



sparknetworks®

(NYSE - Amex: LOV)




















December 2011

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Spark's Portfolio of Targeted Singles Communities Is Unmatched

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	Religious	Ethnic/Interest	International
Verticals	    	     	   
	<p>Online</p> 		<p>Offline</p> 

Targeted Verticals Make It Easy to Find Likeminded Singles

Members Self-Select into Identifiable Communities

	General Market	Growth Verticals	Dominant Vertical
			
Growth Rate	Flat	High potential	Slow & steady
Operational Mode	Significant spending required to maintain subscribers	Spending into growth, while focusing on long-term, sustainable profitability	Dominant brands = High margins, solid cash flow
Winback Customers	Low	Med	High
Typical Contribution Margin	45-75%	30-45%	90-93%

Jewish Networks Segment Continues to Throw Off Cash

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Strong brand recognition

- 80% of JDate traffic is direct type-in, bookmarked or organic
- 2011 independent survey of married Jews revealed 76% of those who dated online during their search used JDate

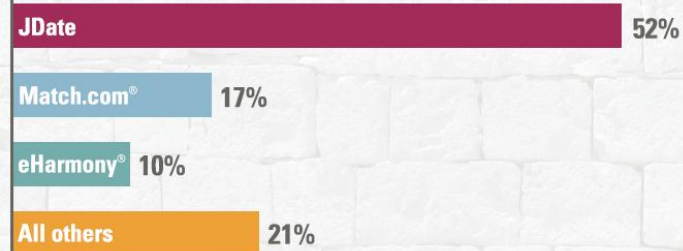
Highly desirable JDate demographics

- 94% college educated
- 71% with avg. income over \$50K
- 37% with avg. income over \$100K

Despite leadership position, JDate has headroom

- 1.8 MM single Jews (18+) in U.S.*
- 400,000+ active U.S. members
- Less than 5% of target market currently in paying subscriber base

JDATE IS RESPONSIBLE FOR **MORE JEWISH MARRIAGES** THAN ALL OTHER ONLINE DATING SITES COMBINED

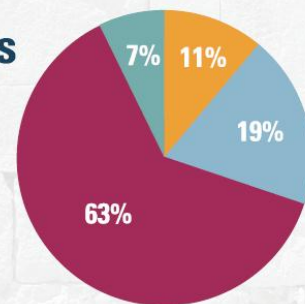


...And more dates

63% of all online dates came from JDate

More than
3x
Match.com

9x
eHarmony



* Source: National Jewish Population Survey

Growth of Other Affinity Networks Proves Spark Is More Than JDate

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- ▶ **For many years, Spark was known only for JDate...not anymore**
 - Since Q2 2011, Other Affinity Networks (“OAN”) average paying subscribers have exceeded those of Jewish Networks (“JN”)
 - OAN average paying subscribers grew 84% from Q3 2010 to Q3 2011
- ▶ **OAN’s strong performance has driven four consecutive quarters of Spark revenue growth (1st time since at least 2004)**
 - Q3 2011 OAN revenue grew by 108% vs. Q3 2010
 - Q3 2011 OAN ARPU grew by 12% vs. Q3 2010
- ▶ **In-period contribution doesn’t tell story, as revenue rules and long subscription tail leads to revenue/expense mismatch**
 - While we recognize marketing expenses as incurred, GAAP requires us to recognize revenue daily, over entire length of a subscription
 - Some members wait months to purchase a subscription after joining a site (even though marketing dollars are recognized as they’re spent)
 - In addition, renewal and winback sales over extended period of time help increase lifetime value long after initial subscription purchase

OAN's Potential Is Just Starting To Be Realized

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- ▶ **Internal operating models indicate OAN marketing spend is profitable (i.e., lifetime value exceeds acquisition cost)**
 - As direct marketing growth rate stabilizes, contribution will grow
 - Case in point - Q3 2011 direct marketing grew at seasonally slower rate, resulting in a \$782K sequential increase in OAN contribution
- ▶ **Spark is focused on a handful of brands within the OAN segment, each with an identifiable and meaningful market**

