

May 6, 2015



## Spark Networks(R) Reports First Quarter Financial Results

LOS ANGELES, CA -- (Marketwired) -- 05/06/15 -- Spark Networks, Inc. (NYSE MKT: LOV)

- **Total contribution<sup>1</sup> of \$7.4 million**
- **Adjusted EBITDA<sup>2</sup> of \$1.8 million, positive for 4 consecutive quarters**
- **Net income of \$723 thousand, positive for 2 consecutive quarters**

Spark Networks, Inc. (NYSE MKT: LOV), a leader in creating communities that help individuals make life-long relationships with others that share their interests and values, today reported financial results for the first quarter ended March 31, 2015.

### Financial Highlights

	Q1 2014	Q4 2014	Q1 2015
Revenue	\$16.6 Million	\$14.3 Million	\$13.5 Million
Contribution	\$5.2 Million	\$9.1 Million	\$7.4 Million
Adjusted EBITDA	\$(2.1) Million	\$4.1 million	\$1.8 Million
Net (Loss) Income	\$(2.9) Million	\$3.9 Million	\$723 thousand
Cash Balance	\$10.9 Million	\$11.7 Million	\$13.5 Million
Avg. Paying Subs <sup>3</sup>	286,042	227,874	213,445
ARPU	\$18.40	\$19.47	\$19.77

### Financial Results

Revenue in the first quarter of 2015 was \$13.5 million, a decrease of 19% compared to the year ago period, and a 5% decrease from the prior quarter. The year over year decrease was primarily driven by a 25% decrease in average paying subscribers<sup>3</sup>, reflecting a 31% and 13% decrease in average paying subscribers for the Christian and Jewish Networks segments, respectively. The sequential decrease was primarily driven by a 7% and 5% decrease in average paying subscribers for the Christian and Jewish Networks segments, respectively.

Direct marketing expenses in the first quarter of 2015 were \$6.1 million, a decrease of 47% compared to the year-ago period and an 18% increase compared to the prior quarter. Christian Networks accounted for the majority of the decrease compared to the year ago period, reflecting the Company's strategy to reduce and reallocate direct marketing investments in the segment. The sequential increase was driven entirely by Christian Networks, as part of the Company's strategy to increase marketing investments in Q1, which has traditionally been our strongest quarter for new subscriber acquisition.

Contribution in the first quarter of 2015 was \$7.4 million, an increase of 42% compared to

the year ago period and a 19% decrease compared to the prior quarter. Christian Networks was the primary driver of the year over year increase, benefiting from improved marketing efficiency and an increase in ARPU. The sequential decrease was driven by higher direct marketing expenses as the Company reinvested into the Christian Mingle marketing strategy. Christian Networks' contribution was positive for the fourth consecutive quarter.

Excluding direct marketing expenses, cost and expenses in the first quarter of 2015 were \$6.5 million, a decrease of 19% compared to the year ago period and a 10% increase compared to the prior quarter. The decrease is a combination of lower sales and marketing expenses, and general and administrative expenses, primarily reflecting the impact of the Company's expense reduction and improved efficiency program announced in the third quarter of 2014. The sequential increase was driven by targeted investments in development and new personnel to improve and augment our product offerings.

Net income in the first quarter of 2015 was \$723 thousand, or \$0.03 per share, compared to a net loss of \$(2.9) million, or \$(0.12) per share, in the year ago period and net income of \$3.9 million, or \$0.16 per share, in the prior quarter.

Adjusted EBITDA in the first quarter of 2015 was \$1.8 million compared to a loss of \$(2.1) million in the year ago period and income of \$4.1 million in the prior quarter.

Total average paying subscribers in the first quarter of 2015 were 213,445, a decrease of 25% compared to the year ago period, and a decrease of 6% from the prior quarter. Christian Networks average paying subscribers were 130,860 in the first quarter of 2015, a 31% decrease compared to the year-ago period and a 7% decrease compared to the prior quarter. Jewish Networks average paying subscribers were 69,632, a 13% decrease compared to the year-ago period and a 5% decrease compared to the prior quarter. Other Networks average paying subscribers were 12,953, a 21% decrease compared to the year-ago period and a 2% decrease compared to the prior quarter.

