1·800·Flowers.com, Inc.

Why This Company Should Be On Your Radar Screen

Sep 03, 2024

Consumer

FLWS

NGS

Rating

Outperform

Unchanged

Current Price

$8.03

Target Price

$14.00

Market Capitalization
515.61m

Shares Outstanding
37.14m

Float
21.25m

Institutional Holdings
70.64%

12-Month Low/High
$5.98/$11.42

Average 90-Day Volume
266320

Fiscal Year End
2024-06-30

Revenues ($ MIL)			
Period	2023	2024A	2025E
Q1	303.6	269.0A	249.7E
Q2	897.9	822.1A	810.1E
Q3	417.6	379.4A	380.3E
Q4	398.8	360.9A	362.1E
	2017.9	1831.4	1802.2E

EPS ($)			
Period	2023	2024A	2025E
Q1	(0.52)	(0.48)A	(0.46)E
Q2	1.27	0.97A	1.17E
Q3	(1.10)	(0.26)A	(0.25)E
Q4	(0.32)	(0.32)A	(0.30)E
	(0.66)	(0.09)A	0.16E

Q4 results. The company reported Q4 revenue of $360.9 million, which was modestly below our estimate of $373.5 million by 3.4%. Additionally, Adj. EBITDA loss in the quarter of $8.8 million was below our estimate of negative $5.8 million. While the results were softer than expected, there were some bright spots. Notably, Q4 gross profit margin increased 130 basis points from the prior year period, which was largely attributed to lower freight and commodity costs, as well as cost saving initiatives.

Increasing revenue investments. Management indicated that it plans to step up marketing, post the upcoming elections, and will introduce new products at price points that may help to offset the lackluster sales particularly for its everyday gifting products. There has been a bifurcation of sales for its products that target its high end consumer and that for consumers that are price sensitive.

Adjusting fiscal 2025 estimates. Management provided guidance which takes into account the current weak economic environment, offset by revenue initiatives. Total company revenues are expected to be flat to slightly down. Adj. EBITDA is expected to be impacted by modest improvement in margins and by the higher marketing expenses. As such, adj. EBITDA is expected to be $85 million to $95 million, down from $99.1 million reported in fiscal 2024.

Financial flexibility. As of June 30, the company had cash and cash equivalents of roughly $159.4 million and $190.0 million in long term debt, for net debt of $30.6 million. The balance sheet is improved from the year earlier period. In our view, the company is well positioned to pursue accretive acquisitions, strategic investments in technology and automation, and opportunistic share buybacks.

Compelling valuation. Near current levels, the FLWS shares trade at 6.3 times EV to our full year 2025 adj. EBITDA forecast, and 5.8 times our 2026 adj. EBITDA forecast, both of which are well below industry peers. The shares are rated Outperform and are among our favorite early cycle economic recovery plays.

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Investment Appraisal

The company's recent fourth quarter results and lackluster fundamental fiscal 2025 outlook may give investors pause when considering an investment in the company. But, with the prospect of Fed rate cuts and improving economic scenario, we believe that investors should have this company on the radar screen. In our view, management appears to be investing in launching new products and into marketing, which should enhance revenue. These efforts should help to offset the adverse revenue impact from the current economic headwinds. Notably, management's guidance for fiscal 2025 does not anticipate benefit from the prospect of an improving economy. As such, we believe that the revenue and adj. EBITDA outlook for fiscal 2025 may be conservative.

First, as Figure #1 Q4 Results illustrate, the recent results were disappointing. The company reported Q4 revenue of $360.9 million, which was modestly below our estimate of $373.5 million by 3.4%. Total company revenues decreased 9.5%, which was a slight deterioration from the 9.1% revenue decline in the fiscal third quarter. Additionally, Adj. EBITDA loss in the quarter of $8.8 million was below our estimate of negative $5.8 million. The adj. EBITDA "miss" was due to lower than expected gross margins, 38.4% versus our estimate of 39.5%. We note that Q4 gross profit margin increased 130 basis points from the prior year period, which was largely attributed to lower freight and commodity costs, as well as cost saving initiatives. There were certain commodity costs which have been stubbornly strong, particularly cocoa. We believe that gross profit margins likely will gravitate to historic "normal" levels, in the low 40% range, a reflection of commodity prices moving toward mean levels and the benefit from the company's enhanced efficiency efforts.