ChristianMingle.com®

LDSMingle.com®

blackingles.com®

CatholicMingle™

LDSingles.com®

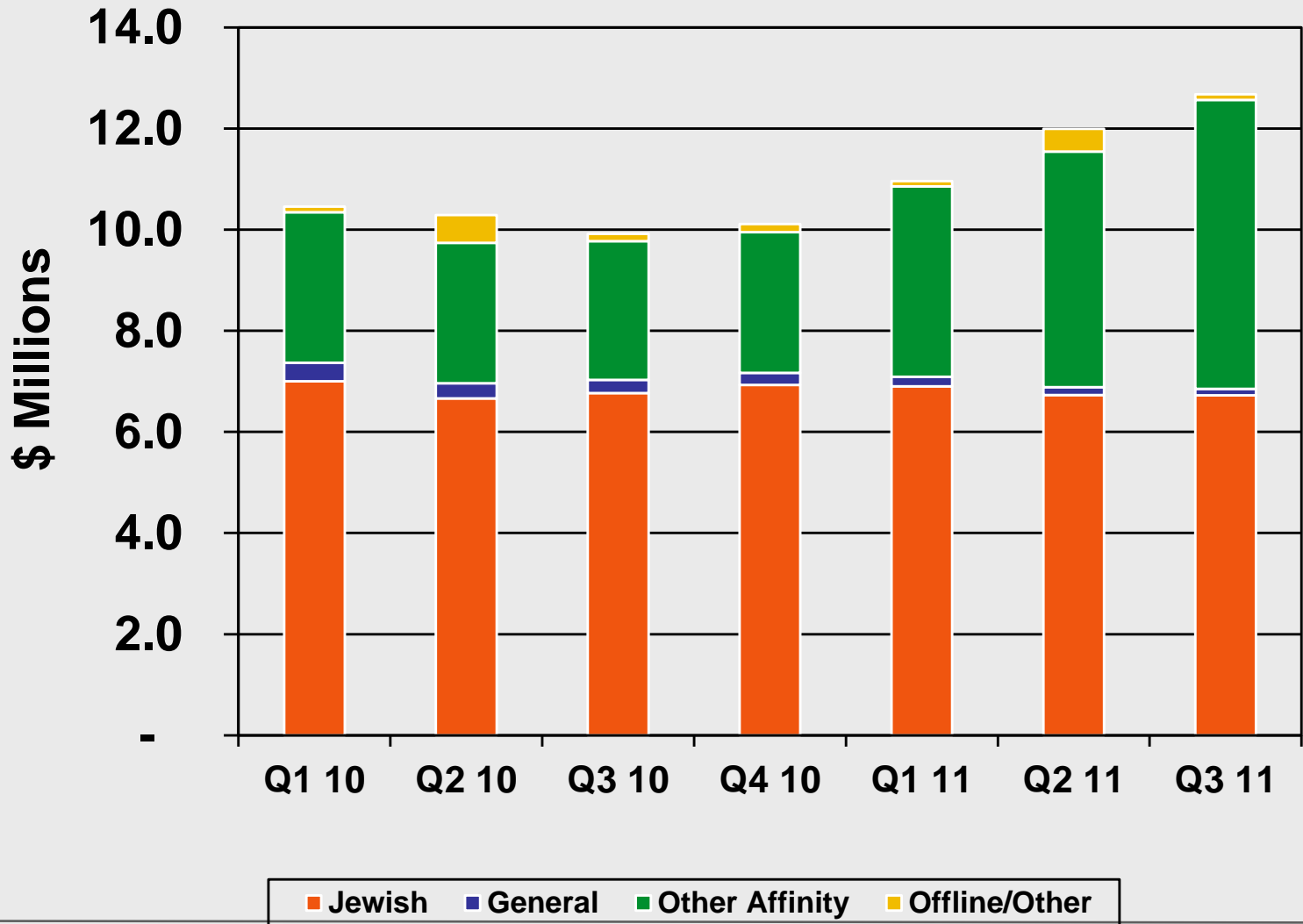
SilverSingles.com

Spark Is Growing on a Very Solid Financial Foundation

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- ▶ **Growth business**
 - 28% Q3 2011 vs. Q3 2010 revenue growth
 - 16% 1st 9 months 2011 vs. 2010 revenue growth
- ▶ **High margin business with strong balance sheet**
 - Jewish Networks contribution margin ~ 90%, representing the primary contribution driver
 - Ended Q3 with \$14.7MM cash, no debt and \$15MM revolving credit facility
- ▶ **Significant operating leverage drives strong cash flow**
 - Relatively fixed cost allows incremental revenue to flow mostly to net income
 - Cash subscription sales received in advance of services provided drives negative working capital model
- ▶ **Minimal capital spending requirements**
- ▶ **NOL's (\$10MM federal & \$36MM state) as of 12/31/10 help shelter future income**

