

SPARK NETWORKS INC
Form 10-Q
November 13, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-32750

SPARK NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-8901733
(I.R.S. Employer Identification No.)

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11150 Santa Monica Boulevard, Suite 600

Los Angeles, California
(Address of principal executive offices)
(310) 893-0550

90025
(Zip Code)

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller-Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had 23,920,803 shares of common stock, par value \$0.001 per share, outstanding as of November 13, 2013.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

SPARK NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,243	\$ 10,458
Restricted cash	1,320	1,232
Accounts receivable	1,494	1,510
Deferred tax asset, net current		8
Prepaid expenses and other	1,869	861
Total current assets	21,926	14,069
Property and equipment, net	3,969	3,133
Goodwill	9,178	8,861
Intangible assets, net	2,275	2,143
Deferred tax asset, net non-current		5
Other assets	207	153
Total assets	\$ 37,555	\$ 28,364
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,343	\$ 1,093
Accrued liabilities	5,173	5,339
Deferred revenue	9,271	8,128
Deferred tax liability current	239	257
Total current liabilities	16,026	14,817
Deferred tax liability non-current	1,782	1,413
Other liabilities	1,649	588
Total liabilities	19,457	16,818
Commitments and contingencies (Note 9)		
Stockholders' equity:		
10,000,000 shares of Preferred Stock, \$0.001 par value, 450,000 of which are designated as Series C Junior Participating Cumulative Preferred Stock, with no shares of Preferred Stock issued or outstanding		
100,000,000 shares of Common Stock, \$0.001 par value, with 23,881,741 and 20,945,364 shares of Common Stock issued and outstanding at September 30, 2013 and December 31, 2012, respectively:	24	21
Additional paid-in-capital	70,192	54,857

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Accumulated other comprehensive income	757	712
Accumulated deficit	(52,875)	(44,044)
Total stockholders' equity	18,098	11,546
Total liabilities and stockholders' equity	\$ 37,555	\$ 28,364

See accompanying notes

SPARK NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenue	\$ 17,361	\$ 15,871	\$ 52,205	\$ 45,472
Cost and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	13,620	12,901	42,046	35,725
Sales and marketing	1,423	1,020	3,972	2,976
Customer service	746	652	2,136	1,887
Technical operations	288	362	887	1,067
Development	746	859	2,331	2,549
General and administrative	2,496	2,260	7,704	6,550
Depreciation	529	426	1,454	1,242
Amortization of intangible assets	10		10	13
Impairment of long-lived assets			265	
Total cost and expenses	\$ 19,858	\$ 18,480	\$ 60,805	\$ 52,009
Operating loss	(2,497)	(2,609)	(8,600)	(6,537)
Interest (income) expense and other, net	(77)	(36)	(172)	(50)
Loss before income taxes	(2,420)	(2,573)	(8,428)	(6,487)
Provision (benefit) for income taxes	195	(836)	403	(2,036)
Net loss	\$ (2,615)	\$ (1,737)	\$ (8,831)	