



**Analyst & Investor Day**  
**June 18, 2015**

# Safe Harbor

Except for statements of historical fact, the information presented herein may constitute forward looking statements within the meaning of and subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terminology such as "expect," "estimate," "anticipate," "intend," "goal," "strategy," "believe," and similar expressions and variations thereof. Such forward-looking statements include statements regarding the intent, belief, current expectations or projections about future events of Spark Networks, Inc. Readers are cautioned that these forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Spark Networks, Inc. to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include without limitation, general economic and business conditions, the loss of market share, changes in the competitive landscape, failure to keep up with technological advances and other factors over which Spark Networks, Inc. has little or no control. Spark Networks, Inc. undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances after the date hereof.

**Use of Non-GAAP Measures:** The Company reports Adjusted EBITDA and Free Cash Flow as supplemental measures to generally accepted accounting principles ("GAAP"). These non-GAAP measures are some of the primary metrics by which we evaluate the performance of our businesses, budget, forecast and compensate management. We believe these measures provide management and investors with a consistent view, period to period, of the core earnings generated from on-going operations. Adjusted EBITDA 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. Free Cash Flow reflects operating cash flow less capital expenditures and capitalized wages. Adjusted EBITDA and Free Cash Flow should not be construed as substitutes for net income (loss) (as determined in accordance with GAAP) for the purpose of analyzing our operating performance or financial position, as Adjusted EBITDA and Free Cash Flow are not defined by GAAP.

# Spark Networks' Senior Team



**Michael Egan**

**Chief Executive Officer**

Joined:  
January 2015

Previous  
experience:  
Internet Brands,  
Yahoo!,  
Bain & Company



**Rob O'Hare**

**Chief Financial Officer**

Joined:  
March 2015

Previous  
experience:  
Square,  
Pandora,  
Spectrum Equity



**John Volturo**

**Chief Marketing Officer**

Joined:  
May 2015

Previous  
experience:  
Beachmint,  
Guthy-Renker,  
BMG



**Greg Franchina**

**Chief Information Officer**

Joined:  
June 2008

Previous  
experience:  
Spot Runner,  
The Wedding  
Channel



**Ben Meyer**

**Head of Product**

Joined:  
March 2015

Previous  
experience:  
LA Times,  
Internet Brands,  
Best of Media

# Agenda

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## Introduction

**Michael Egan**  
Chief Executive Officer

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## Product Overview

**Ben Meyer**  
Head of Product

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## Marketing Overview

**John Volturo**  
Chief Marketing Officer

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## Financial Overview

**Rob O'Hare**  
Chief Financial Officer

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## Q&A

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# Introduction

**Michael Egan**  
Chief Executive Officer

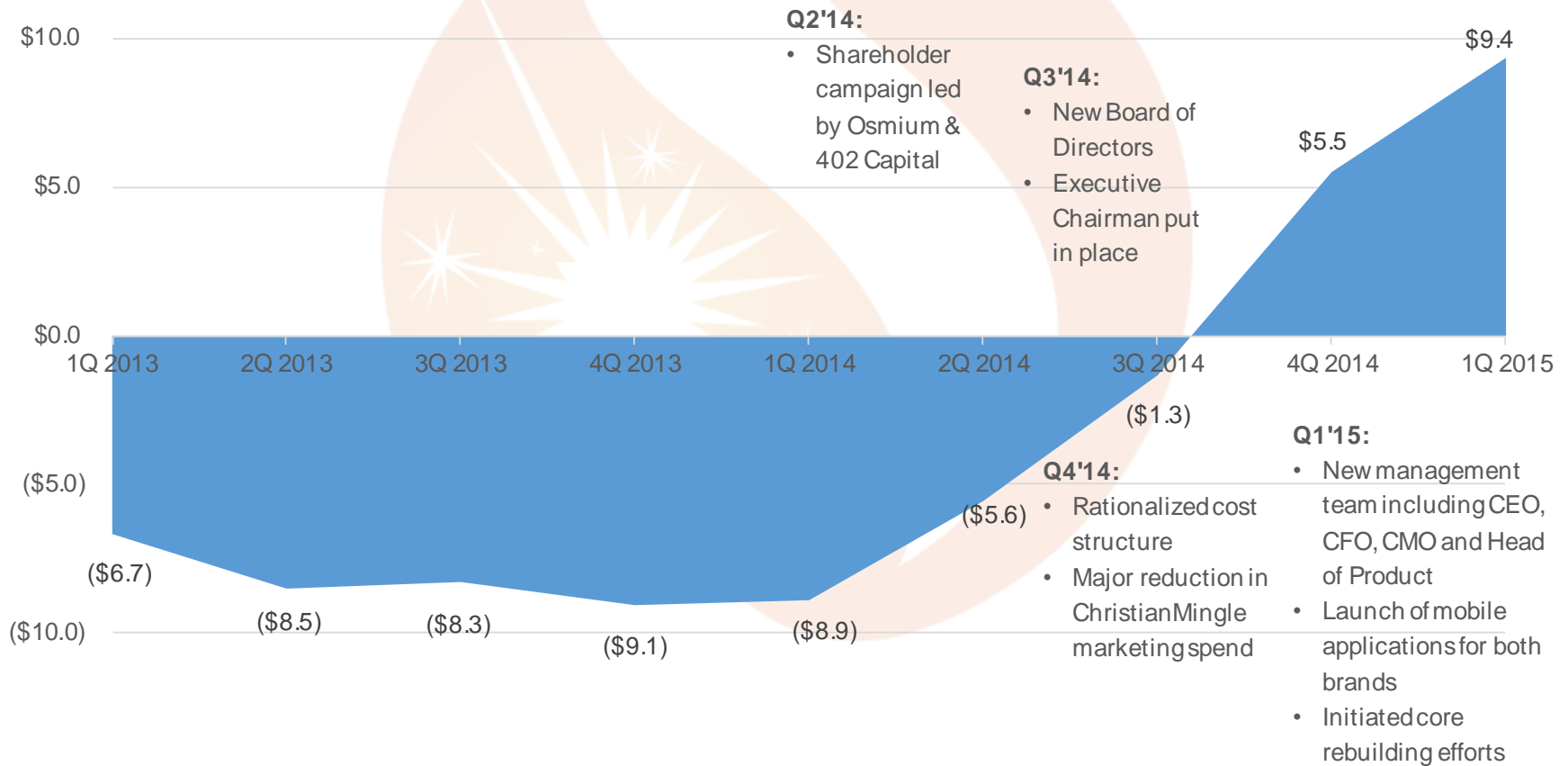
# Key Takeaways

- ▶ Spark Networks is poised to become a growth company again and we are focused on doing so profitably.
- ▶ We currently operate two strong brands (JDate and ChristianMingle) that occupy differentiated and defensible positions in a high-growth industry.
- ▶ The Company, the brands, and our underlying technology all require work before we begin to grow.
- ▶ We now have the team and a very clear set of priorities that will enable us to come out of the year healthy and ready to accelerate the business.

# Spark's New Path

*With a new Board of Directors and new management, we've committed to revitalizing our two core brands – JDate and ChristianMingle – with a focus on profitable growth.*

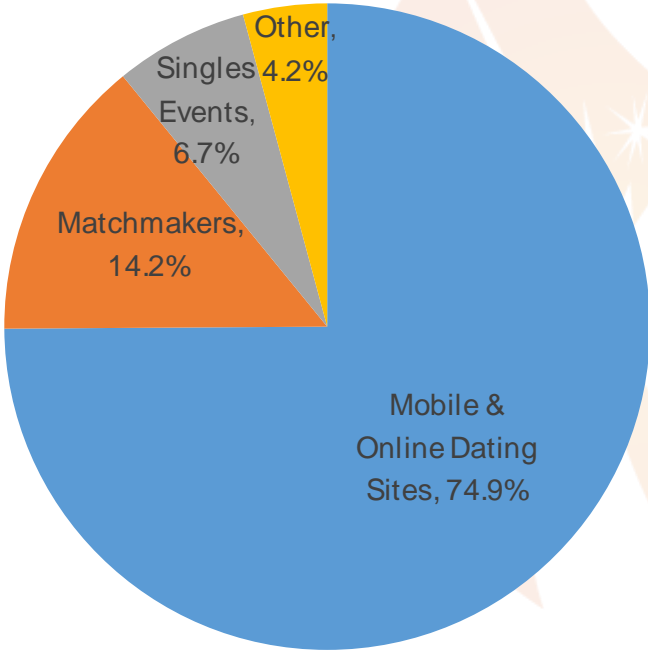
## LTM ADJ. EBITDA (\$ in MM)



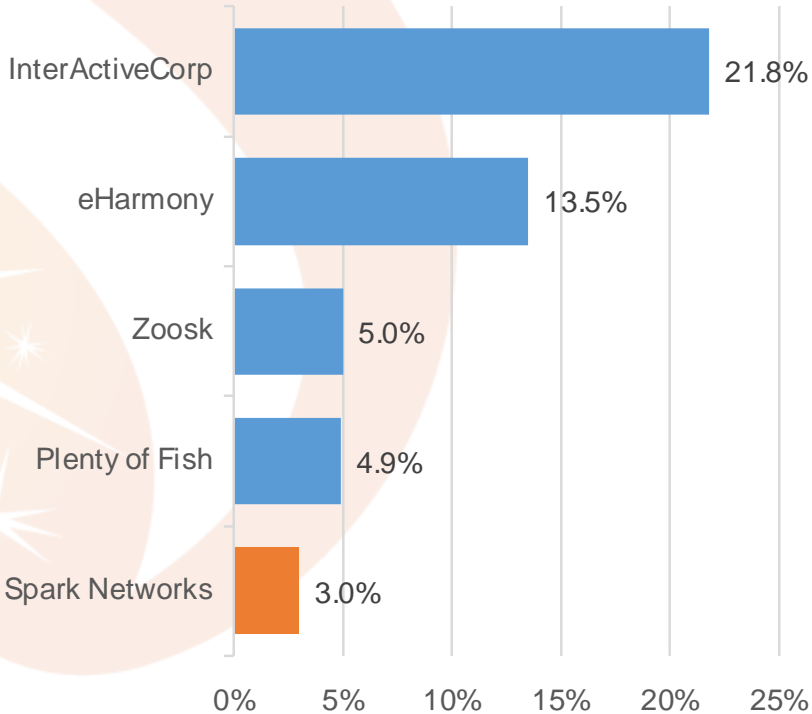
# Dating Industry Overview

*Spark is the largest niche-focused player in the +\$2 billion dating industry*

U.S. DATING MARKET REVENUE - \$2.4B



U.S. DATING MARKET SHARE



Source: Wall Street Journal & IBIS World.



