

March 5, 2014



Spark Networks(R) Reports Fourth Quarter Financial Results

LOS ANGELES, CA -- (Marketwired) -- 03/05/14 -- Spark Networks, Inc. (NYSE MKT: LOV)

- **Total revenue grew Y/Y for 12th consecutive quarter**
- **Total contribution¹ grew 16% Y/Y**
- **Christian Networks revenue grew Y/Y for 13th consecutive quarter**
- **Christian Networks ARPU² grew Q/Q for first time since Q1 2013**

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 fourth quarter and full year ended December 31, 2013.

Financial Highlights

	<u>Q4 2012</u>	<u>Q4 2013</u>
Revenue	\$16.3 Million	\$17.2 Million
Contribution Margin ³	23%	25%
Net Loss	\$10.5 Million	\$3.5 Million
Net Loss Per Share	\$0.51	\$0.15

Management Commentary

"2013 marked our third consecutive year of growth as we continued to execute our long-term strategic plan," said Greg Liberman, Spark Networks' Chairman and Chief Executive Officer. "And, unlike the previous two years, in addition to delivering 12% revenue growth, we also demonstrated a meaningful 8% improvement in contribution for the year, punctuated by a 16% increase in Q4 contribution."

"Our dual engines -- the Christian and Jewish Networks segments, anchored by ChristianMingle and JDate -- once again drove our performance. In 2013, Christian Networks grew 27%, generated more than \$40 million in revenue and constituted 58% of the company's revenue base. While impressive in a vacuum, that is even more notable given that Christian Networks generated less than \$6 million and comprised just 14% of our revenue when we relaunched the business three years ago. And, from a competitive perspective, with nearly 80% awareness, ChristianMingle has clearly become our second iconic brand that sits at the heart of its community."

Financial Results

Revenue in the fourth quarter of 2013 was \$17.2 million, an increase of 6% compared to the

year ago period. Full year 2013 revenue was \$69.4 million, a 12% increase compared to 2012. The Christian Networks segment was the primary driver of that growth.

Contribution in the fourth quarter of 2013 was \$4.3 million, an increase of 16% compared to the year ago period. Full year 2013 contribution was \$17.3 million, an increase of 8% compared to 2012. A 35% and 21% increase in Christian Networks contribution for the quarter and full year, respectively, drove the gains in total company contribution.

Total cost and expenses in the fourth quarter of 2013 were \$20.7 million, an increase of 10% compared to the year ago period. Full year 2013 total cost and expenses were \$81.5 million, a 15% increase compared to 2012. Our increased direct marketing investment in the Christian Networks segment, the expansion of our mobile product and media business teams and higher legal fees drove the majority of growth in total cost and expenses for the quarter and the full year.

Net loss in the fourth quarter of 2013 was \$3.5 million, or \$0.15 per share, compared to a net loss of \$10.5 million, or \$0.51 per share, in the year ago period. Full year 2013 net loss was \$12.4 million, or \$0.54 per share, compared to a net loss of \$15.0 million, or \$0.72 per share, in 2012.

Adjusted EBITDA⁴ in the fourth quarter of 2013 was a loss of \$2.8 million, compared to a loss of \$2.0 million in the year-ago period. Full year 2013 Adjusted EBITDA was a loss of \$9.1 million, compared to a loss of \$6.7 million in 2012.

Total average paying subscribers⁵ in the fourth quarter of 2013 were 292,760, an increase of 5% compared to the year ago period. Full year 2013 average paying subscribers were 297,696, a 15% increase compared to 2012. The growth in our Christian Networks average paying subscribers drove the total company average paying subscriber increases.

Balance Sheet, Cash, Debt

As of December 31, 2013, the company had cash and cash equivalents of \$14.7 million, an increase of 41% from \$10.5 million at December 31, 2012. As of December 31, 2013, the company had no outstanding debt.

