.35 million shares of United Online Stock and $100 million aggregate principal amount of Notes. The remaining purchase price consists of repayment of FTD indebtedness and expenses incurred in connection with the transaction. Upon closing of the transaction, the former FTD stockholders will own approximately 15% of United Online.

Under the terms of the merger agreement, United Online may elect to increase the per share cash consideration payable to FTD s stockholders by $2.81 in full substitution of the Notes, in which case FTD stockholders will receive a total of $10.15 in cash and 0.4087 of a share of United Online Stock in exchange for each share of FTD common stock in the merger, or a total value of $14.58 per share of FTD common stock, based on United Online s closing stock price of $10.83 on April 29, 2008. In such case, the total consideration to FTD stockholders will be approximately $440 million, consisting of $307 million in cash and 12.34 million shares of United Online Stock. FTD will notify its stockholders as to the amount of cash, United Online Stock and, if applicable, Notes consideration they will receive for each share of FTD common stock in the merger in the definitive proxy/prospectus materials to be mailed to FTD s stockholders.

In connection with the transaction, FTD s 7.75% senior subordinated notes either will be defeased at closing or acquired and amended pursuant to a tender offer and consent solicitation.

The acquisition is anticipated to close during the first quarter of the Company s 2009 fiscal year. The transaction requires the approval of FTD stockholders and is subject to a financing condition and customary closing conditions. Green Equity Investors IV, L.P. and FTD Co-Investment, LLC, affiliates of Leonard Green & Partners, L.P. which collectively own approximately 31% of the outstanding shares of FTD, have agreed to vote their shares in favor of the transaction, subject to the terms of a voting agreement.

Under the terms of the merger agreement, FTD has agreed to suspend all dividends on its common stock for 180 days after the date of the signing of the merger agreement.

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Three Months Ended March 31, 2008 compared to the Three Months Ended March 31, 2007

Revenues

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	% Change
(In thousands)			
Consumer segment	$ 81,686	$ 80,216	1.8%
Florist segment	49,264	49,123	0.3%
International segment	61,037	53,560	14.0%
Total revenues	$ 191,987	$ 182,899	5.0%

Total revenue grew $9.1 million, or 5.0% to $192.0 for the third quarter of fiscal year 2008, compared to total revenues of $182.9 million for the same period of fiscal year 2007. Interflora, which is included in the Company s international segment, accounted for $7.4 million of the increase in revenue, approximately $0.9 million of which related to the impact of foreign currency rate changes.

Revenues in the consumer segment increased $1.5 million, or 1.8% to $81.7 million in the third quarter of fiscal year 2008, compared to revenues of $80.2 million in the same period of fiscal year 2007. Revenue in the quarter was benefited by the shift of the Easter holiday into the third quarter compared with the prior year when Easter occurred in the fourth quarter. Additionally, average order value increased to $64.48 for the third quarter of fiscal year 2008, compared to $63.04 for the same period of fiscal year 2007. This increase was partially offset by a 0.6% decrease in order volumes, which totaled approximately 1,236,000 during the third quarter of fiscal year 2008 compared to approximately 1,243,000 orders in the same period of fiscal year 2007. The percentage of Internet orders decreased to 89.7% in the third quarter of fiscal year 2008 from 91.6% in the third quarter of fiscal year 2007.

Revenues in the florist segment increased $0.2 million, or 0.3% to $49.3 million in the third quarter of fiscal year 2008, compared to revenues of $49.1 million in the same period of fiscal year 2007. The increase in revenue was primarily related to increases in sales of fresh flowers, partially offset by a planned reduction in sales of containers.

Revenues in the international segment increased $7.4 million, or 14.0%, to $61.0 million in the third quarter of fiscal year 2008, compared to revenues of $53.6 million in the same period of fiscal year 2007. The increase was driven by increased order volume in Interflora s consumer business and an increase in average order value, which was primarily related to favorable foreign currency movements between the U.S. dollar and the British pound. Consumer order volume increased 14.0% in the international segment to approximately 758,000 in the third quarter of fiscal year 2008, compared to orders of approximately 665,000 in the prior fiscal year third quarter. Average order value increased to $67.39 in the third quarter of fiscal 2008 compared to $66.68 of the prior year, driven by the favorable exchange rate trends. The percentage of Internet orders increased to 77.9% from 73.4% in the prior year.