# Uniquely Positioned

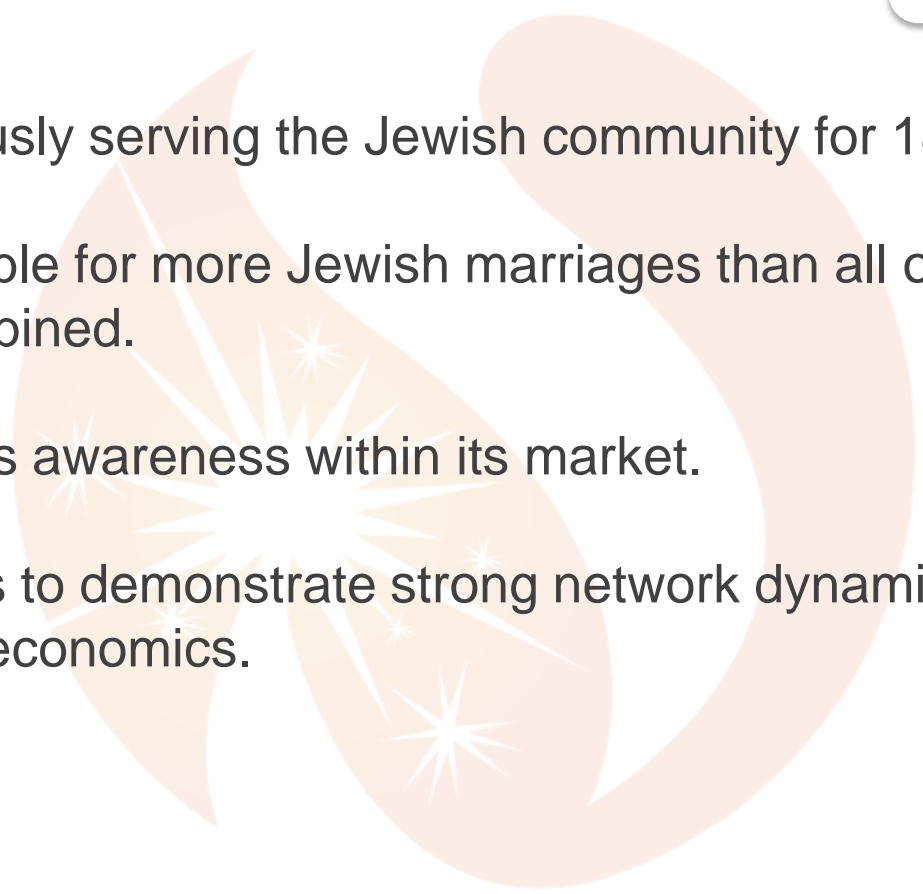
*Our two core brands are, by far, the largest players within the serious, niche-focused dating space. We believe this provides us a differentiated position and the opportunity for superior long-term economics.*



# A Cultural Icon



- Continuously serving the Jewish community for 18 years.
- Responsible for more Jewish marriages than all other dating sites combined.
- Ubiquitous awareness within its market.
- Continues to demonstrate strong network dynamics and resulting economics.

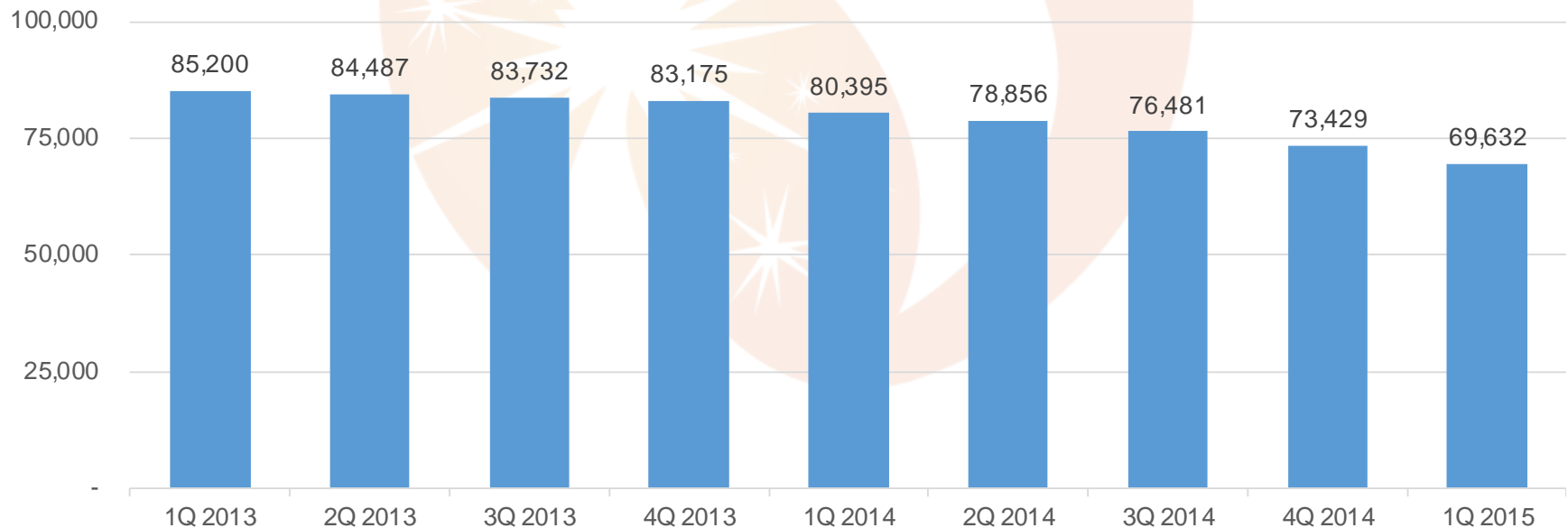


# Re-invigoration in Progress



- No major technical or user experience improvements in ~7 years.
- Legacy system inhibits ability to innovate just as market competition has intensified.
- Customers have become frustrated with lack of investment in the brand.

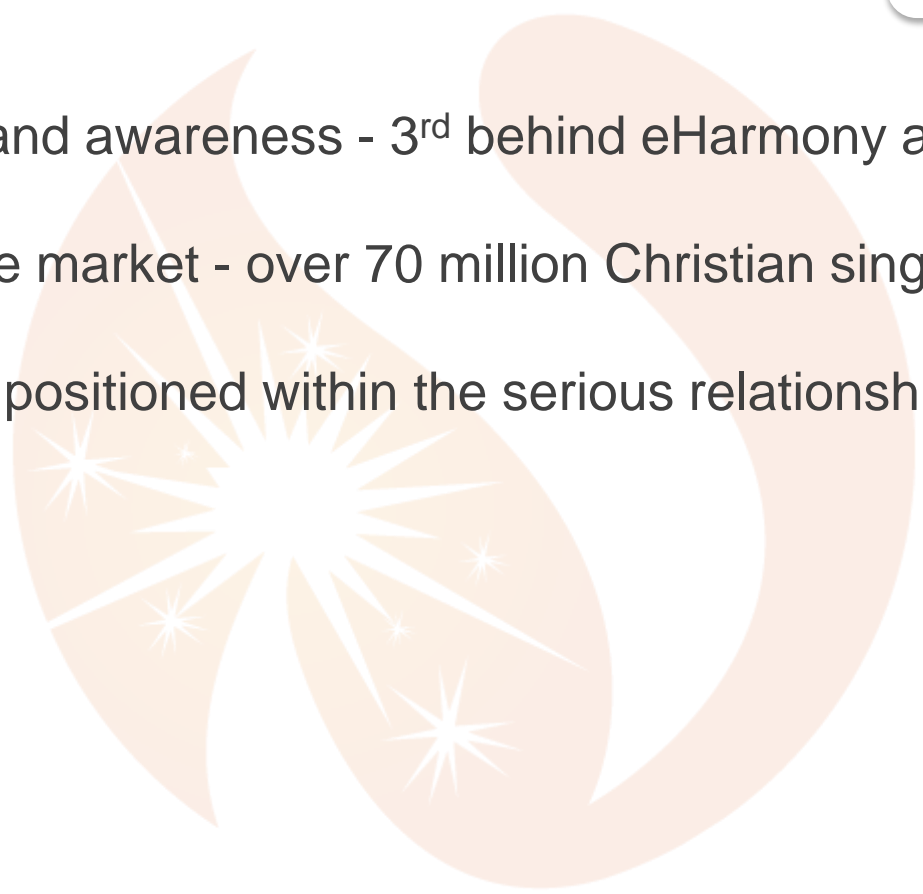
## AVERAGE SUBSCRIBERS – JEWISH NETWORKS



# Un-tapped Value



- ▶ +80% brand awareness - 3<sup>rd</sup> behind eHarmony and Match.
- ▶ Very large market - over 70 million Christian singles in the US.
- ▶ Uniquely positioned within the serious relationship space.