SPARK NETWORKS, INC. SEGMENT⁶
RESULTS FROM OPERATIONS
(in thousands except subscriber and ARPU information)

	<u>Q4 2012</u>	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>Q4 '13 v. Q4 '12</u>
Net Revenue						
Jewish Networks	\$ 6,617	\$ 6,452	\$ 6,460	\$ 6,433	\$ 6,444	-2.6 %
Christian Networks	8,721	9,908	10,260	10,088	9,989	14.5 %
Other Networks	836	815	775	715	667	-20.2 %
Offline & Other Businesses	97	88	86	125	104	7.2 %
Total Net Revenue	\$ 16,271	\$ 17,263	\$ 17,581	\$ 17,361	\$ 17,204	5.7 %
Direct Mktg. Exp.						
Jewish Networks	\$ 834	\$ 751	\$ 776	\$ 822	\$ 991	18.8 %
Christian Networks	11,480	11,722	12,866	11,659	11,769	2.5 %
Other Networks	201	199	152	123	121	-39.8 %
Offline & Other Businesses	69	26	31	30	36	-47.8 %
Total Direct Mktg. Exp.	\$ 12,584	\$ 12,698	\$ 13,825	\$ 12,634	\$ 12,917	2.6 %
Contribution						
Jewish Networks	\$ 5,783	\$ 5,701	\$ 5,684	\$ 5,611	\$ 5,453	-5.7 %
Christian Networks	(2,759)	(1,814)	(2,606)	(1,571)	(1,780)	35.5 %
Other Networks	635	616	623	592	546	-14.0 %
Offline & Other Businesses	28	62	55	95	68	142.9 %
Total Contribution	\$ 3,687	\$ 4,565	\$ 3,756	\$ 4,727	\$ 4,287	16.3 %
Average Paying Subs.						
Jewish Networks	85,736	85,200	84,487	83,732	83,175	-3.0 %
Christian Networks	168,394	186,896	196,598	197,420	192,349	14.2 %
Other Networks	25,130	23,435	21,183	19,073	17,236	-31.4 %
Total Avg. Paying Subs.⁷	279,260	295,531	302,268	300,225	292,760	4.8 %
ARPU						
Jewish Networks	\$ 24.93	\$ 24.86	\$ 25.15	\$ 25.28	\$ 25.34	1.7 %
Christian Networks	16.43	16.84	16.55	16.07	16.14	-1.7 %
Other Networks	10.36	10.84	11.49	12.08	12.44	20.0 %
Total ARPU⁷	\$ 18.49	\$ 18.68	\$ 18.60	\$ 18.38	\$ 18.54	0.3 %

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 March 19, 2014.

Replay

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

International: 1-858-384-5517

Passcode: 13574700

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 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.

³ "Contribution Margin" is defined as Contribution divided by revenue, net of credits and credit card chargebacks.

⁴ 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.

⁵ "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.

⁶ 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.

⁷ Total Average Paying Subscribers excludes results from the company's HurryDate business due to its relative size.

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

	<i>December 31,</i>	<i>December 31,</i>
	2012	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,458	\$ 14,723
Restricted cash	1,232	1,296
Accounts receivable	1,510	1,569
Deferred tax asset - current	8	10
Prepaid expenses and other	861	1,787
Total current assets	14,069	19,385
Property and equipment, net	3,133	3,901
Goodwill	8,861	9,305
Intangible assets, net	2,143	2,269
Deferred tax asset - non-current	5	186
Deposits and other assets	153	208
Total assets	\$ 28,364	\$ 32,254
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,093	\$ 1,516
Accrued liabilities	5,339	5,761
Deferred revenue	8,128	8,830
Deferred tax liability - current portion	257	526
Total current liabilities	14,817	16,633
Deferred tax liability	1,413	1,781
Other liabilities - non-current	588	1,717
Total liabilities	16,818	20,131
Commitments and contingencies		
Stockholders' equity:		
Authorized capital stock consists of 100,000,000 shares of Common Stock, \$0.001 par value; issued and outstanding: 24,001,937 and 20,945,364 shares at December 31, 2013 and 2012, respectively:		
Additional paid-in-capital	21	24
Accumulated other comprehensive income	54,857	70,747
Accumulated deficit	712	776
Total stockholders' equity	(44,044)	(56,424)
Total liabilities and stockholders' equity	\$ 28,364	\$ 35,254