Gross profit

(In thousands)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	% Change
Consumer segment	$ 23,372	$ 23,236	0.6%
Florist segment	31,781	32,484	(2.2%)
International segment	18,307	16,069	13.9%
Corporate	(514)	(493)	4.3%
Total gross profit	$ 72,946	$ 71,296	2.3%

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Gross profit increased $1.6 million, or 2.3% to $72.9 million for the third quarter of fiscal year 2008, compared to gross profit for the third quarter of fiscal year 2007 of $71.3 million. Total gross margin decreased to 38.0% for the third quarter of fiscal year 2008 from 39.0% for the same period in fiscal year 2007.

Gross profit associated with the consumer segment increased $0.2 million, or 0.6%, to $23.4 million for the third quarter of fiscal year 2008, compared to $23.2 million for the third quarter of fiscal year 2007. Gross margin for the consumer segment decreased to 28.6% for the third quarter of fiscal year 2008, compared to 29.0% for same period in fiscal year 2007, primarily due to the mix of products sold.

Gross profit associated with the florist segment decreased by $0.7 million, or 2.2%, to $31.8 million for the third quarter of fiscal year 2008, compared to $32.5 million for the third quarter of fiscal year 2007. Gross margin for the florist segment decreased to 64.5% for the third quarter of fiscal year 2008, compared to 66.1% for the same period in fiscal year 2007, primarily due to the increase in sales of fresh flowers as they carry a lower margin than other products.

Gross profit associated with the international segment increased $2.2 million, or 13.9%, to $18.3 million for the third quarter of fiscal year 2008, compared to $16.1 million for the prior year quarter ended March 31, 2007. The increase is primarily due to the increases in revenue discussed above. Gross margin for the international segment remained consistent at 30.0% for the third quarter of fiscal year 2008 and 2007.

Advertising and selling costs

	Three Months Ended March 31,		
(In thousands)	2008	2007	% Change
Consumer segment	$ 11,681	$ 11,346	3.0%
Florist segment	12,539	11,793	6.3%
International segment	5,355	4,209	27.2%
Total advertising and selling costs	$ 29,575	$ 27,348	8.1%

Advertising and selling costs increased $2.3 million, or 8.1%, to $29.6 million for the third quarter of fiscal year 2008, compared to $27.3 million for the third quarter of fiscal year 2007. As a percentage of revenue, advertising and selling costs increased to 15.4% for the third quarter of fiscal year 2008 compared to 15.0% for the third quarter of fiscal year 2007.

Advertising and selling costs associated with the consumer segment increased $0.4 million, or 3.0%, to $11.7 million for the third quarter of fiscal year 2008, compared to $11.3 million for the third quarter of fiscal year 2007. The increase in advertising and selling costs was primarily due to the planned diversification of marketing spend between online and offline channels during the period. The company increased its spending in offline marketing channels which included direct marketing campaigns and efficiently managed its online advertising spend. Advertising and selling costs as a percentage of revenue associated with the consumer segment increased to 14.3% for the third quarter of fiscal year 2008 compared to 14.1% for the third quarter of fiscal year 2007.

Advertising and selling costs associated with the florist segment increased $0.7 million, or 6.3%, to $12.5 million for the third quarter of fiscal year 2008, compared to $11.8 million for the third quarter of fiscal year 2007. The increase in advertising and selling costs was primarily due to a shift in timing of advertising expenses related to the Easter holiday and a florist membership event that occurred during the third quarter of the current fiscal year and during the fourth quarter of the prior fiscal year.

Advertising and selling costs associated with the international segment increased $1.2 million, or 27.2%, to $5.4 million for the third quarter of fiscal year 2008, compared to $4.2 million for the same period of the prior fiscal year. The increase is primarily related to increases in online and direct mail marketing costs, as well as increased consumer order volumes. As a percentage of revenue, advertising and selling costs increased to 8.8% for the third quarter of fiscal year 2008 compared to 7.9% for the prior year period.

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General and administrative costs

(In thousands)	Three Months Ended March 31, 2008	2007	% Change
Consumer segment	$ 5,637	$ 6,525	(13.6%)
Florist segment	2,292	2,052	11.7%
International segment	5,611	6,547	(14.3%)
Corporate	10,372	6,374	62.7%
Total general and administrative costs	$ 23,912	$ 21,498	11.2%

General and administrative costs increased $2.4 million, or 11.2%, to $23.9 million for the third quarter of fiscal year 2008, compared to $21.5 million for the same period of the prior fiscal year.