Looking forward toward fiscal year 2025, management provided a lackluster outlook. Total company revenues are expected to be flat to down low single digits. The revenue outlook reflects the current weak economic conditions, offset by planned new product introductions. The new products are expected to be offered at different price points to target the company's bifurcated customer base. As such, it plans to offer more value offerings to target its lower income customers, which have been adversely affected by inflation and higher interest rates. In addition, it plans to offer higher priced items, including higher-value bundles of its brands, to its higher income customer base which has been resilient to the economic headwinds. In addition, management indicated that its wholesale business is expected to rebound given orders that have already been placed and current gift basket orders. While we have adjusted our estimates to be in line with the current company outlook, we believe that there is a prospect that there could be positive upside surprises should Fed rate cuts improve economic conditions.

Figure #2 2025 Revisions highlights our estimate adjustments, taking revenue growth from a modest improvement of 1.5% to a decline of 1.6%. In our view, the most difficult quarter likely will be the current fiscal first quarter, with revenues expected to decrease 7.2%. We believe that subsequent quarters should reflect moderating revenue trend and the benefit from planned new product introductions. Fiscal full year 2025 Adj. EBITDA is expected to be impacted by modest improvement in margins and by the higher marketing and incentive comp expenses. The company has largely cycled the transportation cost decreases last year. While it has negotiated favorable transportation costs in fiscal 2025, those costs will have modest increases from fiscal 2024 levels. As such, gross margin improvement will likely come from moderating commodity prices, the largest prospect would be for cocoa prices to break. That prospect does not appear imminent given the weak harvest in Africa due to plant disease and low rainfall. There is room, however, for other commodity prices to ease. We project that gross profit margins will be in the range of 41% in fiscal 2025, a combination of improved efficiencies, moderating commodity prices, and new product initiatives that may carry higher margins.

Management guided fiscal full year 2025 adj. EBITDA to be in the range of $85 million to $95 million, which implies lower adj. EBITDA margins than we expected. Management indicated that it plans to increase marketing, following the political elections in November, to support new product introductions and in an effort to enhance revenues. We believe that marketing spend may improve returns post the influx of Political advertising that has increased advertising pricing across various media platforms. We have revised our adj. EBITDA estimate to be at the lower end of the company's guidance at $85 million. In this report, we have posted our fiscal 2026 estimates, which anticipates a return toward a more normalized 3% to 4% revenue growth rate with an 8% increase in adj. EBITDA.

In spite of the lackluster outlook for fiscal 2025, the company appears to be in a solid financial position. As of June 30, the company had cash and cash equivalents of roughly $159.4 million and $190.0 million in long term debt, for net debt of $30.6

million. The company's balance sheet is a nice improvement from the year earlier levels of cash at $126.8 million. Notably, net debt was $73.2 million a year earlier. In addition, the company worked off its relatively high inventory levels, down to $176.6 million versus $191.3 million at the end of fiscal 2023. In spite of the lackluster 2025 outlook, the company is expected to generate $45 million to $55 million in free cash flow. In our view, the company is well positioned to pursue accretive acquisitions, strategic investments in technology and automation, and opportunistic share buybacks.

Separately, Bill Shea, the current Chief Financial Officer, announced that he will be retiring at the end of this calendar year. Mr. Shea had a successful career having joined the company in 1996. He has been the company's Treasurer and Chief Financial Officer since 2000. The company has appointed James Langrock, who joined the company in 2024 as its Chief Administrative Officer. Mr. Shea assembled a capable financial team and will be helping with the CFO transition through the balance of the year.

The FLWS shares dropped roughly 11% post earnings release from the close prior to the release, a likely reaction to the lackluster outlook for 2025. In our view, the FLWS shares largely reflect the weak economic conditions and constrained discretionary income of the consumer. As such, the prospect of improving economic conditions should provide a favorable climate for the shares. Notably, in spite of our lowered expectations, the shares appear compelling. Near current levels, the FLWS shares trade at 6.3 times EV to our full year 2025 adj. EBITDA forecast, and 5.8 times our 2026 adj. EBITDA forecast, both of which are well below industry peers. Figure #3 Comparables highlight that the shares trade below the 10.2 times EV to Adj. EBITDA multiple of its peers based on 2025 estimates.