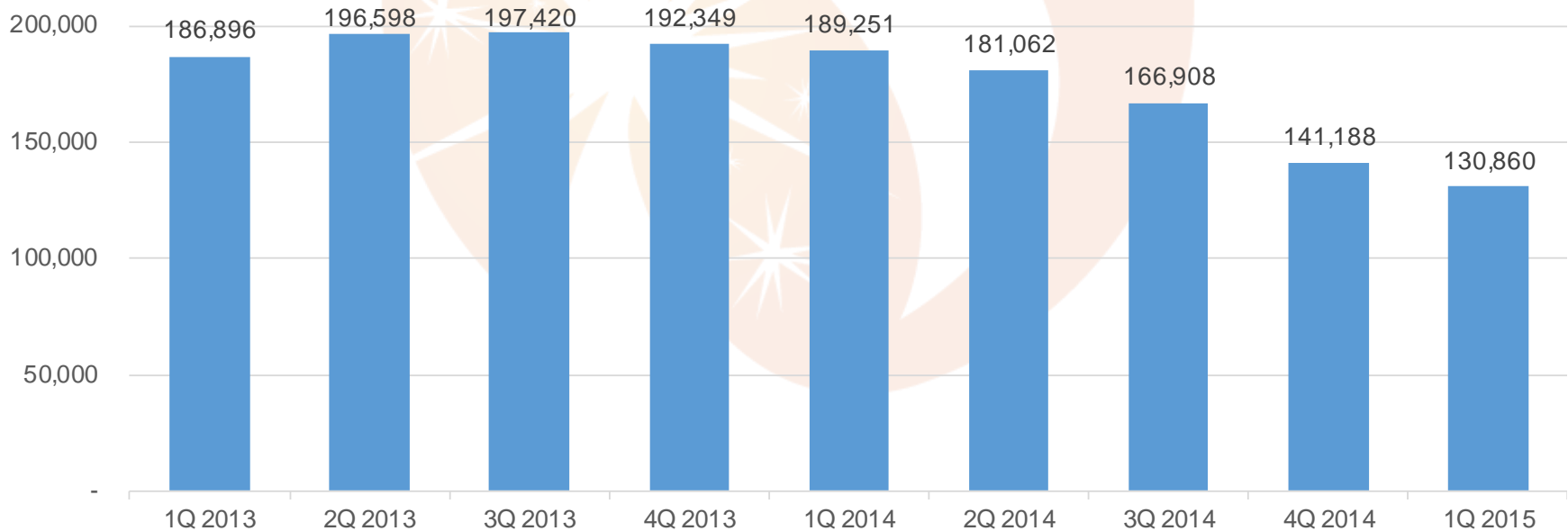


# Requires Repositioning



- ▶ Highly dependent on paid marketing to maintain customer base until stronger, localized network effects are in place.
- ▶ Opportunity to more authentically position the brand and reach a broader audience.
- ▶ Like JDate, legacy technology inhibits our ability to innovate and test out new messaging and design.

## AVERAGE SUBSCRIBERS – CHRISTIAN NETWORKS



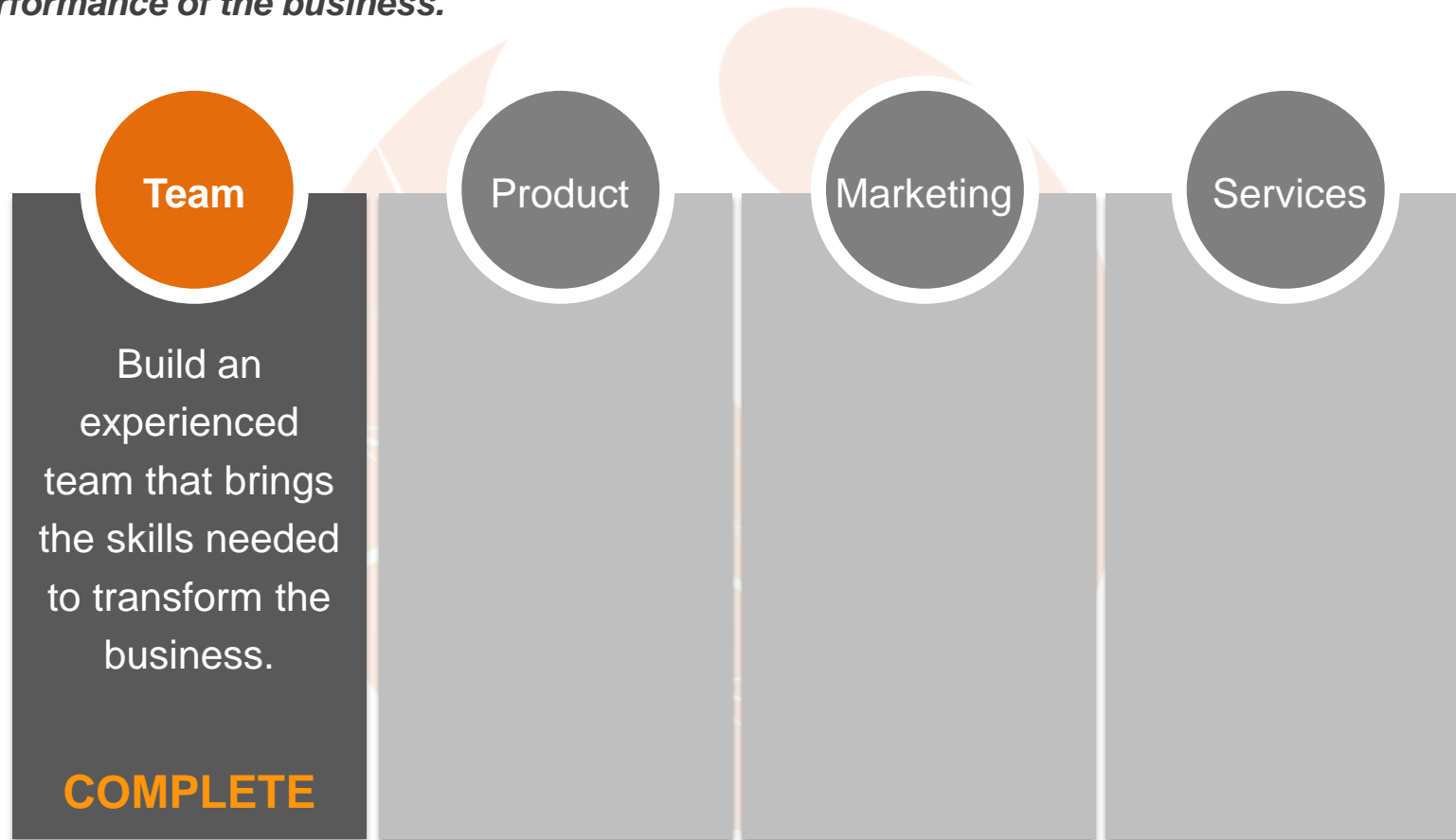
# Our Core Priorities

*We identified a set of very specific priorities for 2015 to drive fundamental change in the performance of the business.*



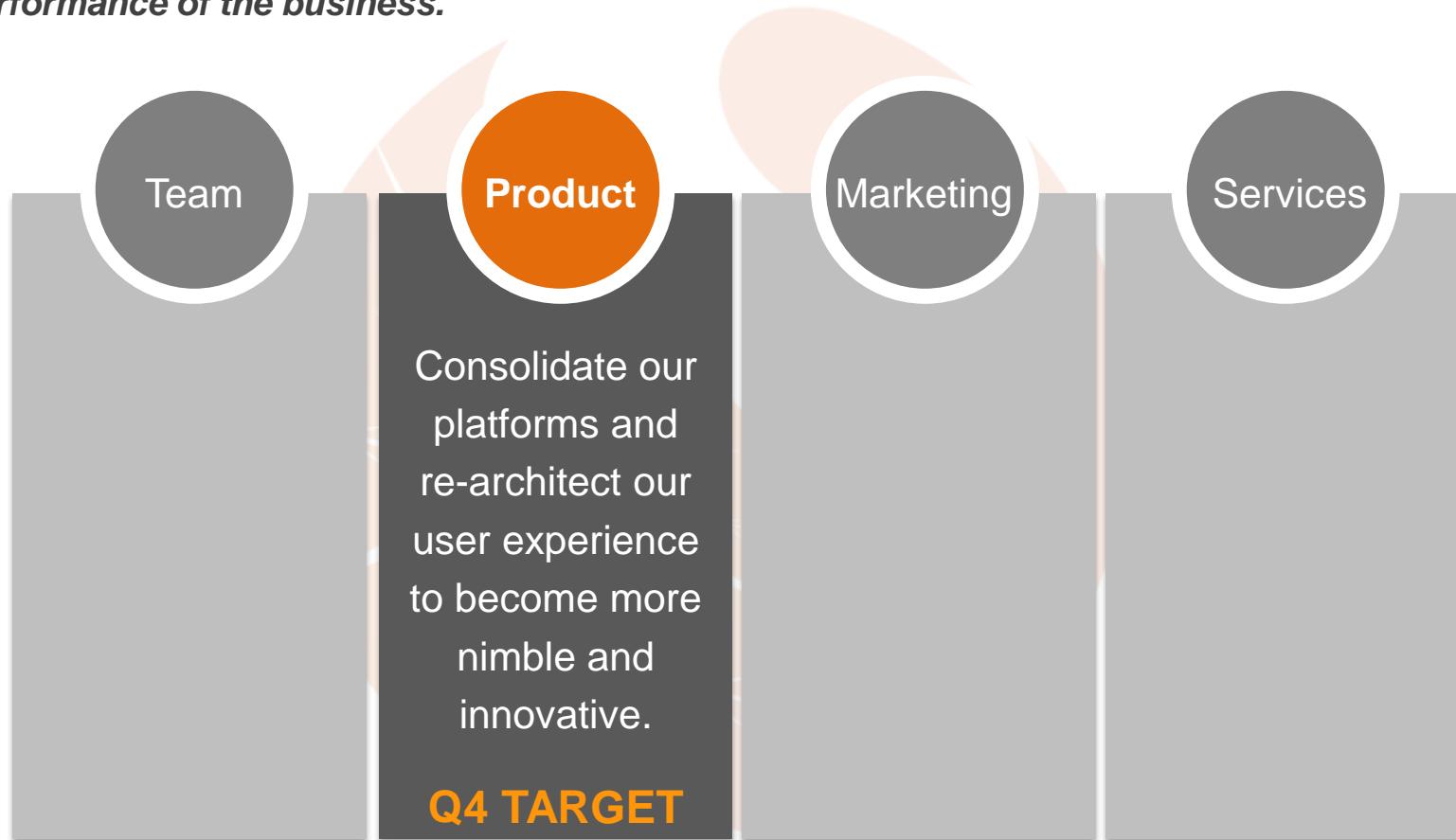
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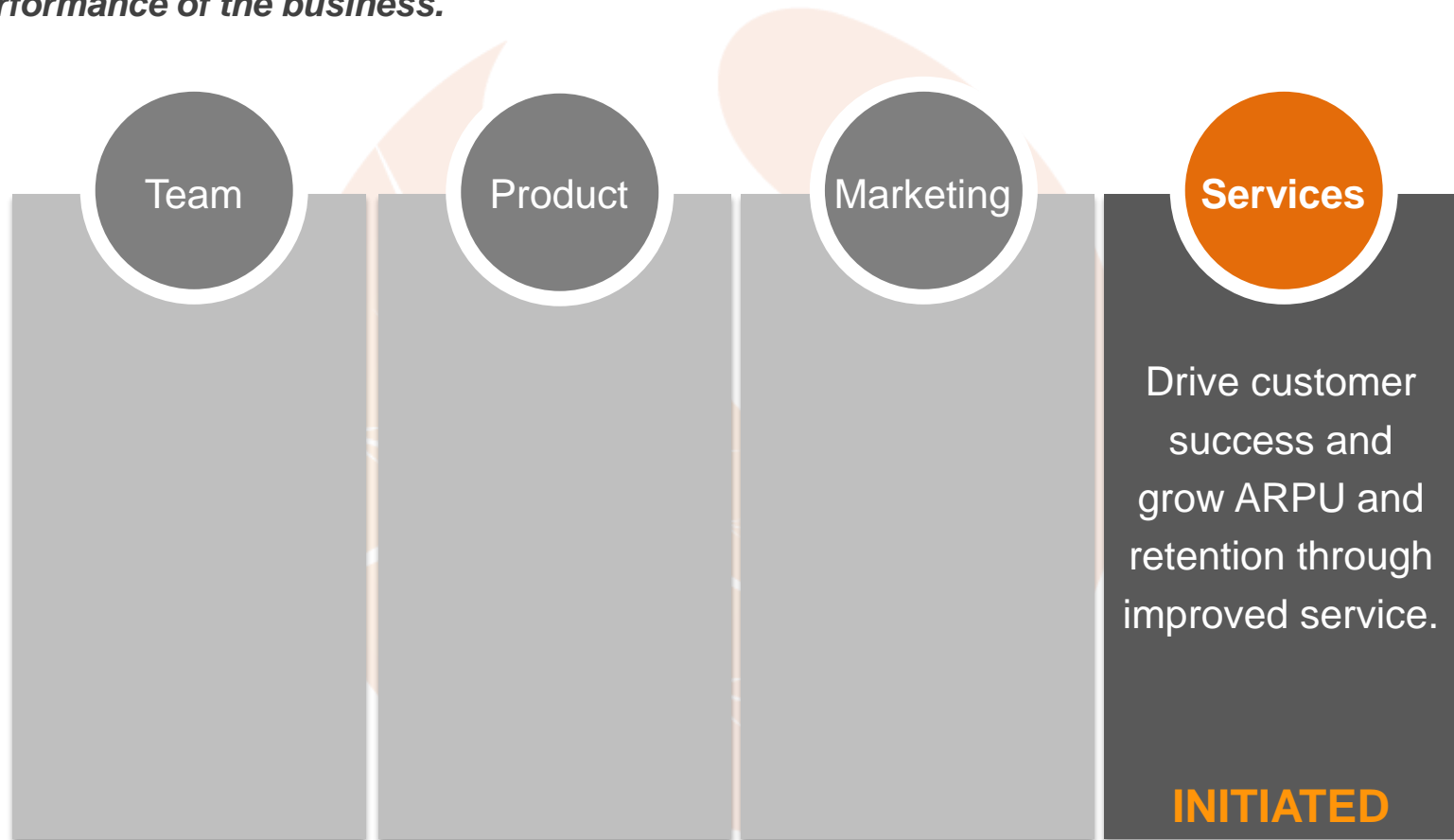
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# Product Overview