General and administrative costs associated with the consumer segment decreased by $0.9 million, or 13.6%, to $5.6 million for the third quarter fiscal year 2008, compared to $6.5 million for the third quarter of fiscal year 2007. This decrease was primarily due to more efficient technology spending and increased efficiencies in the customer service area. General and administrative costs as a percentage of revenue decreased to 6.9% for the third quarter of fiscal year 2008 compared to 8.1% for the prior year period.

General and administrative costs associated with the florist segment were $2.3 million for the third quarter of fiscal year 2008, and increase of 11.7%, compared to $2.1 million for the third quarter of fiscal year 2007. This increase is primarily related to increases in personnel-related costs. As a percentage of revenue, general and administrative costs increased to 4.7% compared with 4.2% in the prior year quarter.

General and administrative costs associated with the international segment decreased by $0.9 million, or 14.3%, to $5.6 million for the third quarter fiscal year 2008, compared to $6.5 million for the prior year quarter ended March 31, 2007. The decrease is primarily related to a reduction in technology costs, as well as a shift of certain costs to the fourth quarter of the current year that were incurred in the third quarter of the prior year. As a percentage of revenue, general and administrative costs declined to 9.2% compared with 12.2% in the prior year third quarter.

Corporate general and administrative costs were $10.4 million for the third quarter of fiscal year 2008, compared to $6.4 million for the third quarter of fiscal year 2007. The current year third quarter included $2.0 million of charges related to acquisition opportunities that were abandoned in light of the pending acquisition by United Online, Inc., $0.9 million of expenses related to the pending acquisition by United Online, Inc., and $0.6 million of advisory costs related to the resolution of a sales tax audit.

Other

(In thousands)	Three Months Ended March 31, 2008	2007	% Change
Interest income	$ (399)	$ (489)	(18.4%)
Interest expense	5,456	6,444	(15.3%)
Other (income) expense, net	23	570	(96.0%)
Total other (income) and expenses	$ 5,080	$ 6,525	(22.1%)

Interest income decreased by $0.1 million, or 18.4%, to $0.4 million for the third quarter of fiscal year 2008, compared to $0.5 million for the third quarter of fiscal year 2007.

Interest expense decreased by $0.9 million, or 15.3%, to $5.5 million for the third quarter of fiscal year 2008, compared to $6.4 million for the third quarter of fiscal year 2007. The decrease is related to a decrease in outstanding indebtedness and a decrease in interest rates.

Other expense was not significant for the third quarter of fiscal year 2008, compared to $0.6 million of expense for the third quarter of fiscal year 2007.

Taxes on earnings reflect the estimated annual effective rates, excluding the effect of significant unusual items. Tax expense for the three months ended March 31, 2008 includes $0.4 million of tax benefit primarily related to the expiration of a tax statute associated with contingent tax liabilities. Excluding this unusual item, the effective tax rate was 38.0% for the three months ended March 31, 2008. For the same period of fiscal year 2007, the effective rate was 39.6%.

Nine Months Ended March 31, 2008 compared to the Nine Months Ended March 31, 2007

The Company acquired Interflora on July 31, 2006, and, as a result, eight months of Interflora s financial results are included in the nine-month period ended March 31, 2007.

Revenues

	Nine Months Ended March 31,		
(In thousands)	2008	2007	% Change
Consumer segment	$ 192,040	$ 197,084	(2.6%)
Florist segment	136,686	137,522	(0.6%)
International segment	142,495	108,604	31.2%
Total revenues	$ 471,221	$ 443,210	6.3%

For the nine-month period ended March 31, 2008 consolidated revenue increased $28.0 million, or 6.3%, to $471.2 million, compared to revenue of $443.2 million for the same period of the prior fiscal year. Revenue in the international segment increased $33.9 million, which includes an additional month of operations in the current year period, as well as approximately $5.7 million related to the impact of foreign currency rate changes. This increase was partially offset by declines in the Company s consumer and florist segments totaling $5.9 million.

Revenues in the consumer segment decreased by $5.1 million, or 2.6%, to $192.0 million in the nine-month period ended March 31, 2008, compared to revenue of $197.1 million in the same period of fiscal year 2007. This decrease was driven by a 6.7% decrease in order volume, which totaled approximately 2,937,000 during the nine-month period ended March 31, 2008, compared to approximately 3,147,000 orders in the same period of the prior fiscal year. This decline was partially offset by an increase in average order value to $63.79 for the nine-month period ended March 31, 2008, compared to $61.33 for the same period of the prior fiscal year. The percentage of Internet orders for the nine-month period ended March 31, 2008 decreased slightly to 89.4% from 89.6% for the nine-month period ended March 31, 2007.