### ***Balance Sheet, Cash, Debt***

As of March 31, 2014, the Company had cash and cash equivalents of \$13.5 million, an increase of 16% from \$11.7 million at December 31, 2014. As of March 31, 2015, the Company had no outstanding debt.

### ***Commentary and Outlook***

Chief Executive Officer Michael Egan stated, "Q1 was the first quarter of our 'walk' strategy where we began to focus on a series of foundational initiatives aimed at stabilizing our subscriber base and enabling us to become a more nimble, innovative and growth-oriented company by the end of the year.

"We still have considerable work in front of us, but we are very encouraged by what we are seeing so far. On the JDate side we have a clearer picture of what it will take to stabilize the slow decline the brand has experienced over the last two years and have prioritized our core product initiatives accordingly.

"For Christian Mingle we believe we have now entered a phase of equilibrium, where our profitable acquisition marketing strategy has created a more stable base of subscribers. For the remainder of the year we expect Christian Mingle to experience seasonal subscriber count fluctuations, and do not anticipate future periods with significant subscriber declines.

"It's an exciting time for Spark. Both our new and veteran team members have a strong sense of purpose and direction and the energy to make the foundational changes that will allow us to really run."

**SPARK NETWORKS, INC.**

**SEGMENT<sup>4</sup> RESULTS FROM OPERATIONS**

(in thousands except subscriber and ARPU information)

	<u>Q1 2014</u>	<u>Q2 2014</u>	<u>Q3 2014</u>	<u>Q4 2014</u>	<u>Q1 2015</u>	<u>Q1 '15 v. Q1 '14</u>	<u>Q1 '15 v. Q4 '14</u>
<b>Net Revenue</b>							
Jewish Networks	\$ 6,124	\$ 5,895	\$ 5,724	\$ 5,502	\$ 5,180	-15.4 %	-5.9 %
Christian Networks	9,789	9,199	8,672	8,215	7,792	-20.4 %	-5.1 %
Other Networks	610	570	533	504	487	-20.2 %	-3.4 %
Offline & Other Businesses	93	93	79	43	27	-71.0 %	-37.2 %
<b>Total Net Revenue</b>	<b>\$ 16,616</b>	<b>\$ 15,757</b>	<b>\$ 15,008</b>	<b>\$ 14,264</b>	<b>\$ 13,486</b>	<b>-18.8 %</b>	<b>-5.5 %</b>
<b>Direct Mktg. Exp.</b>							
Jewish Networks	\$ 1,115	\$ 693	\$ 628	\$ 684	\$ 599	-46.3 %	-12.4 %
Christian Networks	10,104	7,073	5,293	4,325	5,338	-47.2 %	23.4 %
Other Networks	142	115	107	116	115	-19.0 %	-0.9 %
Offline & Other Businesses	25	28	19	4	-	NM	NM
<b>Total Direct Mktg. Exp.</b>	<b>\$ 11,386</b>	<b>\$ 7,909</b>	<b>\$ 6,047</b>	<b>\$ 5,129</b>	<b>\$ 6,052</b>	<b>-46.8 %</b>	<b>18.0 %</b>
<b>Contribution</b>							
Jewish Networks	\$ 5,009	\$ 5,202	\$ 5,096	\$ 4,818	\$ 4,581	-8.5 %	-4.9 %
Christian Networks	(315 )	2,126	3,379	3,890	2,454	NM	-36.9 %
Other Networks	468	455	426	388	372	-20.5 %	-4.1 %
Offline & Other Businesses	68	65	60	39	27	-60.3 %	-30.8 %
<b>Total Contribution</b>	<b>\$ 5,230</b>	<b>\$ 7,848</b>	<b>\$ 8,961</b>	<b>\$ 9,135</b>	<b>\$ 7,434</b>	<b>42.1 %</b>	<b>-18.6 %</b>
<b>Average Paying Subs.</b>							
Jewish Networks	80,395	78,856	76,481	73,429	69,632	-13.4 %	-5.2 %
Christian Networks	189,251	181,062	166,908	141,188	130,860	-30.9 %	-7.3 %
Other Networks	16,396	15,427	14,290	13,257	12,953	-21.0 %	-2.3 %
<b>Total Avg. Paying Subs.<sup>5</sup></b>	<b>286,042</b>	<b>275,345</b>	<b>257,679</b>	<b>227,874</b>	<b>213,445</b>	<b>-25.4 %</b>	<b>-6.3 %</b>
<b>ARPU</b>							
Jewish Networks	\$ 24.87	\$ 24.43	\$ 24.53	\$ 24.44	\$ 24.48	-1.6 %	0.2 %
Christian Networks	16.19	15.64	16.01	17.57	18.01	11.2 %	2.5 %
Other Networks	12.08	11.97	12.11	12.27	12.22	1.2 %	-0.4 %
<b>Total ARPU<sup>6</sup></b>	<b>\$ 18.40</b>	<b>\$ 17.95</b>	<b>\$ 18.33</b>	<b>\$ 19.47</b>	<b>\$ 19.77</b>	<b>7.5 %</b>	<b>1.5 %</b>