In our view, the FLWS shares reflect a stock valuation that is based on depressed expectations and reflective of a modest valuation. We believe that there could be positive upside surprise potential should economic conditions improve and discretionary spending improves. A swing toward revenue and adj. EBITDA growth likely would be a key catalyst toward higher stock valuations. We are maintaining our price target at $14, which assumes a 10.0 times EV to our fiscal 2026 adj. EBITDA estimate, and 0.5 times EV to our fiscal 2026 revenue estimate. The valuation would be more in line with industry peers. We believe that the risk/reward relationship is favorable and that investors should have the FLWS shares on the radar screen as among a favorite early cycle economic recovery play. The shares are rated Outperform.

Figure #1 Q4 Results

Combined Statements of Operations ($ in millions, except per share data)	6/30/24 Q4 24E	6/30/24 Q4 24	% Change
Total Revenue	**373.500**	**360.912**	**-3.4%**
Growth	-6.3%	-9.5%	
% of Year Total	20.3%	19.7%	
Cost of Revenue	**226.150**	**222.501**	**-1.6%**
Growth	-9.9%	-11.3%	
Gross Profit	**147.350**	**138.411**	**-6.1%**
Growth	-0.3%	-6.4%	
Gross Profit Margin	*39.5%*	*38.4%*	**-2.8%**
Operating Expenses			
Marketing and Sales	108.675	108.113	**-0.5%**
Growth	-1.9%	-2.4%	
% of Revenue	*29.1%*	*30.0%*	
	69.5%	*70.6%*	
Technology and Development	15.800	14.818	**-6.2%**
Growth	-2.2%	-8.3%	
% of Revenue	*4.2%*	*4.1%*	
	10.1%	*9.7%*	
General and Administrative	31.800	30.122	**-5.3%**
Growth	0.4%	-4.9%	
% of Revenue	*8.5%*	*8.3%*	
	20.3%	*19.7%*	
Operating Expenses	**156.275**	**153.053**	**-2.1%**
Growth	-1.5%	-3.5%	
EBITDA	**(8.925)**	**(14.642)**	**64.1%**
Growth	*-16.9%*	*36.4%*	
EBITDA Margin	-2.4%	-4.1%	
Depreciation & Amortization	13.300	13.174	**-0.9%**
Total Operating Expenses	**169.575**	**166.227**	**-2.0%**
Growth	-1.4%	-3.4%	
% of Revenue	45.4%	46.1%	
Adjusted EBITDA	**(5.825)**	**(8.787)**	**50.8%**
Growth	*-12.0%*	*-32.8%*	
	-1.6%	-2.4%	
Operating Income	**(22.225)**	**(27.816)**	**25.2%**
Growth	*-7.9%*	*15.3%*	
Operating Margin	-6.0%	-7.7%	
Interest Expense, net	(0.900)	(1.649)	
Other Income (Expense), net	(0.500)	0.957	
Income (loss) before taxes	**(23.625)**	**(28.508)**	**20.7%**
Income tax expense (benefit)	(6.615)	(7.641)	
Effective Tax Rate	*28.0%*	*28.0%*	
Net Income (loss) - Continuing Operations	**(17.010)**	**(20.867)**	**22.7%**
Growth	*-24.6%*	*-7.5%*	
Net Income (Loss)	**(17.010)**	**(20.867)**	**22.7%**
Net Income Per Share, Continuing Operatio	**($0.26)**	**($0.32)**	**25.6%**