Revenues in the florist segment decreased by $0.8 million, or 0.6%, to $136.7 million in the for the nine-month period ended March 31, 2008, compared to $137.5 million in the same period of the prior fiscal year. This decline was primarily driven by reduced container sales and a decrease in clearinghouse order volumes and membership fees, partially offset by an increase in sales of fresh flowers.

Revenues in the international segment were $142.5 million in the nine-month period ended March 31, 2008. Fiscal year 2007 revenues for the same period were $108.6 million, which represented only eight months of financial results as Interflora was acquired by the Company on July 31, 2006. Revenues for the nine-month period ended March 31, 2008 included approximately $5.7 million related to favorable foreign currency movements between the U.S. dollar and the British pound. Consumer orders in the international segment increased during the nine-month period ended March 31, 2008 to approximately 1,708,000, compared to approximately 1,366,000 orders in the eight-month period of the prior fiscal year. Average order value increased to $68.76 for the nine-month period ended March 31, 2008,

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compared to $65.47 in the eight-month period of the prior fiscal year. Internet orders comprised 74.5% of the total order volume for the period, compared to 71.3% in the eight-month period of the prior fiscal year.

Gross profit

	Nine Months Ended March 31,		
(In thousands)	2008	2007	% Change
Consumer segment	$ 56,277	$ 56,617	(0.6%)
Florist segment	89,875	93,355	(3.7%)
International segment	44,365	33,401	32.8%
Corporate	(1,467)	(1,507)	(2.7%)
Total gross profit	$ 189,050	$ 181,866	4.0%

Gross profit increased $7.2 million, or 4.0%, to $189.1 million for the nine-month period ended March 31, 2008, compared to gross profit for the same period of the prior fiscal year of $181.9 million. Total gross margin decreased to 40.1% for the nine-month period ended March 31, 2008 from 41.0% for the same period of the prior fiscal year.

Gross profit associated with the consumer segment decreased by $0.3 million, or 0.6%, to $56.3 million for the nine-month period ended March 31, 2008, compared to $56.6 million for the same period of the prior fiscal year. Gross margin for the consumer segment increased to 29.3% for the nine-month period ended March 31, 2008, compared to 28.7% for the same period of the prior fiscal year, primarily due to the mix of products sold.

Gross profit associated with the florist segment decreased by $3.5 million, or 3.7%, to $89.9 million for the nine-month period ended March 31, 2008, compared to $93.4 million for the same period of the prior fiscal year. Gross margin for the florist segment decreased to 65.8% for the nine-month period ended March 31, 2008, compared to 67.9% for the same period in the prior fiscal year, primarily due to the increase in sales of fresh flowers, which is a lower margin product line, and the decrease in clearinghouse order volumes and membership fees which have higher margins.

Gross profit associated with the international segment increased $11.0 million, or 32.8%, to $44.4 million for the nine-month period ended March 31, 2008, compared to $33.4 million for the eight months ended March 31, 2007. For the nine-month period ended March 31, 2008, gross margin associated with the international segment increased to 31.1%, compared to 30.8% for the eight-month period in the prior fiscal year. The increase was primarily driven by an increase in advertising revenue.

Advertising and selling costs

	Nine Months Ended March 31,		
(In thousands)	2008	2007	% Change
Consumer segment	$ 23,915	$ 25,087	(4.7%)
Florist segment	32,902	35,042	(6.1%)
International segment	12,346	8,638	42.9%
Total advertising and selling costs	$ 69,163	$ 68,767	0.6%

Advertising and selling costs increased $0.4 million, or 0.6%, to $69.2 million for the nine-month period ended March 31, 2008, compared to $68.8 million for the same period of the prior fiscal year. As a percentage of revenue, advertising and selling costs decreased to 14.7% for the nine-month period ended March 31, 2008 compared to 15.5% for the same period of the prior fiscal year.

