

November 13, 2013



Spark Networks(R) Reports Third Quarter Financial Results

LOS ANGELES, CA -- (Marketwired) -- 11/13/13 -- Spark Networks, Inc. (NYSE MKT: LOV)

- **Total revenue grew for 11th consecutive quarter**
- **Total contribution¹ grew 22%**
- **Christian Networks revenue grew for 12th consecutive quarter**
- **Jewish Networks revenue grew for second consecutive quarter**

Spark Networks, Inc. (NYSE MKT: LOV), a leader in creating niche-focused brands that build and strengthen the communities they serve, today reported financial results for the third quarter ended September 30, 2013.

Q3 2013 Highlights

	<u>Q3 2012</u>	<u>Q3 2013</u>
Revenue	\$ 15.9 Million	\$ 17.4 Million
Contribution Margin ²	24 %	27 %
Net Loss	\$ (1.7) Million	\$ (2.6) Million
Net Loss Per Share	\$ (0.08)	\$ (0.11)

Management Commentary

"I am pleased to announce another solid quarter of performance, with revenue increasing for the 11th consecutive quarter," said Greg Liberman, Spark Networks' Chief Executive Officer. "Revenue not only grew overall but, importantly, outpaced the growth of our marketing expense. As a result, despite an increase in marketing expense, company-wide contribution hit its highest level since the first half of 2012.

"Fueling our growth, once again, were the dual engines of our business, the Christian and Jewish Networks segments. In our Christian Networks segment, we posted a 28% increase in subscribers, a 19% increase in revenue and the best contribution performance since 2011. And, at the same time, our Jewish Networks segment continued to show its strength, as we posted another quarter of its customary, near-90% contribution margin and also its second consecutive quarter of revenue growth for the first time in more than five years."

Q3 2013 Financial Results

Revenue was \$17.4 million, an increase of 9% compared to \$15.9 million in the third quarter of 2012. The Christian Networks segment was the primary driver of that growth.

Contribution was \$4.7 million, an increase of 22% compared to \$3.9 million in the third quarter of 2012.

Total cost and expenses were \$19.9 million, an increase of 7% compared to \$18.5 million in the third quarter of 2012. The higher costs primarily reflect a \$739,000 increase in Christian Networks direct marketing expenses, reflecting the Company's continued focus on meaningfully growing its subscriber base in this segment.

Net loss was \$2.6 million, or \$0.11 per share, compared to a net loss of \$1.7 million, or \$0.08 per share, in the third quarter of 2012.

Adjusted EBITDA³ was a loss of \$1.8 million, compared to a loss of \$2.0 million in the third quarter of 2012.

Average paying subscribers⁴ for the Jewish Networks, Christian Networks and Other Networks segments were 300,225, an increase of 13% compared to 266,075 in the third quarter of 2012.

Balance Sheet, Cash, Debt

As of September 30, 2013, the Company had cash and cash equivalents of \$17.2 million, an increase of 65% from \$10.5 million at December 31, 2012. As of September 30, 2013, the Company had no outstanding debt.

SPARK NETWORKS, INC.
SEGMENT⁵ RESULTS FROM OPERATIONS
(in thousands except subscriber and ARPU information)

	<u>Q3 2012</u>	<u>Q4 2012</u>	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q3 '13 v. Q3 '12</u>
Net Revenue						
Jewish Networks	\$ 6,385	\$ 6,617	\$ 6,452	\$ 6,460	\$ 6,433	0.8 %
Christian Networks	8,495	8,721	9,908	10,260	10,088	18.8 %
Other Networks	903	836	815	775	715	-20.8 %
Offline & Other Businesses	88	97	88	86	125	42.0 %
Total Net Revenue	\$ 15,871	\$ 16,271	\$ 17,263	\$ 17,581	\$ 17,361	9.4 %
Direct Mktg. Exp.						
Jewish Networks	\$ 829	\$ 834	\$ 751	\$ 776	\$ 822	-0.8 %
Christian Networks	10,920	11,480	11,722	12,866	11,659	6.8 %
Other Networks	213	201	199	152	123	-42.3 %
Offline & Other Businesses	29	69	26	31	30	3.4 %
Total Direct Mktg. Exp.	\$ 11,991	\$ 12,584	\$ 12,698	\$ 13,825	\$ 12,634	5.4 %
Contribution						
Jewish Networks	\$ 5,556	\$ 5,783	\$ 5,701	\$ 5,684	\$ 5,611	1.0 %
Christian Networks	(2,425)	(2,759)	(1,814)	(2,606)	(1,571)	35.2 %
Other Networks	690	635	616	623	592	-14.2 %
Offline & Other Businesses	59	28	62	55	95	61.0 %
Total Contribution	\$ 3,880	\$ 3,687	\$ 4,565	\$ 3,756	\$ 4,727	21.8 %
Average Paying Subs.						
Jewish Networks	84,650	85,736	85,200	84,487	83,732	-1.1 %
Christian Networks	154,747	168,394	186,896	196,598	197,420	27.6 %
Other Networks	26,678	25,130	23,435	21,183	19,073	-28.5 %
Total Avg. Paying Subs.⁶	266,075	279,260	295,531	302,268	300,225	12.8 %
ARPU						
Jewish Networks	\$ 24.61	\$ 24.93	\$ 24.86	\$ 25.15	\$ 25.28	2.7 %
Christian Networks	17.26	16.43	16.84	16.55	16.07	-6.9 %
Other Networks	10.61	10.36	10.84	11.49	12.08	13.8 %
Total ARPU⁷	\$ 18.93	\$ 18.49	\$ 18.68	\$ 18.60	\$ 18.38	-2.9 %

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): 1-877-407-0789

International: 1-201-689-8562

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 or by clicking <http://investor.spark.net>.