Source: Company reports and Noble Financial estimates

Figure #2 2025 Revisions

Combined Statements of Operations ($ in millions, except per share data)	Q1'25E	Q1' 25R		2025E	2025R	
Total Revenue	**272.419**	**249.683**	**-8.3%**	**1871.806**	**1802.199**	**-3.7%**
Growth	1.3%	-7.2%		1.5%	-1.6%	
% of Year Total	14.6%	13.9%				
Cost of Revenue	**167.868**	**153.633**	**-8.5%**	**1103.880**	**1060.489**	**-3.9%**
Growth	0.4%	-8.1%		0.3%	-3.3%	
Gross Profit	**104.551**	**96.050**	**-8.1%**	**767.926**	**741.710**	**-3.4%**
Growth	2.6%	-5.8%		3.3%	0.9%	
Gross Profit Margin	*38.4%*	*38.5%*	0.2%	*41.0%*	*41.2%*	0.3%
Operating Expenses						
Marketing and Sales	82.000	80.500	-1.8%	499.254	498.500	-0.2%
Growth	*-0.6%*	*-2.4%*		*2.8%*	*2.8%*	
% of Revenue	*30.1%*	*32.2%*		*25.6%*	*25.6%*	
Technology and Development	15.200	14.500	-4.6%	59.555	58.000	-2.6%
Growth	*-0.7%*	*-5.3%*		*-2.7%*	*-3.7%*	
% of Revenue	*5.6%*	*5.8%*		*3.5%*	*3.2%*	
General and Administrative	29.934	28.000	-6.5%	121.784	114.000	-6.4%
Growth	*5.1%*	*-1.7%*		*1.7%*	*-3.4%*	
% of Revenue	*11.0%*	*11.2%*		*7.0%*	*7.0%*	
	23.5%	*22.4%*				
Operating Expenses	**127.134**	**125.000**	**-1.7%**	**680.592**	**672.160**	**-1.2%**
Growth	*0.9%*	*-0.8%*		*-0.8%*	*-1.5%*	
EBITDA	**(22.583)**	**(26.950)**	**19.3%**	**87.333**	**71.210**	**-18.5%**
Growth	*-7.4%*	*10.5%*		*13.2%*	*-0.3%*	
EBITDA Margin	*-8.3%*	*-10.8%*		*4.7%*	*4.0%*	
Depreciation & Amortization	13.750	13.750		55.000	55.000	
Total Operating Expenses	**140.884**	**136.750**	**-2.9%**	**735.593**	**725.500**	**-1.4%**
Growth	1.0%	-2.0%		2.1%	1.2%	
% of Revenue	51.7%	54.8%		39.3%	40.3%	
Adjusted EBITDA	**(19.583)**	**(23.450)**	**19.7%**	**99.333**	**85.210**	**-14.2%**
Growth	*-13.1%*	*4.1%*		*3.4%*	*-8.4%*	
	-7.2%	*-9.4%*		*9.0%*	*8.0%*	
Operating Income	**(36.333)**	**(40.700)**	**12.0%**	**32.333**	**16.210**	**-49.9%**
Growth	*-3.3%*	*8.3%*		*818.8%*	*-882.3%*	
Operating Margin	-13.3%	-16.3%		1.7%	0.9%	
Interest Expense, net	(2.000)	(2.000)		(7.500)	(7.500)	
Other Income (Expense), net	1.000	1.000		6.000	6.000	
Income (loss) before taxes	**(37.333)**	**(41.700)**	**11.7%**	**30.833**	**14.710**	**-52.3%**
Income tax expense (benefit)	(10.453)	(11.676)	11.7%	8.633	4.119	-52.3%
Effective Tax Rate	*28.0%*	*28.0%*		*28.0%*	*28.0%*	
Net Income (loss) - Continuing Operations	**(26.880)**	**(30.024)**	**11.7%**	**22.200**	**10.591**	**-52.3%**
Growth	*-14.0%*	*-3.9%*		*-1087.5%*	*-273.5%*	
Net Income (Loss)	**(26.880)**	**(30.024)**	**11.7%**	**22.200**	**10.591**	**-52.3%**
Net Income Per Share, Continuing Operati	**($0.41)**	**($0.46)**	**11.7%**	**$0.34**	**$0.16**	**-52.3%**

Source: Company reports and Noble Financial estimates

Figure #3 Comparables

e-commerce comparables

Market Data as of 08/30/2024

Company	Share Price	Ent. Value ($M)	Ent. Value / Revenues 2023	Ent. Value / Revenues 2024E	Ent. Value / Revenues 2025E	Ent. Value / EBITDA 2023	Ent. Value / EBITDA 2024E	Ent. Value / EBITDA 2025E
Amazon	$178.50	$1,857,170	3.2x	2.9x	2.6x	16.8x	13.7x	11.8x
Best buy	$100.40	$21,578	0.5x	0.5x	0.5x	8.0x	8.2x	7.8x
Walmart	$77.23	$647,726	1.0x	1.0x	0.9x	16.7x	15.5x	14.3x
Chewy	$28.55	$11,250	1.0x	1.0x	0.9x	31.0x	21.2x	17.5x
Liquidity Services	$21.77	$534	1.7x	1.5x	1.4x	11.6x	11.5x	9.8x
1-800-Flowers	$8.03	$533	0.3x	0.3x	0.3x	5.8x	5.7x	6.3x
		Mean	1.2x	1.1x	1.1x	14.0x	11.7x	10.2x
		Median	1.0x	1.0x	0.9x	14.2x	12.6x	10.8x