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Advertising and selling costs associated with the consumer segment decreased $1.2 million, or 4.7%, to $23.9 million for the nine-month period ended March 31, 2008, compared to $25.1 million for the same period of the prior fiscal year. Advertising and selling costs as a percentage of revenue associated with the consumer segment decreased to 12.5% for the nine-month period ended March 31, 2008, compared to 12.7% for the nine-month period ended March 31, 2007. The decrease reflects the planned diversification of marketing spend between online and offline channels during the period. The Company increased its spending in offline marketing channels and efficiently managed its online and direct marketing spend.

Advertising and selling costs associated with the florist segment decreased by $2.1 million, or 6.1%, to $32.9 million for the nine-month period ended March 31, 2008, compared to $35.0 million for the same period of the prior fiscal year. The decrease in advertising and selling costs was primarily due to a decrease in rebates, which are earned by FTD members under a customer incentive program.

Advertising and selling costs associated with the international segment increased $3.7 million, or 42.9%, to $12.3 million for the nine-month period ended March 31, 2008, compared to $8.6 million for the eight-month period of the prior fiscal year. The increase is primarily related to the additional month of operations included in the current year period versus the prior year, the impact of foreign currency rate changes and an increase in consumer order volume. As a percentage of revenue, advertising and selling costs for the international segment increased to 8.7% for the nine-month period ended March 31, 2008, compared to 8.0% for the eight-month period ended March 31, 2007.

General and administrative costs

	Nine Months Ended March 31,		
(In thousands)	2008	2007	% Change
Consumer segment	$ 14,515	$ 16,750	(13.3%)
Florist segment	6,570	6,348	3.5%
International segment	17,590	15,549	13.1%
Corporate	24,740	19,615	26.1%
Total general and administrative costs	$ 63,415	$ 58,262	8.8%

General and administrative costs increased $5.1 million, or 8.8%, to $63.4 million for the nine-month period ended March 31, 2008, compared to $58.3 million for the same period of the prior fiscal year.

General and administrative costs associated with the consumer segment decreased by $2.3 million, or 13.3%, to $14.5 million for the nine-month period ended March 31, 2008, compared to $16.8 million for the same period of the prior fiscal year. This decrease was primarily due to more efficient technology spending and increased efficiencies in the customer service area. General and administrative costs as a percentage of revenue also decreased to 7.6% for the nine months ended March 31, 2008 compared to 8.5% for the prior year period.

General and administrative costs associated with the florist segment increased $0.3 million, or 3.5%, to $6.6 million for the nine-month period ended March 31, 2008, compared to $6.3 million for the same period of the prior fiscal year, primarily related to increases in personnel-related costs. As a percent of revenue, general and administrative costs increased slightly to 4.8% for the nine months ended March 31, 2008 compared to 4.6% for the prior year period.

General and administrative costs associated with the international segment increased $2.1 million, or 13.1%, to $17.6 million for the nine-month period ended March 31, 2008, compared to $15.5 million for the eight-month period of the prior fiscal year. The increase is primarily related to the additional month of operations included in the current year period versus the prior year, an increase in personnel-related costs and the impact of foreign exchange. As a percentage of revenue, general and administrative costs declined to 12.3% compared with 14.3% for the eight-month period of the prior fiscal year.

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Corporate general and administrative costs increased $5.1 million, or 26.1%, to $24.7 million for the nine-month period ended March 31, 2008, compared to $19.6 million for the same period of the prior fiscal year. The nine months ended March 31, 2008, included $2.0 million of charges related to acquisition opportunities that were abandoned in light of the pending acquisition by United Online, Inc., $1.1 million of expenses related to the pending acquisition by United Online, Inc., $0.6 million of advisory costs related to the resolution of a sales tax audit and $0.6 million related to other sales tax matters.

Other

	Nine Months Ended March 31,		
(In thousands)	2008	2007	% Change
Interest income	$ (1,020)	$ (1,126)	(9.4%)
Interest expense	17,998	21,679	(17.0%)
Other (income) expense, net	(325)	(725)	(55.2%)
Total other (income) and expenses	$ 16,653	$ 19,828	(16.0%)

Interest income decreased slightly to $1.0 million for the nine-month period ended March 31, 2008 compared to $1.1 million for the same period of the prior fiscal year.

Interest expense decreased by $3.7 million, or 17.0%, to $18.0 million for the nine-month period ended March 31, 2008, compared to $21.7 million for the same period of the prior fiscal year. The decrease from the prior year is related to a decrease in outstanding indebtedness and a decrease in interest rates, as well as a $1.8 million write-off of unamortized deferred financing costs associated with the Company s prior credit facility in the first quarter of 2007.

