



SPARK NETWORKS® REPORTS THIRD QUARTER FINANCIAL RESULTS

- Contribution¹ of \$9.0 million, highest since Q1 2009
- Adjusted EBITDA² of \$2.5 million, highest since Q1 2010
- Average paying subscribers³ of 257,679, a sequential decline of 6%

LOS ANGELES, Calif., November 6, 2014 -- 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, 2014.

Financial Highlights

	Q3 2013	Q2 2014	Q3 2014
Revenue	\$17.4 Million	\$15.8 Million	\$15.0 Million
Contribution	\$4.7 Million	\$7.8 Million	\$9.0 Million
Adjusted EBITDA	\$(1.8) Million	\$937,000	\$2.5 million
Net Loss	\$(2.6) Million	\$(1.1) Million	\$(1.0) Million
Cash Balance	\$17.2 Million	\$10.1 Million	\$9.3 Million
Avg. Paying Subs	300,225	275,345	257,679
ARPU	\$18.38	\$17.95	\$18.33

Financial Results

Revenue in the third quarter of 2014 was \$15.0 million, a decrease of 14% compared to the year-ago period, and a 5% decrease compared to the prior quarter. The year-over-year decrease was primarily driven by a 14% decrease in average paying subscribers, reflecting a 15% and 9% decline in average paying subscribers for the Christian and Jewish Networks segments, respectively. The sequential decrease was primarily driven by a 6% decrease in average paying subscribers, reflecting an 8% and 3% decline in average paying subscribers for the Christian and Jewish Networks segments, respectively.

Direct marketing expenses in the third quarter of 2014 were \$6.0 million, a decrease of 52% compared to the year-ago period and a 24% decrease compared to the prior quarter. Christian Networks accounted for the majority of the decrease, reflecting the company's strategy to reduce and reallocate direct marketing investments in the segment.

Contribution in the third quarter of 2014 was \$9.0 million, an increase of 90% compared to the year-ago period and a 14% increase compared to the prior quarter. Christian Networks was the primary driver with improved marketing efficiency and a better mix within our paying subscriber base.

Excluding direct marketing and one-time severance and restructuring expenses, costs and expenses in the third quarter of 2014 were \$7.4 million, an increase of 3% and a decrease of 2% compared to the year-ago period and the prior quarter, respectively. In the third quarter of 2014, the Company incurred one-time expenses totaling \$1.9 million, comprised of approximately \$1.0 million in connection with severance related to the former CEO, approximately \$200,000 in connection with severance related to the former general counsel, approximately \$200,000 associated with severance related to a general reduction in the

workforce and approximately \$500,000 in connection with reimbursement of proxy contest costs.

Net loss in the third quarter of 2014 was \$(969,000), or \$(0.04) per share, compared to a net loss of \$(2.6) million, or \$(0.11) per share, in the year ago period, and a net loss of \$(1.1) million or \$(0.05) per share in the prior quarter.

Excluding one-time expenses associated with the separation of the Company's former CEO and General Counsel, the severance associated with a general reduction in workforce and the reimbursement of proxy contest costs in the third quarter of 2014, Adjusted EBITDA was \$2.5 million compared to a loss of \$(1.8) million in the year ago period and income of \$937,000 in the prior quarter (excluding \$1.3 million of proxy fees and related costs).

Total average paying subscribers in the third quarter of 2014 were 257,679, a decrease of 14% compared to the year-ago period and a 6% decrease compared to the prior quarter. Christian Networks average paying subscribers were 166,908 in the third quarter of 2014, a 15% decrease compared to the year-ago period and an 8% decrease compared to the prior quarter. Jewish Networks average paying subscribers were 76,481, a 9% decrease compared to the year-ago period and a 3% decrease compared to the prior quarter. Other Networks average paying subscribers were 14,290, a 25% decrease compared to the year-ago period and a 7% decrease compared to the prior quarter.

Balance Sheet, Cash, Debt

As of September 30, 2014, the company had cash and cash equivalents of \$9.3 million. As of September 30, 2014, the company had no outstanding debt.

Commentary and Outlook

Executive Chairman Michael McConnell stated, "The Company has experienced significant changes since the removal of the majority of the Board in July. The initial focus of the new Board has been on right-sizing the corporate cost structure and driving improved marketing efficiency, particularly at ChristianMingle. Both objectives have largely been accomplished. Improved marketing efficiency at ChristianMingle drove subscriber acquisition costs ('SAC') in September that were less than subscriber lifetime value ('LTV') for the first time since January 2012.

"Looking forward, the primary objective is to drive substantial improvement to our product functions and features across all platforms. Our JDate iPhone App was approved this week and we will launch the ChristianMingle App by the end of the year. We are exploring both leveraging our presence in Israel and outsourcing certain other development activities to accelerate product development. We are fully committed to devoting the financial resources to greatly improve our product, support our brands and provide to our customers an industry leading experience. We know we have work to do in this area.