Source: Noble estimates & Eikon

Company Profile

1-800-FLOWERS.COM, Inc. is the leading provider of gourmet and floral gifts for all occasions. For nearly 40 years, 1-800-FLOWERS® has been helping deliver smiles for customers with gifts for every occasion, including fresh flowers, premium, gift-quality fruits and other gourmet items from Harry & David®, popcorn and specialty treats from The Popcorn Factory®; cookies and baked gifts from Cheryl's®; Shari's Berries; gift baskets and towers from 1-800-Baskets.com®; premium English muffins and other breakfast treats from Wolferman's; carved fresh fruit arrangements from FruitBouquets.com; and top quality steaks and chops from Stock Yards®. The Company's BloomNet® international floral wire service provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably.

Fundamental Analysis 4.0/5.0 Checks

Our fundamental analysis of 4.0 checks reflects strong cash flow and free cash flow generation. This puts the company in a strong financial position to seek acquisitions, repurchase stock and to invest in organic growth. Debt fluctuates seasonally due to investments in inventory for the Holidays. Currently, the company has more cash than debt and is in a good position to possibly not draw on its revolver to build inventory ahead of the Holiday season. We believe that acquisitions would be accretive to our cash flow estimates and provide enhanced long term revenue and cash flow growth prospects. The company is taking share in the consumer floral business and Harry & David appears to be on the right track with favorable revenue growth, given strong ecommerce trends. Furthermore, we believe that the company is only scratching the surface as an emerging, online ecommerce play.