**Distribution of New Subscription Purchases<sup>7</sup>**

	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>
<b>Jewish Networks</b>					
1 month plans	39.5 %	40.4 %	38.5 %	41.4 %	42.7 %
3 month plans	26.7 %	23.6 %	24.9 %	24.3 %	25.2 %
6 month plans	33.8 %	36.0 %	36.6 %	34.3 %	32.1 %
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
<b>Christian Networks</b>					
1 month plans	44.4 %	44.8 %	50.6 %	53.7 %	50.5 %
3 month plans	21.7 %	18.6 %	20.8 %	20.7 %	17.8 %
6 month plans	33.9 %	36.6 %	28.6 %	25.6 %	31.7 %
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
<b>Other Networks</b>					
1 month plans	57.9 %	55.4 %	58.6 %	59.2 %	56.0 %
3 month plans	13.2 %	12.7 %	12.2 %	11.0 %	12.2 %
6 month plans	28.9 %	31.9 %	29.2 %	29.8 %	31.8 %
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

**Composition of Average Paying Subscriber Base<sup>8</sup>**

	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>
<b>Jewish Networks</b>					
First Time Subscribers	23.1 %	22.4 %	21.9 %	22.4 %	22.4 %
Winback Subscribers	29.3 %	29.8 %	29.5 %	29.2 %	28.8 %
Renewal Subscribers	47.6 %	47.8 %	48.6 %	48.4 %	48.8 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
<b>Christian Networks</b>					
First Time Subscribers	49.1 %	45.8 %	42.7 %	38.0 %	37.1 %
Winback Subscribers	19.3 %	19.9 %	20.5 %	19.7 %	20.3 %
Renewal Subscribers	31.6 %	34.3 %	36.8 %	42.3 %	42.6 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
<b>Other Networks</b>					
First Time Subscribers	32.1 %	32.2 %	31.2 %	30.6 %	20.3 %
Winback Subscribers	23.2 %	23.1 %	22.6 %	21.8 %	26.9 %
Renewal Subscribers	44.7 %	44.7 %	46.2 %	47.6 %	52.8 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

**Investor Conference Call**

The Company will discuss its financial results during a live teleconference today at 1:30 p.m. Pacific time.

Toll-Free (United States):

1-877-705-6003

International:

1-201-493-6725

In addition, the Company will host a webcast of the call which will be accessible in the Investor Relations section of the Company's website at [www.spark.net](http://www.spark.net) or by clicking <http://investor.spark.net>.

A replay will begin approximately three hours after completion of the call and run until May 20, 2015.

Replay

Toll-Free (United States):

1-877-870-5176

International:

1-858-384-5517

Passcode:

13608806

### ***Safe Harbor Statement:***

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including the implementation of the "crawl, walk, run" strategy to stabilize and grow the subscriber base which we have adopted. Any statements in this press release that are not statements of historical fact may be considered to be forward-looking statements. Written words, such as "may," "will," "expect," "believe," "anticipate," "estimate," "intends," "goal," "objective," "seek," "attempt," or variations of these or similar words, identify forward-looking statements. By their nature, forward-looking statements and forecasts involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the near future. There are a number of factors that could cause actual results and developments to differ materially, including, but not limited to our ability to: successfully implement our strategy to stabilize our subscriber base and grow; avoid significant subscriber declines; attract and retain members; convert members into paying subscribers and retain our paying subscribers; retain and enhance the new marketing team; develop or acquire new product offerings and successfully implement and expand those offerings; keep pace with rapid technological changes, including making the technology stack more nimble; drive use of newly-updated mobile applications; maintain the strength of our existing brands and maintain and enhance those brands; continue to depend upon the telecommunications infrastructure and our networking hardware and software infrastructure; estimate on-going general and administrative costs, and obtain financing on acceptable terms. Additional factors that could cause actual results to differ are discussed under the heading "Risk Factors" and in other sections of the Company's filings with the Securities and Exchange Commission ("SEC"), and in the Company's other current and periodic reports filed or furnished from time to time with the SEC. All forward-looking statements in this press release are made as of the date hereof, based on information available to the Company as of the date hereof, and the Company assumes no obligation to update any forward-looking statement.

### ***About Spark Networks, Inc.:***

The Spark Networks portfolio of consumer Web sites includes, among others, JDate®.com ([www.jdate.com](http://www.jdate.com)), ChristianMingle®.com ([www.christianmingle.com](http://www.christianmingle.com)), Spark®.com ([www.spark.com](http://www.spark.com)), BlackSingles.com® ([www.blacksingles.com](http://www.blacksingles.com)), and SilverSingles®.com ([www.silversingles.com](http://www.silversingles.com)).

<sup>1</sup> "Contribution" is defined as revenue, net of credits and credit card chargebacks, less direct marketing.

<sup>2</sup> The Company reports Adjusted EBITDA as a supplemental measure to generally accepted accounting principles ("GAAP"). This non-GAAP measure is one of the primary metrics by which we evaluate the performance of our businesses, budget, forecast and compensate management. We believe this measure provides management and investors with a consistent view, period to period, of the core earnings generated from on-going operations and excludes the impact of: (i) non-cash items such as stock-based compensation, asset

impairments, non-cash currency translation adjustments related to an inter-company loan and (ii) one-time items that have not occurred in the past two years and are not expected to recur in the next two years. Adjusted EBITDA should not be construed as a substitute for net income (loss) (as determined in accordance with GAAP) for the purpose of analyzing our operating performance or financial position, as Adjusted EBITDA is not defined by GAAP. A reconciliation of the Adjusted EBITDA for the 3 months ended March 31, 2015 and March 31, 2014 can be found in the table below.

"Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation, impairment of long-lived assets, non-cash currency translation adjustments for an inter-company loan and non-recurring severance expense.

<sup>3</sup> "Average paying subscribers" are defined as individuals who have paid a monthly fee for access to communication and Web site features beyond those provided to our members. Average paying subscribers for each month are calculated as the sum of the paying subscribers at the beginning and end of the month, divided by two. Average paying subscribers for periods longer than one month are calculated as the sum of the average paying subscribers for each month, divided by the number of months in such period.

<sup>4</sup> In accordance with Segment Reporting guidance, the Company's financial reporting includes detailed data on four separate operating segments. The Jewish Networks segment consists of the Company's JDate.com, JDate.co.il, JDate.fr, JDate.co.uk and Cupid.co.il Web sites and their respective co-branded Web sites. The Christian Networks segment consists of the Company's ChristianMingle.com, ChristianMingle.co.uk, ChristianMingle.com.au, Believe.com, ChristianCards.net, ChristianDating.com, DailyBibleVerse.com and Faith.com Web sites. The Other Networks segment consists of Spark.com and related other general market Web sites as well as other properties which are primarily composed of sites targeted towards various religious, ethnic, geographic and special interest groups. The Offline & Other Businesses segment consists of revenue generated from offline activities and HurryDate events and subscriptions.

<sup>5</sup> Average Paying Subscribers excludes results from the Company's HurryDate business due to its relative size.

<sup>6</sup> ARPU is defined as average revenue per user per month. Total ARPU excludes results from the Company's HurryDate business due to its relative size.

<sup>7</sup> One month plans may also include a small amount of two month plans. Three month plans may include a small amount of four month plans. Six month plans may include a small amount of twelve month plans.