**Ben Meyer**

Head of Product

# Our Product Priorities

*We are completely focused on reinvigorating our products by strengthening our underlying platforms and developing nimble, modern user experiences.*

## Expand Mobile

Continue to expand and improve our mobile presence and capabilities for both of our core brands.

## Consolidate Platforms

Consolidate our multiple platforms onto a single, common infrastructure to enable quicker product introduction and iteration.

## Redesign Front-ends

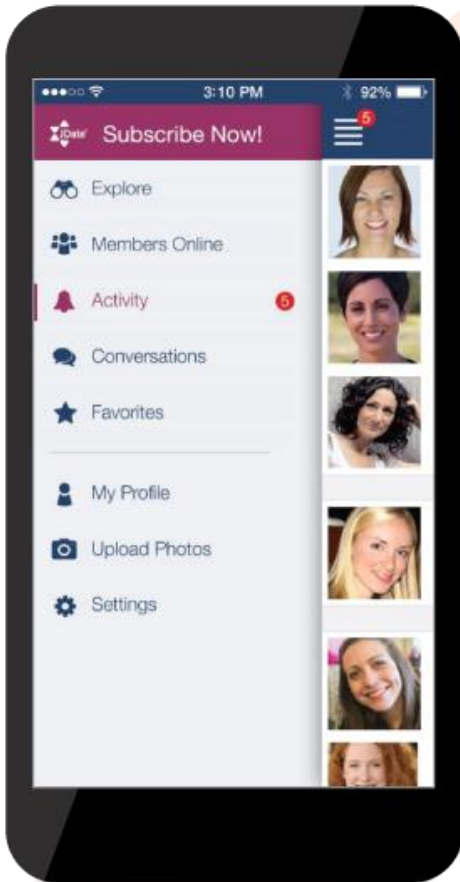
Redesign and re-architect CM and JD websites to improve user experience and enable easier optimization and development.

## Improve Core Features & Monetization

Continuously improve our core search, matching, fraud management, analytics and communications capabilities.

# Expand Mobile

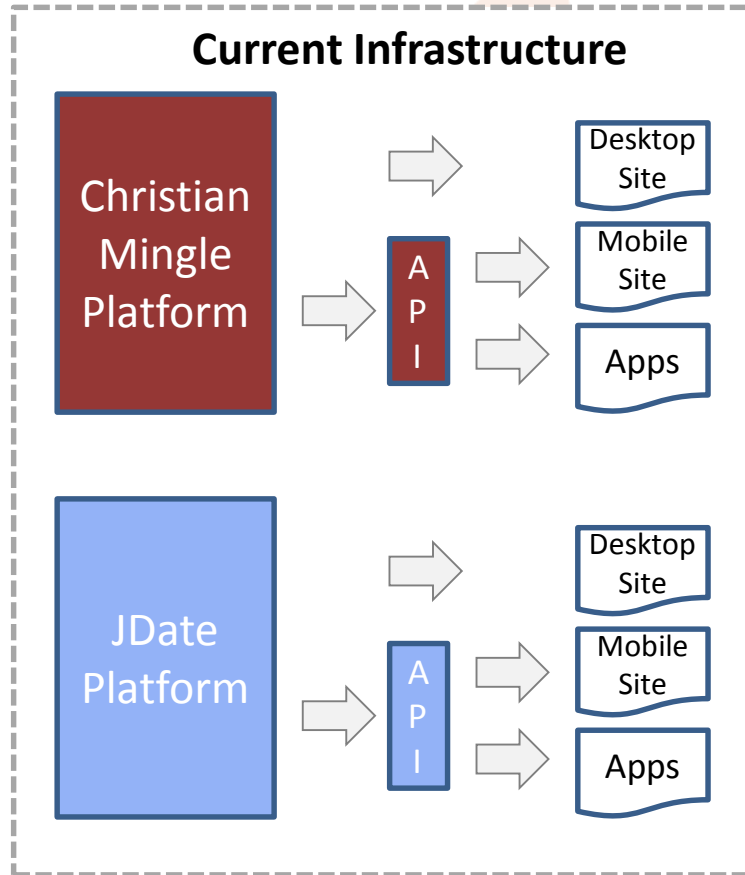
*We had a significant amount of catch-up to do, but in the last 6+ months we've introduced mobile applications for both key brands and have continued to improve the platforms.*



- ▶ First mobile applications (JDate iOS & ChristianMingle Android) launched in Q4 '14.
- ▶ Q1 launched ChristianMingle iOS application.
- ▶ Q2 launched JDate Israel application on iOS.
- ▶ We expect an updated ChristianMingle mobile optimized site and a JDate Android application to be in market in Q3.

# Infrastructure Consolidation

*We are consolidating our platforms in order to significantly reduce complexity and improve our time to market with features and improvements.*



- ▶ We currently service our two core brands via two separate platforms.
- ▶ With the introduction of APIs and mobile applications we've added complexity to our infrastructure in the short term.
- ▶ By end of year we expect to consolidate the back-end environments along with the API layer.
- ▶ This will significantly simplify all of our development, maintenance and security activities.

# Redesign our Front-end Web Experiences

*We believe a major impetus for growth will be the introduction of new, modern user experiences for both of our core brands.*

- ▶ Both core brands have websites that are built on legacy technology and have not been updated in years (last JDate design update was 2009).
- ▶ We are redesigning and re-architecting both website experiences along 3 clear principles:
  - ▶ Nimble, API-driven technology
  - ▶ Simple, modern, user-focused design
  - ▶ Strong search engine optimization fundamentals
- ▶ Both brands will launch in Q4.

**WEBSITES  
COMING SOON**



# Marketing Overview

**John Volturo**  
Chief Marketing Officer



# Our Marketing Priorities

*We are re-architecting how we market our brands and communicate with prospects and customers. We are building engagement and focusing on profitable subscriber growth.*

## Build Networks

Focus acquisition programs on building local networks in key markets in order to drive significant improvement in economics.

## Reposition ChristianMingle

Expand the addressable market for ChristianMingle by repositioning along faith & values.

## Improve Customer Success

Implement world-class lifecycle marketing programs aimed at improving conversions, retention and customer success.