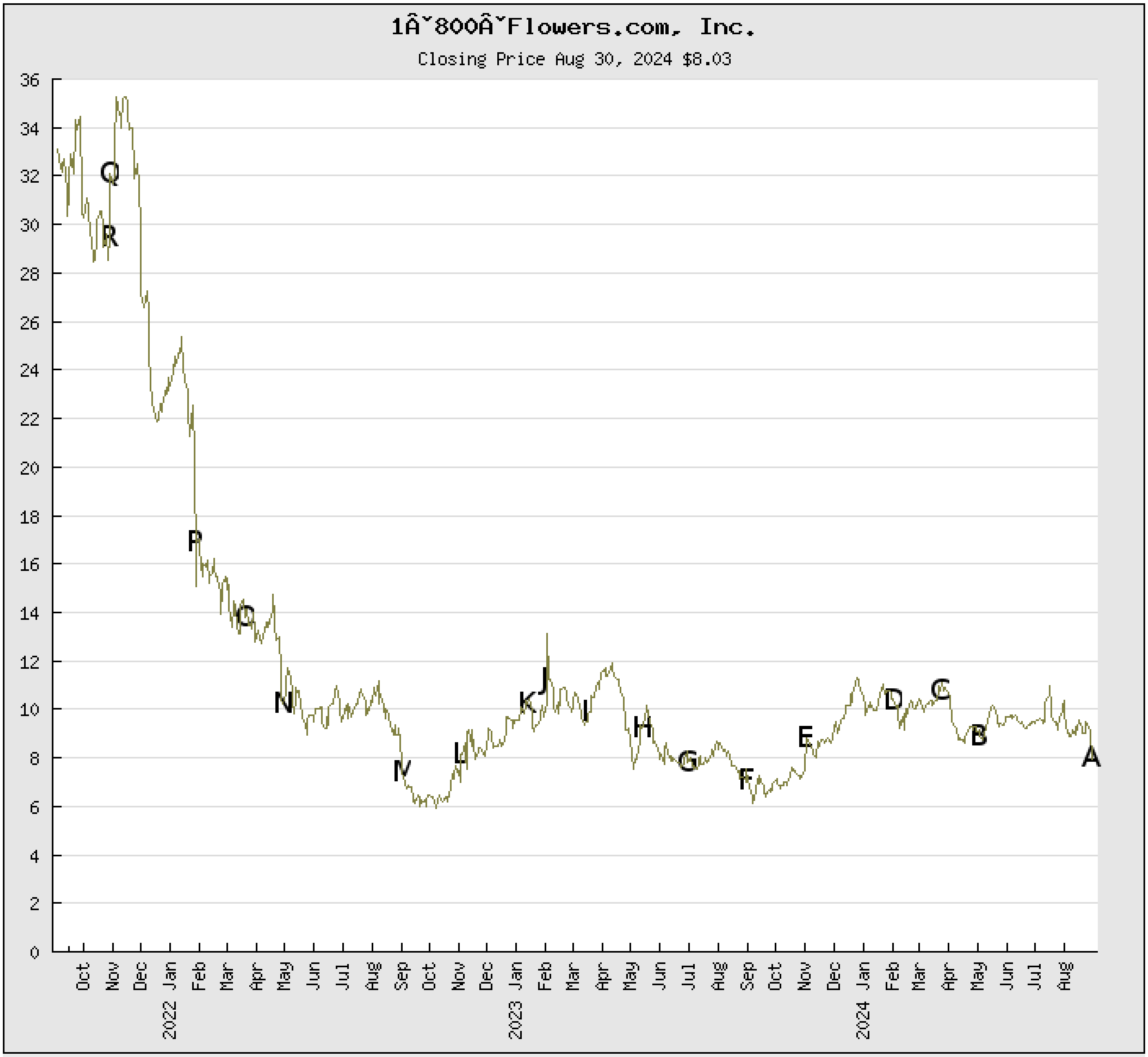
Valuation Summary

Near current levels, the FLWS shares trade at a compelling 6.3 times EV to our fiscal full year 2025 adj. EBITDA estimate and 5.8 times our 2026 adj. EBITDA estimate. Furthermore, the FLWS shares currently trade at 0.3 times EV to our fiscal full year 2025 revenue estimate, and at 0.3 times EV to our full year 2026 revenue estimates. Our target multiple is roughly 10.0 times EV to our fiscal 2026 adj. EBITDA estimate, and 0.5 times EV to our fiscal 2026 revenue estimate, which is more in line with industry peers. While the company faces near term challenges from a weak consumer, its fundamentals have historically been correlated to consumer confidence, which should improve as economic prospects brighten. Notably, we believe that the company has a strong balance sheet to weather economic turbulence and is expected to generate free cash flow. Risks to 1800Flowers' valuation are economic weakness, changes in consumer behavior towards shopping online, the health of the consumer, heightened competition, significant increase in Chinese tariffs, disruptions in delivery of its products, or irrational competition from its main Floral competitor, third-party vendors.

1-800 Flowers Income Statement
($ in millions, except per share data)
June 30 Fiscal Year-End