OAN Drives Revenue Growth on Top of JN Foundation



Despite Ramp in Marketing, Cash Balance Is Highest Since Q2 '07



\$ Millions	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2010</u>	<u>Mar. 31, 2011</u>	<u>Jun. 30, 2011</u>	<u>Sep. 30, 2011</u>
Cash	\$6.2	\$13.9	\$13.9	\$13.2	\$14.7
Total Assets	\$29.9	\$36.6	\$36.4	\$36.5	\$37.8
Debt	-	-	-	-	-
Total Shareholders Equity	\$18.3	\$25.4	\$25.5	\$25.7	\$25.5
Outstanding Shares	20.6	20.6	20.6	20.6	20.6

Q3 2011 Saw 4th Consecutive Quarter of Sequential Revenue Growth

- ▶ **Q3 2011 revenue up 6% (to 12.7MM) vs. Q2 2011**
 - Q3 2011 OAN up 23% (to 5.7MM) vs. Q2 2011
 - Q3 2011 JN flat (at 6.7MM) vs. Q2 2011

- ▶ **Q3 2011 revenue up 28% or \$2.8MM vs. Q3 2010**
 - Q3 2011 OAN up 108% vs. Q3 2010
 - Q3 2011 JN down 1% vs. Q3 2010

- ▶ **Q3 2011 contribution up 13% (to 6.2MM) vs. Q2 2011**
 - Despite increase of \$272K in direct marketing, Q3 2011 OAN contribution grew \$782K vs. Q2 2011
 - JN contribution declined \$78K vs. Q2 2011 in conjunction with \$71K increase in direct marketing

- ▶ **Q3 2011 Adj. EBITDA up 48% (to \$432K) vs. Q2 2011, demonstrating operating leverage of business**

- ▶ **Investment spend to create another JDate**
 - Aim to achieve cultural icon status where we see opportunity
 - Aggressive marketing spend to grow brands with most potential
 - Focus less time on other brands with more limited potential

- ▶ **Launch and enhance new initiatives in Jewish Networks**

- ▶ **Innovate our products and features to keep sites fresh**

- ▶ **Diversified portfolio of personals websites focused on affinity groups**
- ▶ **Strong JDate brand recognition**
- ▶ **High margin business - Jewish Networks contribution margin ~ 90%, representing the primary contribution driver**
- ▶ **Rapidly Growing Other Affinity Networks Segment - Q3 2011 Q/Q revenue grew 23%, Y/Y Grew of 108%**
- ▶ **Large market opportunity**
 - 100 million singles (18+) in the United States
 - OAN addressable market is much larger than iconic JN's market
- ▶ **Simple strategy**
 - Increase operational efficiency
 - Improve registration, conversion and retention rates
 - Introduce new products
 - Seek additional strategic acquisitions
- ▶ **Strong Cash Flow Dynamics**
 - Low Cap-X Requirements
 - Negative working capital
 - NOL's to shelter income (\$10MM federal & \$36MM state as of 12/31/10)

Management & Board



<u>Name</u>	<u>Title</u>	<u>Past Experience</u>
Greg Liberman	CEO, Director	CytrxCorp., GlobalCenter/Exodus
Greg Franchina	CIO	Spot Runner, WeddingChannel
Brett Zane	CFO	Action Media, LBI Media, Prudential
Josh Kreinberg	General Counsel	Gibson, Dunn & Crutcher
Adam Berger	Director	Spark, WeddingChannel, Franklin Mint
Jonathan Bulkeley	Director	Blue Square Capital, Scanbuy, Edgar-Online
Benjamin Derhy	Director	Private investor, Turbo Sportswear
Peter Garran	Director	Great Hill Partners, JP Morgan
Michael Kumin	Director	Great Hill Partners, Apollo Advisors
Tom Stockham	Director	SwarmBuilder, MyFamily.com, Ticketmaster



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