



SPARK NETWORKS® REPORTS FOURTH QUARTER FINANCIAL RESULTS

- **Total contribution¹ of \$9.1 million, highest since Q1 2009**
- **Adjusted EBITDA² of \$4.1 million, highest since Q3 2008**
 - **Net income of \$3.9 million, highest since Q4 2007**

LOS ANGELES, Calif., March 5, 2015 -- Spark Networks, Inc. (NYSE MKT: LOV), a leader in creating iconic, niche-focused brands and communities that help individuals make life-long relationships with others that share their interests and values, today reported financial results for the fourth quarter and full year ended December 31, 2014.

Financial Highlights

	Q4 2013	Q3 2014	Q4 2014
Revenue	\$17.2 Million	\$15.0 Million	\$14.3 Million
Contribution	\$4.3 Million	\$9.0 Million	\$9.1 Million
Adjusted EBITDA	\$(2.8) Million	\$2.5 million	\$4.1 million
Net (Loss) Income	\$(3.5) Million	\$(1.0) Million	\$3.9 Million
Cash Balance	\$14.7 Million	\$9.3 Million	\$11.7 Million
Avg. Paying Subs ³	292,760	257,679	227,874
ARPU	\$18.54	\$18.33	\$19.47

Financial Results

Revenue in the fourth quarter of 2014 was \$14.3 million, a decrease of 17% compared to the year ago period, and a 5% decrease from the prior quarter. The year over year decrease was primarily driven by a 22% decrease in average paying subscribers³, reflecting a 27% and 12% decrease in average paying subscribers for the Christian and Jewish Networks segments, respectively. The sequential decrease was primarily driven by a 15% and 4% decrease in average paying subscribers for the Christian and Jewish Networks segments, respectively. Full year 2014 revenue was \$61.6 million, an 11% decrease compared to 2013. The decrease was primarily driven by a 12% decline in average paying subscribers, reflecting a 12% and 8% decrease in average paying subscribers for the Christian and Jewish Networks segments, respectively.

Direct marketing expenses in the fourth quarter of 2014 were \$5.1 million, a decrease of 60% compared to the year-ago period and a 15% 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. Full year 2014 direct marketing expenses were \$30 million, a decrease of 41%, reflecting a 44% reduction in direct marketing expenses for the Christian Networks segment.

Contribution in the fourth quarter of 2014 was \$9.1 million, an increase of 113% compared to the year ago period and a 2% 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. Full year 2014 contribution was \$31.2 million, an 80% year-over-year increase, reflecting a \$16.9 million increase in Christian

Networks contribution. Christian Networks contribution for the quarter and full year, were positive in 2014, for the first time since the third quarter and full year of 2010, respectively.

Excluding direct marketing expenses, cost and expenses in the fourth quarter of 2014 were \$5.9 million, a decrease of 24% compared to the year ago period. 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. Excluding direct marketing expenses and non-recurring items, full year 2014 cost and expenses decreased 2% to \$28.9 million compared to 2013. During 2014, the Company incurred one-time expenses totaling \$3.3 million, comprised of approximately \$1.3 million of severance costs and \$2.0 million of proxy contest costs.

Net income in the fourth quarter of 2014 was \$3.9 million, or \$0.16 per share, compared to a net loss of \$(3.5) million, or \$(0.15) per share, in the year ago period and \$(969,000), or \$(0.04) per share, in the prior quarter. Full year 2014 net loss was \$(1.1) million, or \$(0.05) per share, compared to a net loss of \$(12.4) million, or \$(0.54) per share, in 2013.

Adjusted EBITDA in the fourth quarter of 2014 was \$4.1 million compared to a loss of \$(2.8) million in the year ago period and income of \$2.5 million (excluding non-recurring charges) in the prior quarter. Excluding the aforementioned non-recurring expenses, full year 2014 Adjusted EBITDA was income of \$5.5 million, compared to a loss of \$(9.1) million in 2013.