Combined Statements of Operations ($ in millions, except per share data)	2023	9/30/23 Q1'24	12/31/23 Q2'24	3/31/24 Q3 24	6/30/24 Q4 24	2024E	9/30/24 Q1'25E	12/31/24 Q2'25E	3/31/25 Q3 25E	6/30/25 Q4 25E	2025E	2026E
Total Revenue	**2017.853**	**269.050**	**822.054**	**379.405**	**360.912**	**1831.421**	**249.683**	**810.116**	**380.300**	**362.100**	**1802.199**	**1857.000**
Growth	-8.6%	-11.4%	-8.4%	-9.1%	-9.5%	-9.2%	-7.2%	-1.5%	0.2%	0.3%	-1.6%	3.0%
% of Year Total		14.7%	44.9%	20.7%	19.7%		13.9%	45.0%	21.1%	20.1%		
Cost of Revenue	**1260.327**	**167.122**	**466.357**	**240.688**	**222.501**	**1096.668**	**153.633**	**445.451**	**238.980**	**222.425**	**1060.489**	**1090.000**
Growth	-9.1%	-17.3%	-12.0%	-13.1%	-11.3%	-13.0%	-8.1%	-4.5%	-0.7%	0.0%	-3.3%	2.8%
Gross Profit	**757.526**	**101.928**	**355.697**	**138.717**	**138.411**	**734.753**	**96.050**	**364.665**	**141.320**	**139.675**	**741.710**	**767.000**
Growth	-7.8%	0.5%	-3.3%	-1.2%	-6.4%	-3.0%	-5.8%	2.5%	1.9%	0.9%	0.9%	3.4%
Gross Profit Margin	*37.5%*	*37.9%*	*43.3%*	*36.6%*	*38.4%*	*40.1%*	*38.5%*	*45.0%*	*37.2%*	*38.6%*	*41.2%*	*41.3%*
Operating Expenses												
Marketing and Sales	500.840	82.518	188.557	105.828	108.113	485.016	80.500	200.000	108.000	110.000	498.500	511.000
Growth	-12.4%	-7.4%	-3.0%	-0.6%	-2.4%	-3.2%	-2.4%	6.1%	2.1%	1.7%	2.8%	2.5%
% of Revenue	*25.6%*	*30.7%*	*22.9%*	*27.9%*	*30.0%*	*25.6%*	*32.2%*	*24.7%*	*28.4%*	*30.4%*	*25.6%*	*25.6%*
% of Operating Expenses		*65.5%*	*75.4%*	*69.0%*	*70.6%*		*64.4%*	*82.1%*	*71.8%*	*71.8%*		
Technology and Development	60.691	15.304	14.822	15.291	14.818	60.235	14.500	14.500	14.500	14.500	58.000	60.000
Growth	7.3%	3.8%	-0.9%	3.1%	-8.3%	-0.8%	-5.3%	-2.2%	-5.2%	-2.1%	-3.7%	3.4%
% of Revenue	*3.5%*	*5.7%*	*1.8%*	*4.0%*	*4.1%*	*3.3%*	*5.8%*	*1.8%*	*3.8%*	*4.0%*	*3.2%*	*3.2%*
% of Operating Expenses		*12.1%*	*5.9%*	*10.0%*	*9.7%*		*11.6%*	*6.0%*	*9.6%*	*9.5%*		
General and Administrative	112.747	28.489	27.154	32.295	30.122	118.060	28.000	29.000	28.000	29.000	114.000	117.000
Growth	10.2%	8.6%	-6.1%	24.6%	-4.9%	4.7%	-1.7%	6.8%	-13.3%	-3.7%	-3.4%	2.6%
% of Revenue	*5.6%*	*10.6%*	*3.3%*	*8.5%*	*8.3%*	*6.4%*	*11.2%*	*3.6%*	*7.4%*	*8.0%*	*7.0%*	*7.0%*
% of Operating Expenses		*22.6%*	*10.9%*	*21.1%*	*19.7%*		*22.4%*	*11.9%*	*18.6%*	*18.9%*		
Operating Expenses	**674.008**	**126.010**	**250.113**	**153.414**	**153.053**	**682.590**	**125.000**	**243.565**	**150.420**	**153.175**	**672.160**	**688.000**
Growth	-10.2%	-3.0%	4.9%	4.2%	-3.5%	1.3%	-0.8%	-2.6%	-2.0%	0.1%	-1.5%	2.4%
EBITDA	**83.449**	**(24.383)**	**125.164**	**(14.697)**	**(14.642)**	**71.442**	**(26.950)**	**121.165**	**(9.180)**	**(13.825)**	**71.210**	**79.000**
Growth	-8.5%	*-14.9%*	*-3.3%*	*123.0%*	*36.4%*	-14.4%	*10.5%*	*-3.2%*	*-37.5%*	*-5.6%*	-0.3%	10.9%
EBITDA Margin	4.1%	-9.1%	15.2%	-3.9%	-4.1%	3.9%	-10.8%	15.0%	-2.4%	-3.8%	4.0%	4.3%
Depreciation & Amortization	53.673	13.194	14.152	13.232	13.174	53.752	13.750	13.750	13.750	13.750	55.000	55.000
Total Operating Expenses	**727.951**	**139.505**	**264.447**	**166.646**	**166.227**	**717.063**	**136.750**	**257.250**	**164.250**	**167.250**	**725.500**	**743.000**
Growth	-6.6%	-2.3%	4.7%	-26.0%	-3.4%	-1.5%	-2.0%	-2.7%	-1.4%	0.6%	1.2%	2.4%
% of Revenue	36.1%	51.9%	32.2%	43.9%	46.1%	39.2%	54.8%	31.8%	43.2%	46.2%	40.3%	40.0%
Adjusted EBITDA	**91.204**	**(22.523)**	**130.077**	**(5.700)**	**(8.787)**	**93.067**	**(23.450)**	**124.665**	**(5.680)**	**(10.325)**	**85.210**	**92.000**
Growth	-7.9%	*-19.6%*	*-1.0%*	*2.7%*	*-32.8%*	2.0%	*4.1%*	*-4.2%*	*-0.4%*	*17.5%*	-8.4%	8.0%
Adjusted EBITDA Margin	7.2%	-8.4%	15.8%	-1.5%	-2.4%	8.5%	-9.4%	15.4%	-1.5%	-2.9%	8.0%	8.4%
Operating Income	**-35.011**	**(37.577)**	**91.250**	**(27.929)**	**(27.816)**	**-2.072**	**(40.700)**	**107.415**	**(22.930)**	**(27.575)**	**16.210**	**24.000**
Growth	-183.2%	*-9.1%*	*-20.7%*	*-67.0%*	*15.3%*	-94.1%	*8.3%*	*17.7%*	*-17.9%*	*-0.9%*	-882.3%	48.1%
Operating Margin	-1.7%	-14.0%	11.1%	-7.4%	-7.7%	-0.1%	-16.3%	13.3%	-6.0%	-7.6%	0.9%	1.3%
Interest Expense, net	(10.946)	(3.482)	(4.611)	(0.881)	(1.649)	(10.623)	(2.000)	(2.000)	(2.000)	(1.500)	(7.500)	(7.500)
Other Income (Expense), net	(0.805)	(0.474)	2.736	3.574	0.957	6.793	1.000	1.500	1.700	1.800	6.000	6.000
Income (loss) before taxes	**-46.762**	**(41.533)**	**89.375**	**(25.236)**	**(28.508)**	**-5.902**	**(41.700)**	**106.915**	**(23.230)**	**(27.275)**	**14.710**	**22.500**
Income tax expense (benefit)	-2.060	(10.291)	26.468	(8.333)	(7.641)	0.203	(11.676)	29.936	(6.504)	(7.637)	4.119	6.300
Effective Tax Rate	*4%*	*24.8%*	*29.6%*	*33.0%*	*26.8%*	*-3%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28%*	*28%*
Net Income (loss) - Continuing Operations	**-44.702**	**(31.242)**	**62.907**	**(16.903)**	**(20.867)**	**-6.105**	**(30.024)**	**76.979**	**(16.726)**	**(19.638)**	**10.591**	**16.200**
Growth	*-251.0%*	*-7.3%*	*-23.8%*	*-76.2%*	*-7.5%*	*-86.3%*	*-3.9%*	*22.4%*	*-1.0%*	*-5.9%*	*-273.5%*	*53.0%*
Net Income (Loss)	**(44.702)**	**(31.242)**	**62.907**	**(16.903)**	**(20.867)**	**(6.105)**	**(30.024)**	**76.979**	**(16.726)**	**(19.638)**	**10.591**	**16.200**
Net Income Per Share, Continuing Operations	**($0.69)**	**($0.48)**	**$0.97**	**($0.26)**	**($0.32)**	**($0.09)**	**($0.46)**	**$1.17**	**($0.25)**	**($0.30)**	**$0.16**	**$0.25**