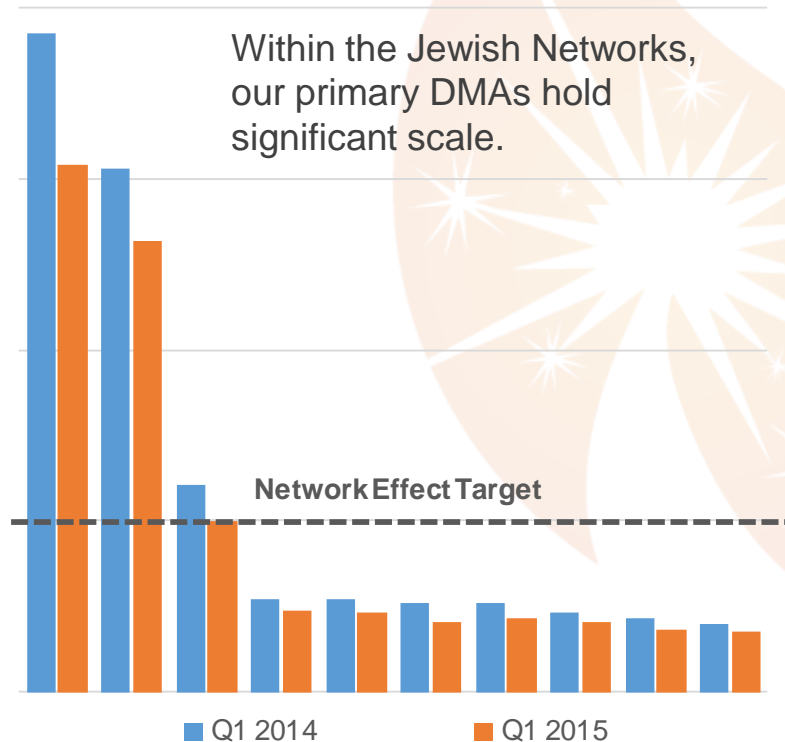
## Expand Lifetime Value (LTV)

Through our customer service organization, provide additional products and services to increase each customers' value.

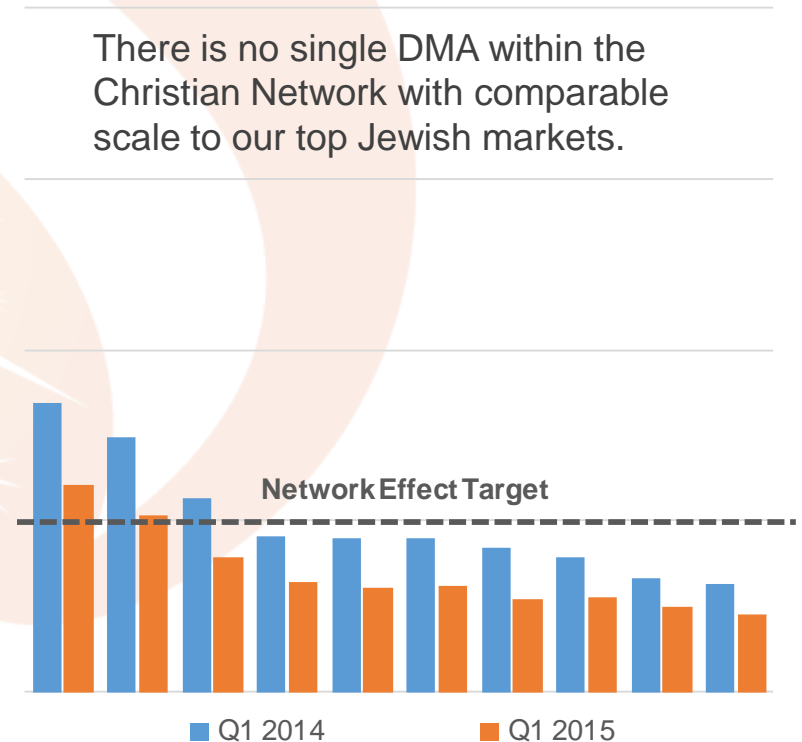
# Our Subscriber Networks

*JDate's strong economics are a result of its continued network effects in a couple of key markets. On ChristianMingle, our aim is to replicate this by concentrating more of our acquisition marketing efforts on particular geographic areas.*

## TOP 10 MARKETS – JEWISH NETWORKS

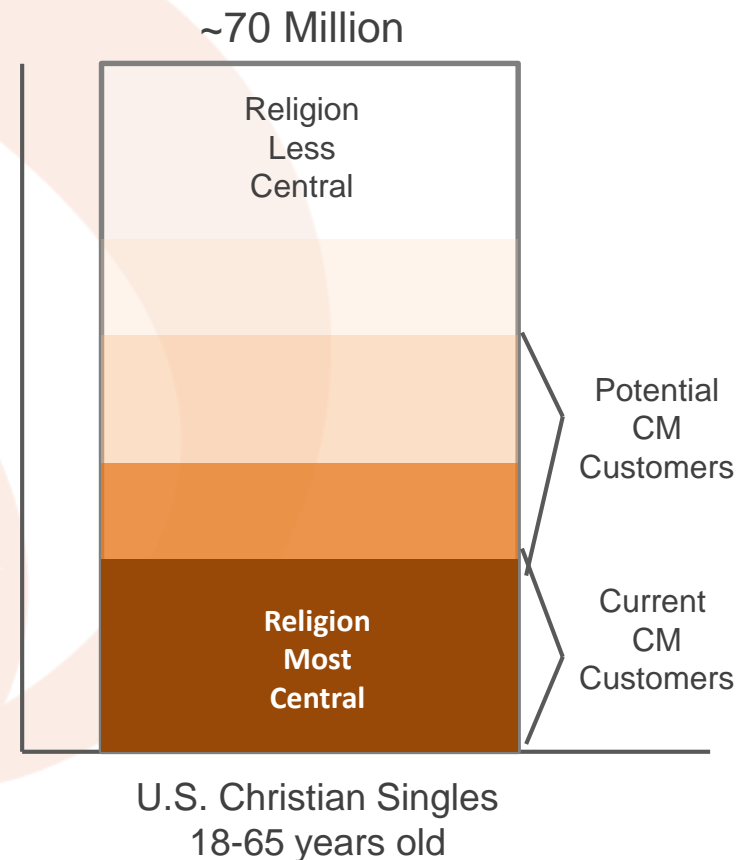


## TOP 10 MARKETS – CHRISTIAN NETWORKS



# Repositioning ChristianMingle to Expand Addressable Market

- ▶ Research suggests our current messaging has resonated with only a minority of the single Christian population.
- ▶ With more 'authentic' and modern messaging we will be able to broaden our potential market.
- ▶ In Q4 2015, we will re-launch ChristianMingle with a new look, inclusive messaging and unified voice across all channels.



# Building Best-In-Class Lifecycle Marketing

*We are moving from a one-size fits all lifecycle marketing program to one that will rely on relevancy to drive performance.*

Previous

Set of email messages sent to all registrants and subscribers regardless of demographic or event triggers

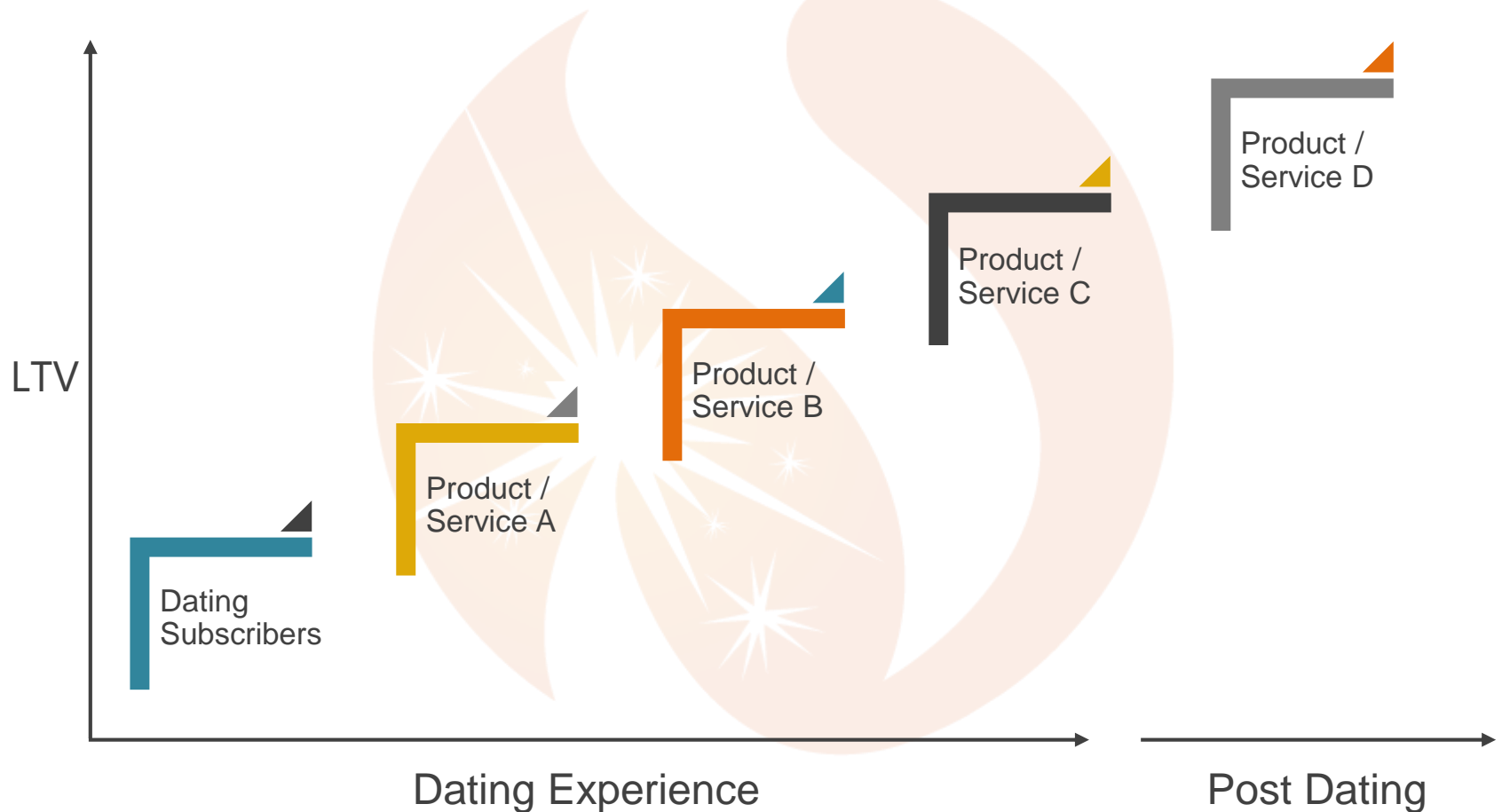


Near Future

Set of customized marketing messages sent to the right consumer at the right time on the right device, amplifying our ability to drive desired behaviors and generate incremental transactions