Other income decreased to $0.3 million for the nine-month period ended March 31, 2008, compared to $0.7 million for the same period of the prior fiscal year.

Taxes on earnings reflect the estimated annual effective rates, excluding the effect of significant unusual items. Tax expense for the nine months ended March 31, 2008 includes $1.7 million of tax benefit primarily related to a statutory income tax rate reduction in the U.K. and the expiration of a tax statute associated with contingent tax liabilities. Excluding these unusual items, the effective tax rate was 38.0% for the nine months ended March 31, 2008. For the same period of fiscal year 2007, the effective rate was 39.5%.

Liquidity and Capital Resources

As of March 31, 2008, the Company s debt balance totaled $294.1 million, down from $313.7 million as of June 30, 2007. The Company s principal sources of liquidity are cash from operations and funds available for borrowing under FTD, Inc. s senior secured credit facility (the 2006 Credit Agreement), which consists of a seven-year $150.0 million term loan and a six-year $75.0 million revolving credit facility. As of March 31, 2008, the balance outstanding under the 2006 Credit Agreement was $122.3 million. The Company also had $170.1 million of 7.75% Senior Subordinated Notes outstanding, $1.7 million of notes payable related to the acquisition of Interflora (which was paid on May 1, 2008) and an additional $1.2 million in outstanding letters of credit. The revolving credit facility had availability of approximately $72.1 million at March 31, 2008. Borrowings under the revolving credit facility are used to finance working capital, capital expenditures, acquisitions and letter of credit needs.

Cash and cash equivalents increased $8.5 million to $34.0 million at March 31, 2008 from $25.5 million at June 30, 2007.

Net cash provided by operating activities was $42.3 million for the nine-month period ended March 31, 2008 and $37.4 million for the nine-month period ended March 31, 2007. Net income, adjusted for non-cash items, continues to be a primary source of funds to finance operating needs and capital expenditures, repay indebtedness, pay dividends and make other strategic investments.

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Net cash used in investing activities was $4.7 million for the nine-month period ended March 31, 2008, which included $4.8 million in capital expenditures, primarily related to continued technology developments and improvements.

Net cash used in investing activities was $102.7 million for the nine-month period ended March 31, 2007, which included $96.7 million of cash used for the Interflora acquisition and $6.0 million of capital expenditures, primarily related to continued technology developments and improvements.

Net cash used in financing activities was $29.3 million for the nine-month period ended March 31, 2008, which primarily consisted of $19.6 million of repayments under the 2006 Credit Agreement and $14.4 million of dividends paid, partially offset by $2.4 million of excess tax benefits from stock-based compensation and $2.2 million of proceeds from stock option exercises.

Net cash provided by financing activities was $95.0 million for the nine-month period ended March 31, 2007, which primarily consisted of $148.5 million of net proceeds received from the 2006 Credit Agreement, $1.9 million of excess tax benefits from stock-based compensation and $2.3 million of proceeds from stock option exercises, partially offset by $50.0 million of repayments under the 2004 Credit Agreement and $7.8 million of repayments under the 2006 Credit Agreement. Net cash proceeds from financing activities were used to fund the acquisition of Interflora.

In addition to its debt service obligations, the Company s remaining liquidity requirements are primarily for working capital needs and capital expenditures. The Company believes, based on current circumstances, that its existing and future cash flows from operations, together with borrowings under the 2006 Credit Agreement, will be sufficient to fund its working capital needs, capital expenditures and to make interest and principal payments as they become due under the terms of the long-term indebtedness for the foreseeable future.

On March 11, 2008, the Company s Board of Directors declared a quarterly cash dividend of $0.1625 per share. The dividend was paid on April 4, 2008 to stockholders of record as of the close of business on March 21, 2008. The continued payment of cash dividends in the future is at the discretion of the Company s Board of Directors and depends on numerous factors, including without limitation, the Company s net earnings, financial condition, availability of capital, continued compliance with the requirements of the Company s 2006 Credit Agreement, as amended, and the indenture governing the 7.75% Senior Subordinated Notes and other business needs.

Under the terms of the merger agreement with United Online, Inc., it is expected that the Company s 7.75% Senior Subordinated Notes and the 2006 Credit Agreement will be refinanced, and FTD has agreed to suspend all dividends on its common stock for 180 days after the date of the signing of the merger agreement.