Total average paying subscribers in the fourth quarter of 2014 were 227,874, a decrease of 22% compared to the year ago period, and a decrease of 12% from the prior quarter. Christian Networks average paying subscribers were 141,188 in the fourth quarter of 2014, a 27% decrease compared to the year-ago period and a 15% decrease compared to the prior quarter. Jewish Networks average paying subscribers were 73,429, a 12% decrease compared to the year-ago period and a 4% decrease compared to the prior quarter. Other Networks average paying subscribers were 13,257, a 23% decrease compared to the year-ago period and a 7% decrease compared to the prior quarter. For the full year 2014 average paying subscribers were 261,734, a 12% decrease compared to 2013.

Balance Sheet, Cash, Debt

As of December 31, 2014, the company had cash and cash equivalents of \$11.7 million, a decrease of 21% from \$14.7 million at December 31, 2013. As of December 31, 2014, the company had no outstanding debt.

Commentary and Outlook

Chief Executive Officer Michael Egan stated, "We are now in the "walk" phase of our "crawl, walk, run" plan. The second half of 2014 was a significant adjustment for the company as we focused our efforts on improved marketing and corporate efficiency. The first half of 2015, alongside continual operational improvement, is primarily about bringing on the talent and resources we require to fine tune and to begin to implement our growth plans. We are well on our way. For the second half of 2015, our "run" plan is to reinvigorate profitable subscriber growth by year end.

"We plan to accomplish this by first investing in our product and technology to become more nimble and provide our members with valuable new features and services. Secondly, we will continue optimizing our marketing, exploring alternative acquisition channels that are unique to our communities, and incorporating deeper data analysis to ensure that we find and retain our members at more profitable levels. Finally, we will be evolving our member service model so that we can better ensure that our ChristianMingle and JDate members succeed in finding their true, long-term partners.

"It is important to note that given the long-tail nature of our business, both a portion of our 2014 second half profitability, and much of the decline in revenue and membership that we have seen and will continue to see for a little while longer, is the result of the historical customer cohorts that were acquired via aggressive and unprofitable marketing strategies. As this wave flattens, we anticipate we will experience our trough subscriber count in the first quarter 2015, in line with previously released guidance. We anticipate trough revenue will occur in the second quarter 2015, with sequential quarterly improvement thereafter."

SPARK NETWORKS, INC.
SEGMENT⁴ RESULTS FROM OPERATIONS
(in thousands except subscriber and ARPU information)

	<u>Q4 2013</u>	<u>Q1 2014</u>	<u>Q2 2014</u>	<u>Q3 2014</u>	<u>Q4 2014</u>	<u>Q4 '14 v. Q4 '13</u>
Net Revenue						
Jewish Networks	\$ 6,444	\$ 6,124	\$ 5,895	\$ 5,724	\$ 5,502	-14.6%
Christian Networks	9,989	9,789	9,199	8,672	8,215	-17.8%
Other Networks	667	610	570	533	504	-24.4%
Offline & Other Businesses	<u>104</u>	<u>93</u>	<u>93</u>	<u>79</u>	<u>43</u>	<u>-58.7%</u>
Total Net Revenue	\$ 17,204	\$16,616	\$15,757	\$15,008	\$ 14,264	-17.1%
Direct Mktg. Exp.						
Jewish Networks	\$ 991	\$ 1,115	\$ 693	\$ 628	\$ 684	-31.0%
Christian Networks	11,769	10,104	7,073	5,293	4,325	-63.3%
Other Networks	121	142	115	107	116	-4.1%
Offline & Other Businesses	<u>36</u>	<u>25</u>	<u>28</u>	<u>19</u>	<u>4</u>	<u>-88.9%</u>
Total Direct Mktg. Exp.	\$ 12,917	\$11,386	\$7,909	\$6,047	\$ 5,129	-60.3%
Contribution						
Jewish Networks	\$ 5,453	\$ 5,009	\$ 5,202	\$ 5,096	\$ 4,818	-11.6%
Christian Networks	(1,780)	(315)	2,126	3,379	3,890	NM
Other Networks	546	468	455	426	388	-28.9%
Offline & Other Businesses	<u>68</u>	<u>68</u>	<u>65</u>	<u>60</u>	<u>39</u>	<u>-42.6%</u>
Total Contribution	\$ 4,287	\$ 5,230	\$ 7,848	\$ 8,961	\$ 9,135	113.1%
Average Paying Subs.						
Jewish Networks	83,175	80,395	78,856	76,481	73,429	-11.7%
Christian Networks	192,349	189,251	181,062	166,908	141,188	-26.6%
Other Networks	<u>17,236</u>	<u>16,396</u>	<u>15,427</u>	<u>14,290</u>	<u>13,257</u>	<u>-23.1%</u>
Total Avg. Paying Subs.⁵	292,760	286,042	275,345	257,679	227,874	-22.2%
ARPU						
Jewish Networks	\$ 25.34	\$ 24.87	\$ 24.43	\$ 24.53	\$ 24.44	-3.6%
Christian Networks	16.14	16.19	15.64	16.01	17.57	8.8%
Other Networks	<u>12.44</u>	<u>12.08</u>	<u>11.97</u>	<u>12.11</u>	<u>12.27</u>	<u>-1.3%</u>
Total ARPU⁶	\$ 18.54	\$ 18.40	\$ 17.95	\$ 18.33	\$ 19.47	5.0%