A replay will begin approximately three hours after completion of the call and run until November 27, 2013.

Replay

Toll-Free (United States): 1-877-870-5176

International: 1-858-384-5517

Passcode: 10000578

Safe Harbor Statement:

This press release contains forward-looking statements. Any statements in this news 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: attract members; convert members into paying subscribers and retain our paying subscribers; develop or acquire new product offerings and successfully implement and expand those offerings; keep pace with rapid technological changes; 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. For a discussion of these and further risks and uncertainties, please see our filings with the Securities and Exchange Commission. We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C., 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our public filings with the SEC also are available from commercial document retrieval services and at the Web site maintained by the SEC at <http://www.sec.gov>.

About Spark Networks, Inc.:

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

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

² "Contribution Margin" is defined as Contribution divided by revenue, net of credits and credit card chargebacks.

³ The Company reports Adjusted EBITDA as a supplemental measure to generally accepted accounting principles ("GAAP"). This 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.

"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 the income (loss) recognized from non-cash assets received in connection with a legal judgment.

⁴ "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.

⁵ 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.

⁶ Total Average Paying Subscribers excludes results from the Company's HurryDate business due to its relative size.

⁷ 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.

(Consolidated financial statements to follow)

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

	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2013</u> (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,458	\$ 17,243
Restricted cash	1,232	1,320
Accounts receivable	1,510	1,494
Deferred tax asset, net - current	8	-
Prepaid expenses and other	861	1,869
Total current assets	<u>14,069</u>	<u>21,926</u>
Property and equipment, net	3,133	3,969
Goodwill	8,861	9,178
Intangible assets, net	2,143	2,275
Deferred tax asset, net - non-current	5	-
Other assets	153	207
Total assets	<u>\$ 28,364</u>	<u>\$ 37,555</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,093	\$ 1,343
Accrued liabilities	5,339	5,173
Deferred revenue	8,128	9,271
Deferred tax liability - current	257	239
Total current liabilities	<u>14,817</u>	<u>16,026</u>
Deferred tax liability - non-current	1,413	1,782
Other liabilities	588	1,649
Total liabilities	<u>16,818</u>	<u>19,457</u>
Commitments and contingencies		
Stockholders' equity:		
Authorized capital stock consists of 100,000,000 shares of Common Stock, \$0.001 par value; issued and outstanding: 23,881,741 shares at September 30, 2013 and 20,945,364 shares at December 31, 2012:	21	24
Additional paid-in-capital	54,857	70,192
Accumulated other comprehensive income	712	757
Accumulated deficit	<u>(44,044)</u>	<u>(52,875)</u>
Total stockholders' equity	<u>11,546</u>	<u>18,098</u>
Total liabilities and stockholders' equity	<u>\$ 28,364</u>	<u>\$ 37,555</u>

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

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	2012	2013	2012	2013
Revenue	\$ 15,871	\$ 17,361	\$ 45,472	\$ 52,205
Cost and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	12,901	13,620	35,725	42,046
Sales and marketing	1,020	1,423	2,976	3,972
Customer service	652	746	1,887	2,136
Technical operations	362	288	1,067	887
Development	859	746	2,549	2,331
General and administrative	2,260	2,496	6,550	7,704
Depreciation	426	529	1,242	1,454
Amortization of intangible assets	-	10	13	10
Impairment of long-lived assets	-	-	-	265
Total cost and expenses	18,480	19,858	52,009	60,805
Operating loss	(2,609)	(2,497)	(6,537)	(8,600)
Interest (income) expense and other, net	(36)	(77)	(50)	(172)
Loss before income taxes	(2,573)	(2,420)	(6,487)	(8,428)
(Benefit) provision for income taxes	(836)	195	(2,036)	403
Net loss	<u>\$ (1,737)</u>	<u>\$ (2,615)</u>	<u>\$ (4,451)</u>	<u>\$ (8,831)</u>
Net loss per share--basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.11)</u>	<u>\$ (0.22)</u>	<u>\$ (0.39)</u>
Weighted average shares outstanding - basic and diluted	<u>20,699</u>	<u>23,753</u>	<u>20,683</u>	<u>22,410</u>

Stock-based compensation:
(in thousands)

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	2012	2013	2012	2013
Cost of revenue	\$ 2	\$ -	\$ 6	\$ -
Sales and marketing	17	36	55	107
Customer service	-	-	1	-
Technical operations	29	2	89	4
Development	10	3	31	10
General and administrative	138	153	417	455

Reconciliation of Net Loss to Adjusted EBITDA:
(in thousands)

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	2012	2013	2012	2013
Net loss	\$ (1,737)	\$ (2,615)	\$ (4,451)	\$ (8,831)
Interest	16	19	43	53
Taxes	(836)	195	(2,036)	403
Depreciation	426	529	1,242	1,454
Amortization	-	10	13	10
EBITDA	(2,131)	(1,862)	(5,189)	(6,911)
Stock-based compensation	196	194	599	576
Impairment of long-lived assets	-	-	-	265
Non-cash currency translation adjustments	(42)	(99)	77	(215)
Non-repetitive property possession	-	-	(151)	-
Adjusted EBITDA	<u>\$ (1,977)</u>	<u>\$ (1,767)</u>	<u>\$ (4,664)</u>	<u>\$ (6,285)</u>

For More Information

Investors:

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Source: Spark Networks