Critical Accounting Policies and Estimates

The Company s condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

See the information concerning the Company s critical accounting policies included under Note 1 and Item 7 in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2007.

Recently Issued Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired in a business combination. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. For the Company, SFAS No. 141(R) is effective as of July 1, 2009. This statement is applicable to business combinations entered into subsequent to the effective date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for noncontrolling ownership interests in entities controlled by parties other than the reporting entity, the amount of consolidated net income attributable to the controlling interest and to the noncontrolling interest, changes in a controlling entity s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the controlling entity and the interests of the noncontrolling owners. For the Company, SFAS No. 160 is effective as of July 1, 2009. The Company is currently evaluating the potential impact, if any, the adoption of SFAS No. 160 will have on the Company s consolidated financial statements.

In June 2007, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11). EITF 06-11 provides that a realized income tax benefit from dividends or dividend equivalents that are charges to retained earnings and are paid to employees for nonvested equity-classified share-based awards and equity-classified outstanding share options should be recognized as an increase to additional paid-in capital rather than a reduction of income tax expense. EITF 06-11 applies prospectively to the income tax benefits that result from dividends on equity-classified employee share-based payment awards and, for the Company, is effective as of July 1, 2008. The Company does not expect the adoption of EITF 06-11 to have a material impact on the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 provides a company with the option to measure selected financial instruments and certain other items at fair value at specified election dates. The election may be applied on an item by item basis, with disclosure regarding reasons for partial election and additional information about items for which the company elects the fair value option. SFAS No. 159 is effective for the Company as of July 1, 2008. The Company is currently evaluating the potential impact, if any, the adoption of SFAS No. 159 will have on the Company s consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS No. 157 and its related pronouncements are effective for the Company as of July 1, 2008. The Company is currently evaluating the potential impact, if any, the adoption of SFAS No. 157 will have on the Company s consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company s exposure to interest rate risk is primarily the result of borrowings under its bank credit facilities. At March 31, 2008, $122.3 million of debt was outstanding under the 2006 Credit Agreement and is subject to variable interest rates. Borrowings under the 2006 Credit Agreement are secured by first priority security interests in, and mortgages on, substantially all of the Company s tangible and intangible assets. The Company s results of operations are affected by changes in market interest rates on these borrowings. Approximately 41.6% (or $122.3 million aggregate principal amount) of the Company s $294.1 million aggregate principal amount of indebtedness as of March 31, 2008 bore interest at variable rates. A 1% increase in the variable interest rate would result in additional annual interest expense of approximately $1.2 million.

The financial position and results of operations of the Company s foreign subsidiaries are measured using the subsidiaries local currencies as their functional currencies. Balance sheet accounts of the Company s foreign operations are translated from foreign currency into U.S. dollars at the rate of exchange on the last day of the period presented. Income and expenses of the Company s foreign operations are translated at the weighted average rates of exchange for the period presented. Translation gains or losses are included in other comprehensive income. Gains and losses resulting from foreign currency transactions are included in net income in other (income) expense, net. Through the nine-month period ended March 31, 2008, the Company was exposed to foreign currency exchange rate risk with respect to the British pound, the Canadian dollar and the Euro. Substantially all of the revenue of the Company s U.K. subsidiary, Interflora, is received and substantially all expenses are incurred in British pounds, which increases or decreases the related U.S. dollar reported revenues and expenses depending on the trend in currency. Because revenues are recognized and expenses are incurred in British pounds, gross margin percentages generally are not affected by currency fluctuations.

In conjunction with the acquisition of Interflora, the Company entered into forward exchange contracts totaling £61.8 million to hedge the acquisition price. A contract in the amount of £51.0 million was settled on July 28, 2006 and resulted in a gain of $1.4 million, which has been recorded in other (income) expense, net within the Condensed Consolidated Statements of Income and Comprehensive Income. A contract in the amount of £10.0 million was settled on May 1, 2007 and resulted in a gain of $1.4 million which offset the foreign currency loss on the notes in the same amount. The remaining forward contract for £0.8 million is expected to be settled during the first quarter of fiscal year 2009.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on their evaluation for the period covered by this Quarterly Report on Form 10-Q, the Chief Executive Officer and the Chief Financial Officer of FTD Group, Inc. have concluded that, as of the end of such period, FTD Group, Inc. s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by FTD Group, Inc. in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2008, there were no changes in the Company s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims and lawsuits and other matters arising in the normal course of business. In the opinion of management of the Company, although the outcomes of these matters are uncertain, they are not expected to have a material adverse effect on the Company s financial condition, results of operations and cash flows.