Distribution of New Subscription Purchases⁷

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Jewish Networks					
1 month plans	39.9%	39.5%	40.4%	38.5%	41.4%
3 month plans	26.2%	26.7%	23.6%	24.9%	24.3%
6 month plans	33.9%	33.8%	36.0%	36.6%	34.3%
	100.0%	100.0%	100.0%	100.0%	100.0%
Christian Networks					
1 month plans	43.5%	44.4%	44.8%	50.6%	53.7%
3 month plans	25.9%	21.7%	18.6%	20.8%	20.7%
6 month plans	30.6%	33.9%	36.6%	28.6%	25.6%
	100.0%	100.0%	100.0%	100.0%	100.0%
Other Networks					
1 month plans	57.5%	57.9%	55.4%	58.6%	59.2%
3 month plans	12.8%	13.2%	12.7%	12.2%	11.0%
6 month plans	29.7%	28.9%	31.9%	29.2%	29.8%
	100.0%	100.0%	100.0%	100.0%	100.0%

Composition of Average Paying Subscriber Base⁸

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Jewish Networks					
First Time Subscribers	24.2%	23.1%	22.4%	21.9%	22.4%
Winback Subscribers	29.9%	29.3%	29.8%	29.5%	29.2%
Renewal Subscribers	45.9%	47.6%	47.8%	48.6%	48.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Christian Networks					
First Time Subscribers	52.0%	49.1%	45.8%	42.7%	38.0%
Winback Subscribers	18.9%	19.3%	19.9%	20.5%	19.7%
Renewal Subscribers	29.1%	31.6%	34.3%	36.8%	42.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Other Networks					
First Time Subscribers	31.8%	32.1%	32.2%	31.2%	30.6%
Winback Subscribers	24.2%	23.2%	23.1%	22.6%	21.8%
Renewal Subscribers	44.0%	44.7%	44.7%	46.2%	47.6%
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 March 19, 2015.

Replay
Toll-Free (United States): 1-877-870-5176
International: 1-858-384-5517
Passcode: 13601876

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).

For More Information

Investors:
Robert O'Hare
rohare@spark.net

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 ("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
(in thousands, except share data)