# Growing LTV by Providing Education & Support

*We will be leveraging our support team and partners to build valuable products and services that help customers succeed in forming life-long relationships.*



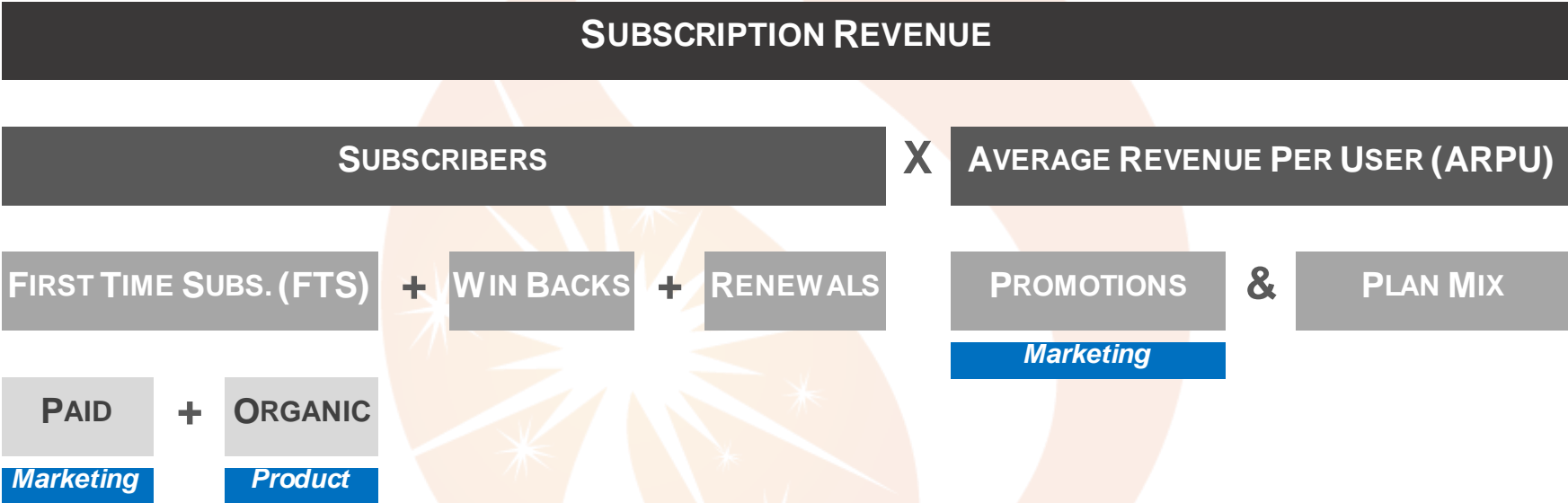


## Financial Overview

**Rob O'Hare**  
Chief Financial Officer

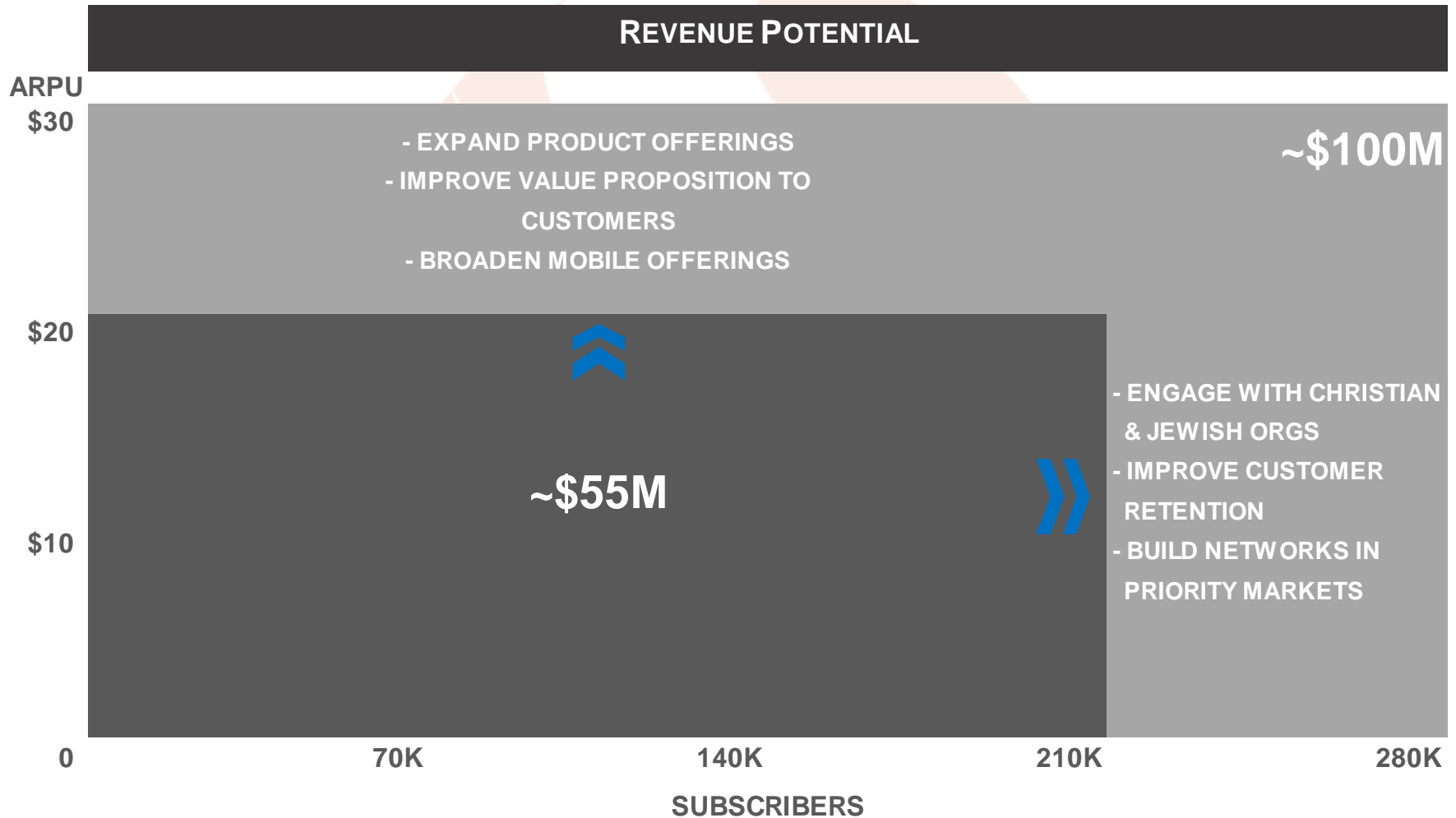
# Drivers of Revenue

~95% of our Revenue comes from Subscriptions, driving a predictable and recurring business model.



# Platform Potential

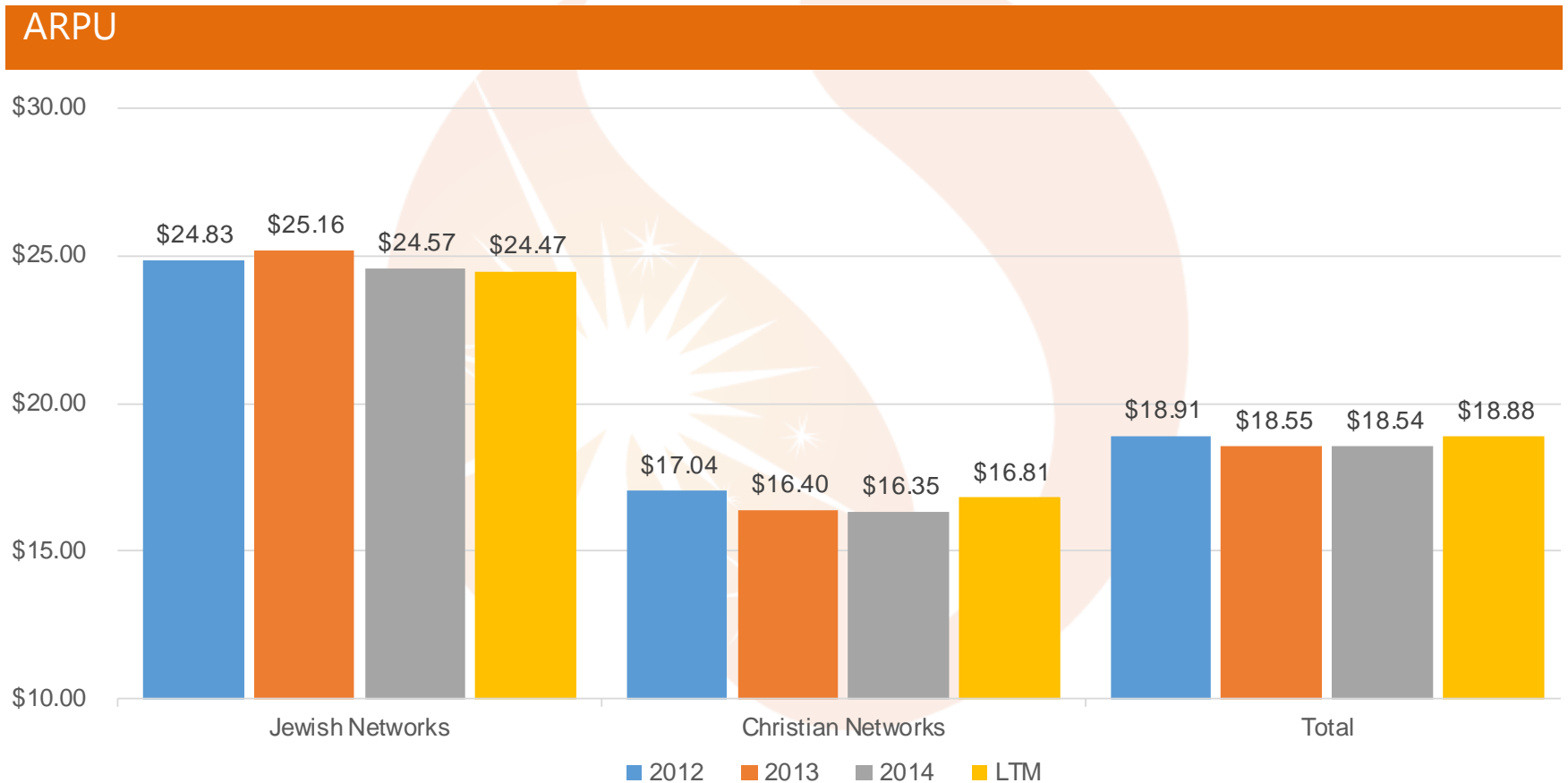
Spark has multiple vectors for growth within its existing offerings and focus areas.