"In summary, much has been accomplished in the last several months, but much work remains. The team has embraced our future with a sense of urgency and focus. We look forward to driving changes that create a terrific experience for our customers and support the core communities we serve."

SPARK NETWORKS, INC.
SEGMENT RESULTS FROM OPERATIONS⁴
(in thousands except subscriber and ARPU information)

	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>Q1 2014</u>	<u>Q2 2014</u>	<u>Q3 2014</u>	<u>Q3 '14 v. Q3 '13</u>
Net Revenue						
Jewish Networks	\$ 6,433	\$ 6,444	\$ 6,124	\$ 5,895	\$ 5,724	-11.0%
Christian Networks	10,088	9,989	9,789	9,199	8,672	-14.0%
Other Networks	715	667	610	570	533	-25.5%
Offline & Other Businesses	<u>125</u>	<u>104</u>	<u>93</u>	<u>93</u>	<u>79</u>	<u>-36.8%</u>
Total Net Revenue	\$17,361	\$17,204	\$ 16,616	\$ 15,757	\$ 15,008	-13.6%
Direct Mktg. Exp.						
Jewish Networks	\$ 822	\$ 991	\$ 1,115	\$ 693	\$ 628	-23.6%
Christian Networks	11,659	11,769	10,104	7,073	5,293	-54.6%
Other Networks	123	121	142	115	107	-13.0%
Offline & Other Businesses	<u>30</u>	<u>36</u>	<u>25</u>	<u>28</u>	<u>19</u>	<u>-36.7%</u>
Total Direct Mktg. Exp.	\$12,634	\$ 12,917	\$ 11,386	\$ 7,909	\$ 6,047	-52.1%
Contribution						
Jewish Networks	\$ 5,611	\$ 5,453	\$ 5,009	\$ 5,202	\$ 5,096	-9.2%
Christian Networks	(1,571)	(1,780)	(315)	2,126	3,379	N/A
Other Networks	592	546	468	455	426	-28.0%
Offline & Other Businesses	<u>95</u>	<u>68</u>	<u>68</u>	<u>65</u>	<u>60</u>	<u>-36.8%</u>
Total Contribution	\$ 4,727	\$ 4,287	\$ 5,230	\$ 7,848	\$ 8,961	89.6%
Average Paying Subs.						
Jewish Networks	83,732	83,175	80,395	78,856	76,481	-8.7%
Christian Networks	197,420	192,349	189,251	181,062	166,908	-15.5%
Other Networks	<u>19,073</u>	<u>17,236</u>	<u>16,396</u>	<u>15,427</u>	<u>14,290</u>	<u>-25.1%</u>
Total Avg. Paying Subs.⁵	300,225	292,760	286,042	275,345	257,679	-14.2%
ARPU⁶						
Jewish Networks	\$ 25.28	\$ 25.34	\$ 24.87	\$ 24.43	\$ 24.53	-2.9%
Christian Networks	16.07	16.14	16.19	15.64	16.01	-0.3%
Other Networks	<u>12.08</u>	<u>12.44</u>	<u>12.08</u>	<u>11.97</u>	<u>12.11</u>	<u>0.2%</u>
Total ARPU⁶	\$ 18.38	\$ 18.54	\$ 18.40	\$ 17.95	\$ 18.33	-0.3%

Distribution of New Subscription Purchases⁷

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Jewish Networks					
1 month plans	40.1%	39.9%	39.5%	40.4%	38.5%
3 month plans	27.3%	26.2%	26.7%	23.6%	24.9%
6 month plans	32.6%	33.9%	33.8%	36.0%	36.6%
	100.0%	100.0%	100.0%	100.0%	100.0%
Christian Networks					
1 month plans	43.6%	43.5%	44.4%	44.8%	50.6%
3 month plans	23.1%	25.9%	21.7%	18.6%	20.8%
6 month plans	33.3%	30.6%	33.9%	36.6%	28.6%
	100.0%	100.0%	100.0%	100.0%	100.0%
Other Networks					
1 month plans	60.8%	57.5%	57.9%	55.4%	58.6%
3 month plans	12.6%	12.8%	13.2%	12.7%	12.2%
6 month plans	26.5%	29.7%	28.9%	31.9%	29.2%
	100.0%	100.0%	100.0%	100.0%	100.0%

Composition of Average Paying Subscriber Base⁸

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Jewish Networks					
First Time Subscribers	25.3%	24.2%	23.1%	22.4%	21.9%
Winback Subscribers	30.6%	29.9%	29.3%	29.8%	29.5%
Renewal Subscribers	44.1%	45.9%	47.6%	47.8%	48.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Christian Networks					
First Time Subscribers	53.8%	52.0%	49.1%	45.8%	42.7%
Winback Subscribers	18.5%	18.9%	19.3%	19.9%	20.5%
Renewal Subscribers	27.7%	29.1%	31.6%	34.3%	36.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Other Networks					
First Time Subscribers	33.9%	31.8%	32.1%	32.2%	31.2%
Winback Subscribers	24.7%	24.2%	23.2%	23.1%	22.6%
Renewal Subscribers	41.4%	44.0%	44.7%	44.7%	46.2%
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 or by clicking <http://investor.spark.net>.