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 14,723	\$ 11,696
Restricted cash.....	1,296	1,056
Accounts receivable	1,569	1,308
Deferred tax asset – current	10	11
Prepaid expenses and other	1,787	1,516
Total current assets	<u>19,385</u>	<u>15,587</u>
Property and equipment, net.....	3,901	4,072
Goodwill	9,305	8,575
Intangible assets, net.....	2,269	2,469
Deferred tax asset – non-current.....	186	68
Deposits and other assets.....	208	234
Total assets	<u>\$ 35,254</u>	<u>\$ 31,005</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable.....	\$ 1,516	\$ 1,300
Accrued liabilities.....	5,761	3,948
Deferred revenue	8,830	7,092
Deferred tax liability – current portion.....	526	496
Total current liabilities.....	<u>16,633</u>	<u>12,836</u>
Deferred tax liability	1,781	1,607
Other liabilities.....	1,717	807
Total liabilities	<u>20,131</u>	<u>15,250</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: 24,001,937 and 24,556,182 shares at December 31, 2013 and 2014, respectively:	24	25
Additional paid-in-capital	70,747	72,522
Accumulated other comprehensive income.....	776	759
Accumulated deficit.....	(56,424)	(57,551)
Total stockholders' equity	<u>15,123</u>	<u>15,755</u>
Total liabilities and stockholders' equity	<u>\$ 35,254</u>	<u>\$ 31,005</u>

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

	Three Months Ended December 31,		Years Ended December 31,		
	2013	2014	2012	2013	2014
Revenue.....	\$ 17,204	14,264	\$ 61,743	\$ 69,409	\$ 61,645
Cost and expenses:					
Cost of revenue (exclusive of depreciation shown separately below)	13,911	6,087	49,216	55,958	34,321
Sales and marketing.....	1,629	828	3,991	5,601	5,127
Customer service	765	749	2,534	2,902	3,038
Technical operations.....	280	213	1,363	1,167	1,130
Development.....	799	801	3,346	3,129	3,446
General and administrative	2,790	1,828	8,787	10,494	13,300
Depreciation.....	533	495	1,673	1,987	2,053
Amortization of intangible assets.....	10	10	13	20	40
Impairment of goodwill, long-lived assets and other assets	-	25	-	265	128
Total cost and expenses	20,717	11,036	70,923	81,523	62,583
Operating (loss) income	(3,513)	3,228	(9,180)	(12,114)	(938)
Interest (income) expense and other, net	(56)	241	(238)	(229)	564
(Loss) income before income taxes.....	(3,457)	2,987	(8,942)	(11,885)	(1,502)
Provision for income taxes.....	92	(882)	6,047	495	(375)
Net (loss) income	\$ (3,549)	\$ 3,869	\$ (14,989)	\$ (12,380)	\$ (1,127)
Net (loss) income per share— basic and diluted	\$ (0.15)	\$ 0.16	\$ (0.72)	\$ (0.54)	\$ (\$0.05)
Weighted average shares outstanding – basic.....	23,938	24,425	20,781	22,795	24,064
Weighted average shares outstanding – diluted.....	23,938	24,634	20,781	22,795	24,064

Stock-based compensation:
(in thousands)

	Three Months Ended December 31,		Year Ended December 31,		
	2013	2014	2012	2013	2014
Cost of revenue	\$ -	\$ -	\$ 8	\$ -	\$ 3
Sales and marketing	38	11	76	145	110
Customer service	-	-	2	-	-
Technical operations	-	-	118	4	-
Development	-	-	42	10	-
General and administrative	153	322	567	608	833

Reconciliation of Net (Loss) Income to Adjusted
EBITDA:

(in thousands)

	Three Months Ended December 31,		Years Ended December 31,		
	2013	2014	2012	2013	2014
Net (loss) income	\$ (3,549)	\$ 3,869	\$ (14,989)	\$ (12,380)	\$ (1,127)
Interest expense	18	12	59	71	48
Tax provision (benefit)	92	(882)	6,047	495	(375)
Depreciation	533	495	1,673	1,987	2,053
Amortization	10	10	13	20	40
EBITDA	(2,896)	3,504	(7,197)	(9,807)	639
Stock-based compensation	191	333	813	767	946
Impairment of long-lived assets and other assets	-	25	-	265	128
Non-cash currency translation adjustments	(82)	234	(124)	(297)	518
Non-recurring proxy and severance	-	-	-	-	3,308
Non-repetitive property possession	-	-	(151)	-	-
Adjusted EBITDA	\$ (2,787)	\$ 4,096	\$ (6,659)	\$ (9,072)	\$ 5,539