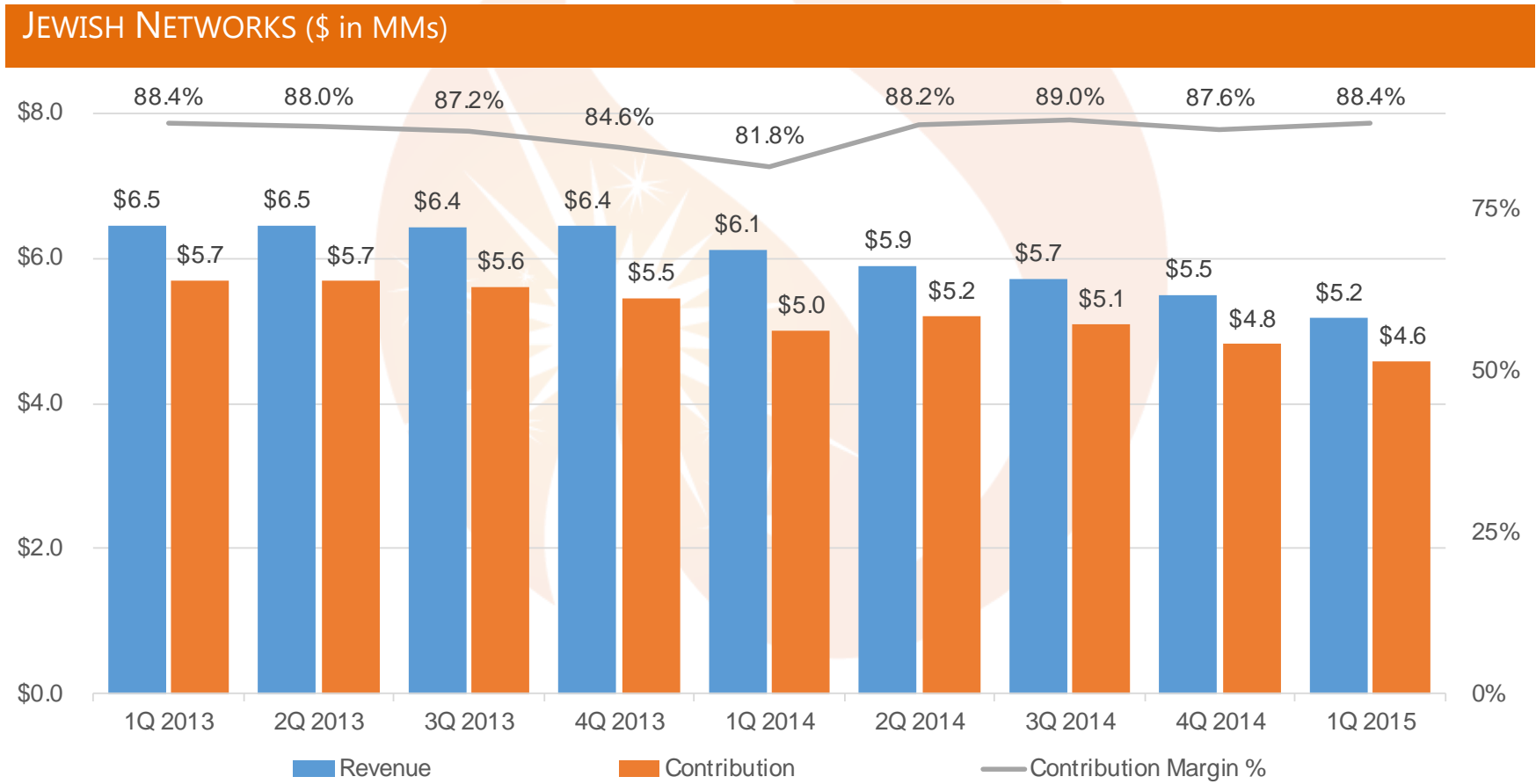
# Monthly ARPU by Platform

*ARPUs have remained consistent within the Christian and Jewish Networks.*



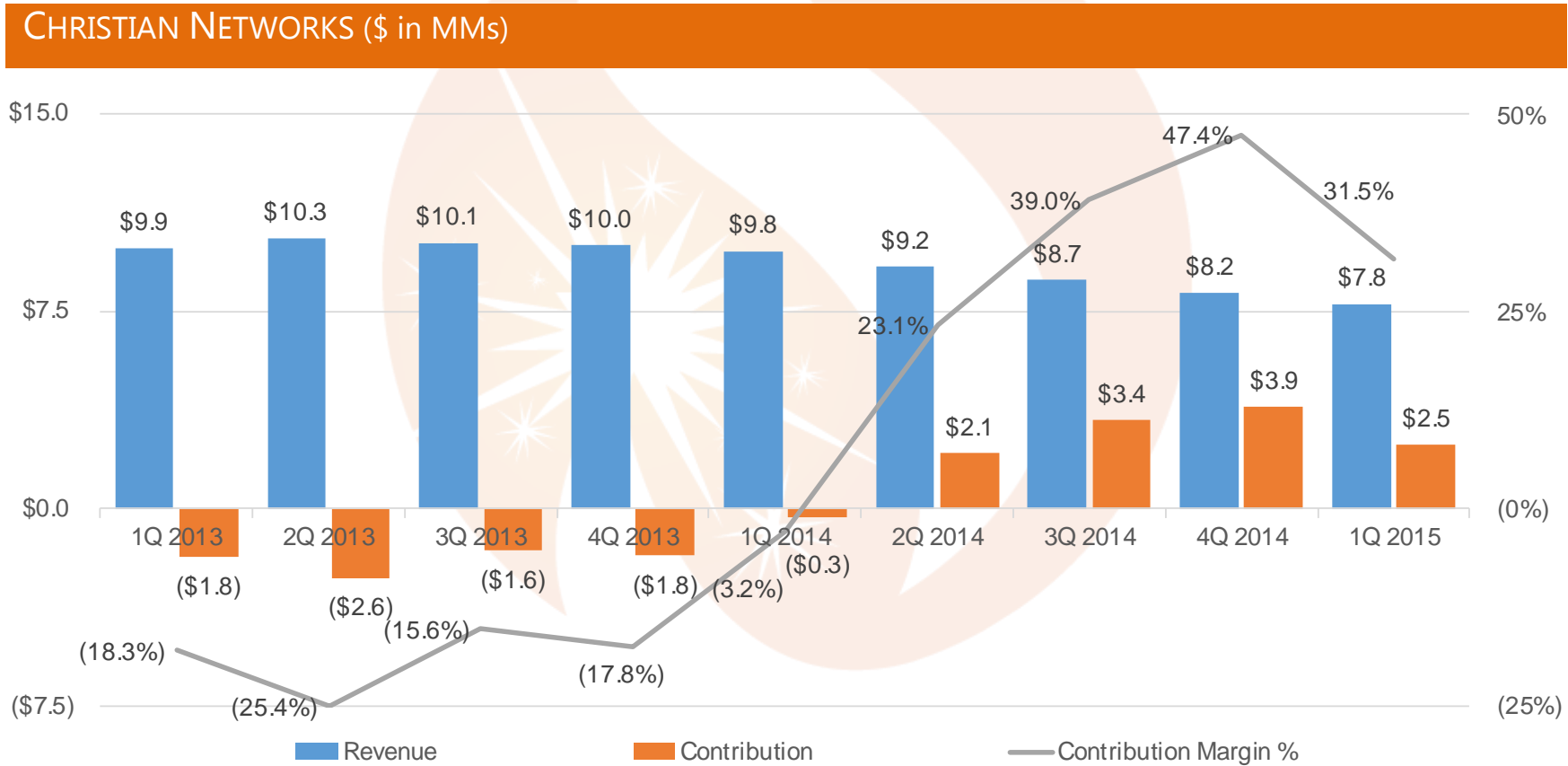
# Jewish Networks Detail

*The strength of the JDate brand is evidenced by the high proportion of organic subscribers and the resulting ~90% Contribution Margin.*