A replay will begin approximately three hours after completion of the call and run until November 20, 2014.

Replay

Toll-Free (United States): 1-877-870-5176
International: 1-858-384-5517
Passcode: 13594281

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; identify and consummate strategic acquisitions and integrate acquired companies or assets; obtain financing on acceptable terms; and successfully implement both cost cutting initiatives and our current long-term growth strategy. 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).

For More Information

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

² The company reports Adjusted EBITDA as a supplemental measure to generally accepted accounting principles in the United States ("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 non-recurring proxy contest costs and severance expense.

³ "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.

⁴ 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.

⁵ Total Average Paying Subscribers excludes results from the company's HurryDate business due to its relative size.

⁶ 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.

⁷ 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.

⁸ 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
(unaudited, in thousands, except share data)

	<u>December 31,</u> <u>2013</u>	<u>September 30,</u> <u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,723	\$ 9,309
Restricted cash	1,296	1,124
Accounts receivable.....	1,569	1,457
Deferred tax asset – current	10	10
Prepaid expenses and other	1,787	935
Total current assets.....	19,385	12,835
Property and equipment, net.....	3,901	3,918
Goodwill	9,305	8,893
Intangible assets, net.....	2,269	2,481
Deferred tax asset – non-current	186	-
Deposits and other assets.....	208	244
Total assets.....	<u>\$ 35,254</u>	<u>\$ 28,371</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,516	\$ 777
Accrued liabilities	5,761	4,809
Deferred revenue	8,830	7,909
Deferred tax liability – current portion	526	526
Total current liabilities	16,633	14,021
Deferred tax liability – non-current.....	1,781	1,723
Other liabilities	1,717	1,662
Total liabilities	20,131	17,406
Commitments and contingencies.....		
Stockholders' equity:		
Authorized capital stock consists of 100,000,000 shares of Common Stock, \$0.001 par value; issued and outstanding: 24,274,042 and 24,001,937 shares at Sept 30, 2014 and December 31, 2013, respectively:.....		
	24	26
Additional paid-in-capital	70,747	71,599
Accumulated other comprehensive income	776	760
Accumulated deficit	(56,424)	(61,420)
Total stockholders' equity.....	15,123	10,965
Total liabilities and stockholders' equity	<u>\$ 35,254</u>	<u>\$ 28,371</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Revenue.....	\$ 17,361	\$ 15,008	\$ 52,205	\$ 47,381
Cost and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	13,620	7,004	42,046	28,234
Sales and marketing	1,423	1,368	3,972	4,299
Customer service	746	738	2,136	2,289
Technical operations.....	288	276	887	917
Development.....	746	886	2,331	2,645
General and administrative	2,496	4,446	7,704	11,472
Depreciation.....	529	518	1,454	1,558
Amortization of intangible assets	10	10	10	30
Impairment of long-lived assets.....	-	103	265	103
Total cost and expenses.....	19,858	15,349	60,805	51,547
Operating loss.....	(2,497)	(341)	(8,600)	(4,166)
Interest (income) expense and other, net.....	(77)	340	(172)	323
Loss before income taxes	(2,420)	(681)	(8,428)	(4,489)
Provision for income taxes.....	195	288	403	507
Net loss	<u>\$ (2,615)</u>	<u>\$ (969)</u>	<u>\$ (8,831)</u>	<u>\$ (4,996)</u>
Net loss per share—basic and diluted.....	<u>\$ (0.11)</u>	<u>\$ (0.04)</u>	<u>\$ (0.39)</u>	<u>\$ (0.21)</u>
Weighted average shares outstanding – basic and diluted	<u>23,753</u>	<u>24,035</u>	<u>22,410</u>	<u>23,936</u>

Stock-based compensation:
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Cost of revenue	\$ -	\$ 3	\$ -	\$ 3
Sales and marketing	36	\$ 23	107	99
Technical operations	2	-	4	-
Development	3	-	10	-
General and administrative	153	259	455	511

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Net loss	(\$2,615)	(\$969)	(\$8,831)	(\$4,996)
Interest	19	12	53	36
Taxes	195	288	403	507
Depreciation	529	518	1,454	1,558
Amortization	10	10	10	30
EBITDA	(1,862)	(141)	(6,911)	(2,865)
Stock-based compensation	194	285	576	613
Impairment of long-lived assets	-	103	265	103
Non-recurring proxy and severance	-	1,884	-	3,308
Non-cash currency translation adjustments	(99)	327	(215)	284
Adjusted EBITDA	<u>(\$1,767)</u>	<u>\$2,458</u>	<u>(6,285)</u>	<u>\$1,443</u>