Source: Company reports and Noble Financial estimates



A - 08/30/2024 Outperform Target $14.00 Current $8.03	B - 05/03/2024 Outperform Target $14.00 Current $8.90
C - 03/22/2024 Outperform Target $14.00 Current $10.76	D - 02/02/2024 Outperform Target $16.00 Current $10.39
E - 11/03/2023 Outperform Target $21.00 Current $8.80	F - 09/01/2023 Outperform Target $21.00 Current $7.08
G - 06/30/2023 Outperform Target $21.00 Current $7.80	H - 05/12/2023 Outperform Target $21.00 Current $9.21
I - 03/20/2023 Outperform Target $21.00 Current $9.90	J - 02/03/2023 Outperform Target $21.00 Current $11.23
K - 01/12/2023 Outperform Target $11.00 Current $10.25	L - 11/04/2022 Outperform Target $11.00 Current $8.15
M - 09/02/2022 Outperform Target $13.00 Current $7.41	N - 04/29/2022 Outperform Target $17.00 Current $10.20
O - 03/21/2022 Outperform Target $20.00 Current $13.80	P - 01/28/2022 Outperform Target $25.00 Current $16.89
Q - 10/29/2021 Outperform Target $50.00 Current $32.12	R - 10/28/2021 Outperform Target $47.00 Current $29.44

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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company’s fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or under-served needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicality, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

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Director of Research. Senior Equity Analyst specializing in Media & Entertainment. 34 years of experience as an analyst. Member of the National Cable Television Society Foundation and the National Association of Broadcasters. BS in Management Science, Computer Science Certificate and MBA specializing in Finance from St. Louis University.
Named WSJ 'Best on the Street' Analyst six times.
FINRA licenses 7, 24, 66, 86, 87.

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Outperform: potential return is >15% above the current price	91%	23%
Market Perform: potential return is -15% to 15% of the current price	9%	3%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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