# Christian Networks Detail

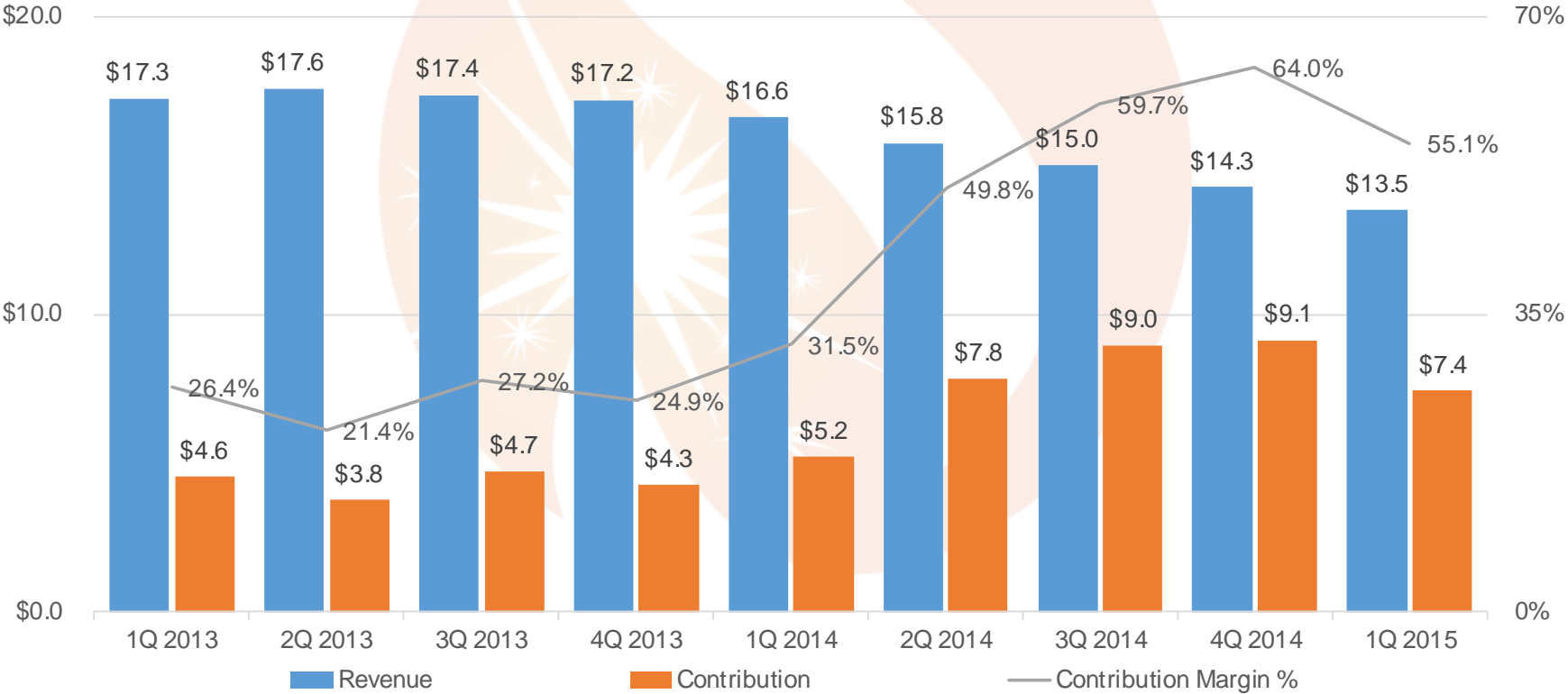
*We are committed to maintaining positive Contribution Margins within the Christian Network.*



# Revenue & Contribution Detail

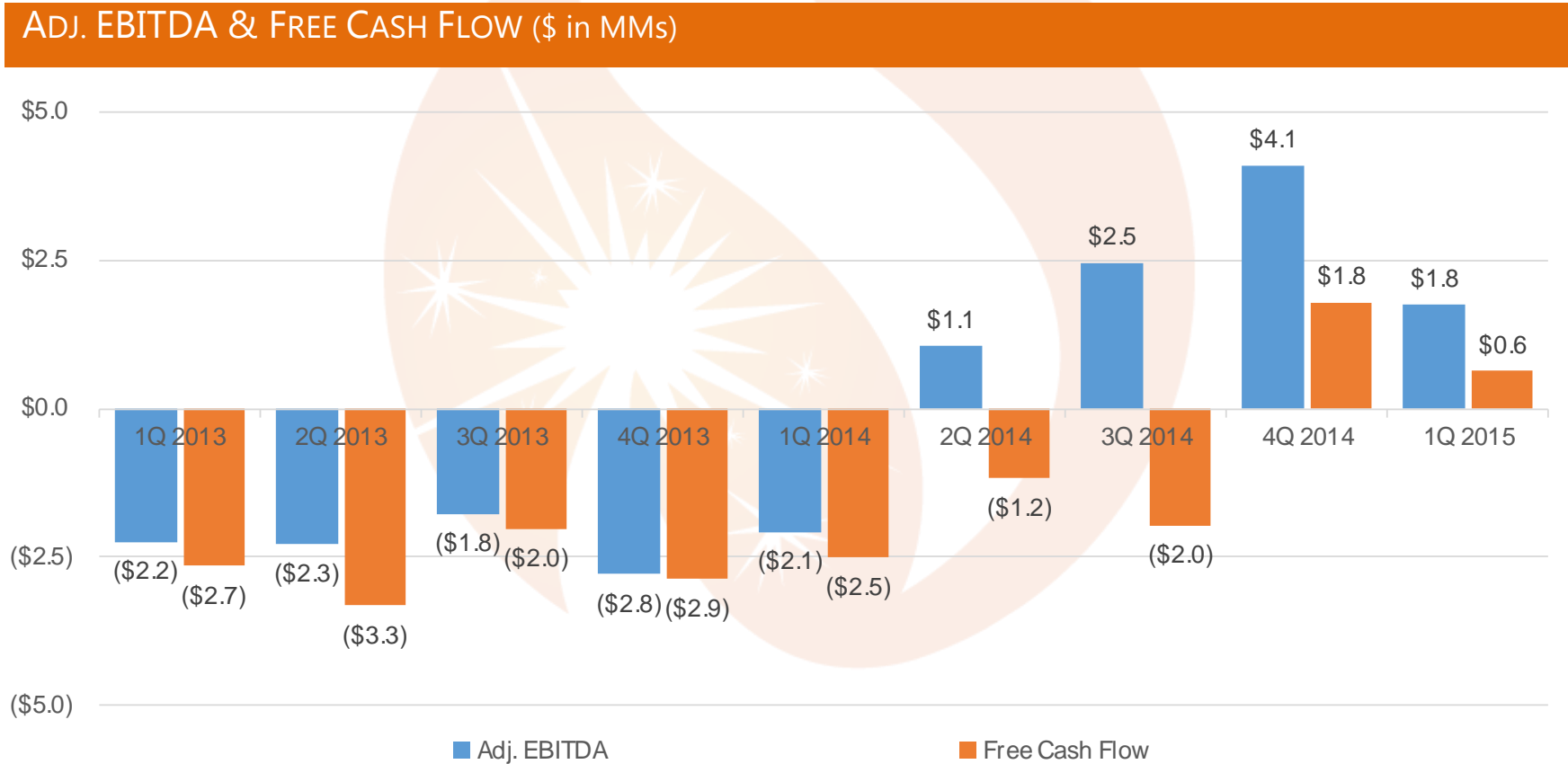
*The recent improvements in Contribution are the result of operating profitably within the Christian Network.*

## REVENUE & CONTRIBUTION (\$ in MM)



# Adj. EBITDA & Free Cash Flow

*Our focus on Christian Network profitability has resulted in cash flow generation and we are dedicated to continuing this trend. Committed to deploying Free Cash Flow against high-ROI opportunities.*



Note: Adj. EBITDA excludes executive severance and 2014 Proxy Contest costs.

# Current & Long Term Business Model

*If we are successful with our growth strategies we expect to demonstrate considerable margin expansion.*

(% OF REVENUE)	2011	2012	2013	2014	LTM	TARGET
<b>CONTRIBUTION MARGIN</b>	<b>47%</b>	<b>26%</b>	<b>25%</b>	<b>51%</b>	<b>57%</b>	<b>65% - 70%</b>
COST OF REVENUE*	7%	6%	6%	6%	7%	5% - 7%
SALES & MARKETING	8%	6%	8%	8%	7%	5% - 7%
CUSTOMER SERVICE	4%	4%	4%	5%	5%	3% - 5%
TECHNICAL OPERATIONS	3%	2%	2%	2%	2%	2% - 3%
DEVELOPMENT	6%	5%	4%	6%	6%	6% - 8%
GENERAL & ADMINISTRATIVE**	15%	13%	14%	20%	20%	15% - 17%
<b>TOTAL OPERATING EXPENSES**</b>	<b>42%</b>	<b>37%</b>	<b>38%</b>	<b>47%</b>	<b>47%</b>	<b>35% - 45%</b>
<b>ADJ. EBITDA**</b>	<b>6%</b>	<b>(11%)</b>	<b>(13%)</b>	<b>9%</b>	<b>16%</b>	<b>20% - 35%</b>
<b>NON-GAAP NET INCOME**</b>	<b>(1%)</b>	<b>(23%)</b>	<b>(17%)</b>	<b>5%</b>	<b>12%</b>	<b>15% - 25%</b>

Note: All figures exclude the impact of Stock Based Compensation expense.

\* Excludes Direct Marketing Expenses.

\*\* Excludes executive severance and 2014 Proxy Contest costs.

# Balance Sheet

*Spark is well capitalized today, with \$13.5M of Cash and no Debt.*

## SUMMARY BALANCE SHEET (\$ in MM)

	3/31/14	12/31/14	3/31/15
<b>Assets:</b>			
<b>Cash and cash equivalents</b>	<b>10.9</b>	<b>11.7</b>	<b>13.5</b>
Restricted cash	1.3	1.1	1.0
Accounts receivable	1.3	1.3	1.3
Deferred tax asset, net – current	0.0	0.0	0.0
Prepaid expenses and other	1.8	1.5	1.2
<b>Total current assets</b>	<b>\$15.3</b>	<b>\$15.6</b>	<b>\$17.0</b>
Property and equipment, net	3.9	4.1	4.1
Goodwill & Intangible assets	11.5	11.0	10.9
Other assets	0.4	0.3	0.3
<b>Total assets</b>	<b>\$31.1</b>	<b>\$31.0</b>	<b>\$32.3</b>
<b>Liabilities &amp; Equity:</b>			
Accounts payable	2.0	1.3	1.0
Accrued liabilities	5.1	3.9	3.7
Deferred revenue	9.0	7.1	7.0
Deferred tax liability - current	0.5	0.5	0.5
<b>Total current liabilities</b>	<b>\$16.5</b>	<b>\$12.8</b>	<b>\$12.2</b>
Other non-current liabilities	3.5	2.4	2.3
<b>Total liabilities</b>	<b>\$20.0</b>	<b>\$15.3</b>	<b>\$14.6</b>
<b>Total stockholders' equity</b>	<b>\$11.1</b>	<b>\$15.8</b>	<b>\$17.8</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$31.1</b>	<b>\$31.0</b>	<b>\$32.3</b>



**sparknetworks**<sup>®</sup>

*Igniting Relationships*