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

	<i>Three Months Ended December 31,</i>		<i>Years Ended December 31,</i>		
	<u>2012</u>	<u>2013</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	\$ 16,271	\$ 17,204	\$ 48,493	\$ 61,743	\$ 69,409
Cost and expenses:					
Cost of revenue (exclusive of depreciation shown separately below)	13,491	13,911	28,955	49,216	55,958
Sales and marketing	1,015	1,629	3,722	3,991	5,601
Customer service	647	765	1,980	2,534	2,902
Technical operations	296	280	1,367	1,363	1,167
Development	797	799	2,710	3,346	3,129
General and administrative	2,237	2,790	8,068	8,787	10,494
Depreciation	431	533	1,320	1,673	1,987
Amortization of intangible assets	-	10	370	13	20
Impairment of goodwill, long-lived assets and other assets	-	-	1,145	-	265
Total cost and expenses	<u>18,914</u>	<u>20,717</u>	<u>49,637</u>	<u>70,923</u>	<u>81,523</u>
Operating loss	(2,643)	(3,513)	(1,144)	(9,180)	(12,114)
Interest (income) expense and other, net	<u>(188)</u>	<u>(56)</u>	<u>162</u>	<u>(238)</u>	<u>(229)</u>
Loss before income taxes	(2,455)	(3,457)	(1,306)	(8,942)	(11,885)
Provision for income taxes	<u>8,083</u>	<u>92</u>	<u>305</u>	<u>6,047</u>	<u>495</u>
Net loss	<u>\$ (10,538)</u>	<u>\$ (3,549)</u>	<u>\$ (1,611)</u>	<u>\$ (14,989)</u>	<u>\$ (12,380)</u>
Net loss per share - basic and diluted	<u>\$ (0.51)</u>	<u>\$ (0.15)</u>	<u>\$ (0.08)</u>	<u>\$ (0.72)</u>	<u>\$ (0.54)</u>
Weighted average shares outstanding - basic and diluted	20,816	23,938	20,591	20,781	22,795

Stock-based compensation:
(in thousands)

	<i>Three Months Ended December 31,</i>		<i>Year Ended December 31,</i>		
	<u>2012</u>	<u>2013</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Cost of revenue	\$ 2	\$ -	\$ 8	\$ 8	\$ -
Sales and marketing	21	38	80	76	145
Customer service	1	-	-	2	-
Technical operations	29	-	119	118	4
Development	11	-	42	42	10
General and administrative	150	153	657	567	608

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

	<i>Three Months Ended December 31,</i>		<i>Years Ended December 31,</i>		
	<i>2012</i>	<i>2013</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Net loss	\$ (10,538)	\$ (3,549)	\$ (1,611)	\$ (14,989)	\$ (12,380)
Interest	16	18	102	59	71
Taxes	8,083	92	305	6,047	495
Depreciation	431	533	1,320	1,673	1,987
Amortization	-	10	370	13	20
EBITDA	(2,008)	(2,896)	486	(7,197)	(9,807)
Stock-based compensation	214	191	906	813	767
Impairment of long-lived assets and other assets	-	-	1,145	-	265
Non-cash currency translation adjustments	(201)	(82)	337	(124)	(297)
Non-repetitive property possession	-	-	(247)	(151)	-
Adjusted EBITDA	<u>\$ (1,995)</u>	<u>\$ (2,787)</u>	<u>\$ 2,627</u>	<u>\$ (6,659)</u>	<u>\$ (9,072)</u>

For More Information

Investors:

Addo Communications

Laura Bainbridge, Kimberly Esterkin

[Email Contact](#); [Email Contact](#)

310-829-5400

Source: Spark Networks, Inc.