<sup>8</sup> Represents the type of subscriber comprising the average paying subscribers in that period. First Time Subscribers are defined as those subscribers that have never purchased a subscription from the Company for that reporting segment. Winback Subscribers are defined as those individuals who have purchased a subscription from the Company for that reporting segment, allowed their subscription to lapse, and subsequently purchased a subscription from the Company for that reporting segment. Renewal Subscribers are defined as those subscribers that have auto-renewed a subscription from the Company for that reporting

segment.

**SPARK NETWORKS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
*(in thousands, except share data)*

	<i>December 31,</i>	<i>March 31,</i>
	<i>2014</i>	<i>2015</i>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,696	\$ 13,537
Restricted cash	1,056	950
Accounts receivable	1,308	1,273
Deferred tax asset - current	11	9
Prepaid expenses and other	1,516	1,233
Total current assets	15,587	17,002
Property and equipment, net	4,072	4,143
Goodwill	8,575	8,436
Intangible assets, net	2,469	2,459
Deferred tax asset - non-current	68	68
Deposits and other assets	234	209
Total assets	\$ 31,005	\$ 32,317
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,300	\$ 992
Accrued liabilities	3,948	3,709
Deferred revenue	7,092	7,019
Deferred tax liability - current portion	496	518
Total current liabilities	12,836	12,238
Deferred tax liability	1,607	1,570
Other liabilities	807	743
Total liabilities	15,250	14,551
Commitments and contingencies		
Stockholders' equity:		
Authorized capital stock consists of 100,000,000 shares of Common Stock, \$0.001 par value; issued and outstanding: 24,556,182 and 24,951,478 shares at December 31, 2014 and March 31, 2015, respectively:		
Additional paid-in-capital	25	25
Additional paid-in-capital	72,522	73,808
Accumulated other comprehensive income	759	761
Accumulated deficit	(57,551)	(56,828)
Total stockholders' equity	15,755	17,766
Total liabilities and stockholders' equity	\$ 31,005	\$ 32,317

**SPARK NETWORKS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited, in thousands, except per share data)*

	<i>Three Months Ended</i>		
	<i>March 31, 2014</i>	<i>December 31, 2014</i>	<i>March 31, 2015</i>
Revenue	\$ 16,616	\$ 14,264	\$ 13,486
Cost and expenses:			
Cost of revenue (exclusive of depreciation shown separately below)	12,364	6,087	7,097
Sales and marketing	1,562	828	755
Customer service	788	749	749
Technical operations	341	213	212
Development	859	801	917
General and administrative	2,957	1,828	2,238
Depreciation	517	495	513
Amortization of intangible assets	10	10	10
Impairment of goodwill, long-lived assets and other assets.	-	25	69
Total cost and expenses	19,398	11,036	12,560
Operating (loss) income	(2,782 )	3,228	926
Interest (income) expense and other, net	31	241	118
(Loss) income before income taxes	(2,813 )	2,987	808
Provision for income taxes	79	(882 )	85
Net (loss) income	\$ (2,892 )	\$ 3,869	\$ 723
Net (loss) income per share-- basic and diluted	\$ (0.12 )	\$ 0.16	\$ 0.03
Weighted average shares outstanding - basic	23,922	24,425	24,654
Weighted average shares outstanding - diluted	23,922	24,634	24,942

**Stock-based compensation:**

(in thousands)

	<i>Three Months Ended</i>		
	<i>March 31, 2014</i>	<i>December 31, 2014</i>	<i>March 31, 2015</i>
Sales and marketing	\$ 38	\$ 11	\$ (2 )
General and administrative	140	322	84

Reconciliation of Net (Loss) Income to Adjusted EBITDA:

(in thousands)

	<i>Three Months Ended</i>		
	<i>March 31, 2014</i>	<i>December 31, 2014</i>	<i>March 31, 2015</i>
Net (loss) income	\$ (2,892 )	\$ 3,869	\$ 723
Interest expense	12	12	12
Tax provision (benefit)	79	(882 )	85
Depreciation	517	495	513
Amortization	10	10	10
EBITDA	(2,274 )	3,504	1,343
Stock-based compensation	178	333	82
Impairment of long-lived assets and other assets	-	25	69
Non-cash currency translation adjustments	20	234	102
Non-recurring severance	-	-	161
Adjusted EBITDA	\$ (2,076 )	\$ 4,096	\$ 1,757

Source: Spark Networks, Inc.