

SPARK NETWORKS INC
Form 10-Q
November 04, 2015

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, 2015

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.)

11150 Santa Monica Boulevard, Suite 600

Los Angeles, California
(Address of principal executive offices) 90025
(Zip Code)
(310) 893-0550

(Registrant's telephone number, including area code)

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(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

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 25,690,893 shares of common stock, par value \$0.001 per share, outstanding as of October 31, 2015.

SPARK NETWORKS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

SPARK NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except share data)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,442	\$ 11,696
Restricted cash	823	1,056
Accounts receivable (net of allowance for doubtful accounts of \$99 and \$0 at September 30, 2015 and December 31, 2014, respectively)	1,133	1,308
Deferred tax asset – current	9	11
Prepaid expenses and other	766	1,516
Total current assets	17,173	15,587
Property and equipment, net	5,346	4,072
Goodwill	8,522	8,575
Intangible assets, net	2,439	2,469
Deferred tax asset – non-current	68	68
Deposits and other assets	127	234
Total assets	\$ 33,675	\$ 31,005
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,664	\$ 1,300
Accrued liabilities	4,785	3,948
Deferred revenue	6,307	7,092
Deferred tax liability – current	601	496
Total current liabilities	13,357	12,836
Deferred tax liability – non-current	1,593	1,607
Other liabilities	609	807
Total liabilities	15,559	15,250
Commitments and contingencies (Note 10)		
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	—	—

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100,000,000 shares of Common Stock, \$0.001 par value, with 25,260,191 and 24,556,182 shares issued and outstanding at September 30, 2015 and

December 31, 2014, respectively:

	25	25
Additional paid-in-capital	75,082	72,522
Accumulated other comprehensive income	754	759
Accumulated deficit	(57,745)	(57,551)
Total stockholders' equity	18,116	15,755
Total liabilities and stockholders' equity	\$ 33,675	\$ 31,005

See accompanying notes

SPARK NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(unaudited, in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenue	\$11,682	\$15,008	\$37,430	\$47,381
Cost and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	5,593	7,004	19,058	28,234
Sales and marketing	1,144	1,368	2,895	4,299
Customer service	769	738	2,239	2,289
Technical operations	210	276	636	917
Development	1,053	886	2,978	2,645
General and administrative	2,933	4,446	7,704	11,472
Depreciation	562	518	1,607	1,558
Amortization of intangible assets	10	10	30	30
Impairment of long-lived assets	26	103	132	103
Total cost and expenses	12,300	15,349	37,279	51,547
Operating income (loss)	(618)	(341)	151	(4,166)
Interest expense and other, net	191	340	79	323
Income (loss) before income taxes	(809)	(681)	72	(4,489)
Provision for income taxes	13	288	266	507
Net loss	(822)	(969)	(194)	(4,996)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	0	(27)	(5)	(16)
Comprehensive loss	\$(822)	\$(996)	\$(199)	\$(5,012)
Net loss per share—basic and diluted	\$(0.03)	\$(0.04)	\$(0.01)	\$(0.21)
Weighted average shares outstanding – basic and diluted	25,188	24,035	24,991	23,936

	Three Months Ended		Nine Months Ended	
	September		September	
	30, 2015	30, 2014	30, 2015	30, 2014
Stock-based compensation:				
Cost of revenue	—	3	—	3
Sales and marketing	11	23	19	99
Development	5	—	8	—
General and administrative	159	259	485	511

See accompanying notes

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SPARK NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(194)	\$(4,996)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	1,637	1,588
Impairment of long-lived assets	132	103
Foreign currency exchange loss (gain) on intercompany loan	39	(284)
Stock-based compensation	512	613
Deferred taxes	93	137
Bad debt expense	99	—
Changes in operating assets and liabilities:		
Accounts receivable	76	112
Restricted cash	233	172
Prepaid expenses and other assets	866	1,487
Accounts payable and accrued liabilities	863	(1,739)
Deferred revenue	(785)	(921)
Other liabilities	(198)	(51)
Net cash provided by (used in) operating activities	3,373	(3,779)
Cash flows from investing activities:		