Item 1A. Risk Factors

The Company s business, financial condition, results of operations or cash flows can be impacted by a number of factors, any one of which could cause actual results to vary materially from anticipated future results. See the discussion in Forward-Looking Information , Risk Factors and elsewhere in the most recent Annual Report on Form 10-K and in Forward-Looking Information and elsewhere in this Quarterly Report on Form 10-Q. Except as noted below, there have been no changes to such risk factors since June 30, 2007. The following risk factors have been updated or added since June 30, 2007:

International, federal, state and local governments may attempt to impose additional sales and use taxes, value added taxes or other taxes on the business activities conducted by the Company, including its past sales, which could decrease the Company s ability to compete with traditional retailers, reduce its sales and have a material adverse effect on the Company s business, financial condition, results of operations and cash flow.

In accordance with current industry practice by domestic floral and specialty gift order gatherers and the Company s interpretation of applicable law, the Company s subsidiary, FTD.COM, is an internet order gatherer that collects and remits sales taxes in only a limited number of states where it has a physical presence, based on where the orders are delivered. If states successfully challenge this practice and impose sales and use taxes on orders delivered in states where the Company does not have physical presence, it could incur substantial tax liabilities for past sales and lose sales in the future. In addition, future changes in the operation of the Company s online and telephonic sales channels could result in the imposition of additional sales and use tax obligations. Moreover, a number of states, as well as the U.S. Congress, have been considering various legislative initiatives that could result in the imposition of additional sales and use taxes on sales over the Internet, which if enacted could require the Company to collect additional sales and use taxes. The imposition of sales or use tax liability for past or future sales could decrease the Company s ability to compete with traditional retailers and have a material adverse effect on the Company s business, financial condition, results of operations and cash flow.

In 1998, the Internet Tax Freedom Act was enacted, which generally placed a three-year moratorium on state and local taxes on Internet access and on multiple or discriminatory state and local taxes on electronic commerce. This moratorium has been extended several times, most recently until November 1, 2014.

Failure to complete the transaction with United Online could materially and adversely affect the Company s results of operations and stock price.

On April 30, 2008, the Company entered into a definitive merger agreement with United Online. Consummation of the transaction is subject to approval by the stockholders of the Company, the expiration or termination of the Hart-Scott-Rodino Antitrust Improvement Act waiting period, United receiving the proceeds of its financing and other closing conditions set forth in the merger agreement. There can be no assurance that these conditions will be met or waived, that the necessary approvals will be obtained, or that the Company will be able to successfully consummate the transaction as currently contemplated under the merger agreement or at all. If the transaction is not consummated:

- The Company will remain liable for significant transaction costs, including legal, accounting and other costs relating to the merger;
- Under some circumstances, the Company may have to pay a termination fee to United Online in the amount of $11.75 million or United Online s expenses incurred in connection with the transaction up to $3.75 million;
- The attention of the Company s management and employees may be diverted from day-to-day operations;
- The Company s ability to attract new employees and retain existing employees may be harmed by uncertainties associated with the merger; and
- United Online may not realize any or all of the potential benefits of the merger, including any synergies that could result from combining the financial and proprietary resources of the Company and United Online.

The occurrence of any of these events individually or in combination could have a material adverse affect on the Company s results of operations and stock price.

Since the merger agreement contemplates a fixed exchange ratio, changes in the market price of United Online common stock could adversely affect the value of United Online common stock to be received by the Company s stockholders in the merger.

Under the terms of the merger agreement, each outstanding share of the Company s common stock will be converted into the right to receive 0.4087 shares of United Online common stock, cash consideration of $7.34, and $3.31 principal amount of United 13% senior secured notes due 2013, subject to United Online s ability to increase the cash consideration by $2.81 to $10.15 in full substitution of the senior secured notes. Because the merger agreement contemplates a fixed exchange ratio, changes in the stock price of United Online common stock in the period leading up to the time the transaction is consummated could adversely affect the value of the United Online common stock to be received by the Company s stockholders upon consummation of the merger.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

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Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	FTD Group, Inc.
Date: May 7, 2008	By: /S/ BECKY A. SHEEHAN Becky A. Sheehan Chief Financial Officer (principal financial officer)

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EXHIBIT INDEX

Exhibit Number	Description of Document
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.