

SPARK NETWORKS INC
Form 425
May 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 2, 2017

Spark Networks, Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction

001-32750

20-8901733
(IRS Employer

of Incorporation)

(Commission File Number) Identification No.)

11150 Santa Monica Boulevard, Suite 600

Los Angeles, California
(Address of Principal Executive Offices)

90025
(Zip Code)

Registrant's Telephone Number, Including Area Code: (310) 893-0550

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On May 2, 2017, Spark Networks, Inc. issued a press release announcing its first quarter 2017 results. The press release is attached hereto as Exhibit 99.1 and the information therein is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release of Spark Networks, Inc. dated May 2, 2017

Exhibit Index

99.1 Press Release of Spark Networks, Inc. dated May 2, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SPARK
NETWORKS,
INC.

Date: May 2, 2017

By: /s/ Robert W. O'Hare
Name: Robert W. O'Hare
Title: Chief Financial Officer

Exhibit 99.1

SPARK NETWORKS® REPORTS FIRST QUARTER 2017 RESULTS

LOS ANGELES, Calif., May 2, 2017 -- Spark Networks, Inc. (NYSE MKT: LOV) reported first quarter 2017 financial results today.

On May 2, 2017, Spark Networks, Inc. entered into a definitive agreement with Affinitas GmbH (“EliteSingles”), which operates premium online dating platforms EliteSingles, eDarling and Attractive World to combine in a stock-for-stock merger.

The new public entity is expected to be listed on the NYSE MKT exchange through an American Depositary Receipt. After completion of the merger, EliteSingles shareholders will own approximately 75% of the combined company and Spark shareholders will own approximately 25%. The transaction has been approved by Spark’s Board of Directors and is expected to close in the fourth quarter of 2017, subject to Spark shareholder approval and the satisfaction of certain other customary closing conditions. Shareholders, representing approximately 35% of the outstanding Spark shares, have agreed to vote their shares in favor of the transaction.

Spark Networks, Inc. will not conduct a first quarter results conference call; however, Spark and EliteSingles will host a joint conference call at 7:30 AM Pacific time tomorrow, May 3, 2017, to discuss the transaction.

Key Quarterly Metrics

| | Q1 2017 | Q4 2016 | Q1 2016 |
|---------------------------------|-----------------|-----------------|-----------------|
| Revenue | \$7.3 Million | \$7.7 Million | \$9.9 Million |
| Contribution ¹ | \$5.8 Million | \$7.1 Million | \$4.8 Million |
| Net Loss | \$(2.1) Million | \$(3.7) Million | \$(3.4) Million |
| Adjusted EBITDA ² | \$131 Thousand | \$1.8 Million | \$(2.3) Million |
| Cash Balance | \$10.8 Million | \$11.4 Million | \$4.1 Million |
| Period Ending Subs ³ | 119,540 | 142,372 | 198,238 |
| Avg. Paying Subs ³ | 130,441 | 150,675 | 199,451 |
| ARPU | \$18.38 | \$16.89 | \$16.12 |

First Quarter 2017 Financial Results

Revenue: For the first quarter of 2017, total revenue was \$7.3 million, a decrease of 26% compared to the year ago period, and a 6% decrease from the prior quarter. The year over year and sequential decreases were primarily driven

by a decrease in average paying subscribers, reflecting reduced direct marketing investment in the Jewish and Christian Networks. These decreases were partially offset by year over year and sequential increases in ARPU of 14% and 9%, respectively.

Contribution: Contribution was \$5.8 million in the quarter, an increase of 21% compared to the year ago period, and an 18% decrease from the prior quarter. Our contribution margin decreased to 80% from 91% in the prior quarter and increased from 49% in the year ago period. Total direct marketing expenses decreased 72% to \$1.4 million in the first quarter of 2017 as compared to \$5.0 million in the prior year period.

Net Loss: Net Loss was \$(2.1) million in the quarter, a \$1.3 million improvement versus the year ago period and a \$1.6 million improvement from the prior quarter.

Adjusted EBITDA: For the first quarter of 2017, Adjusted EBITDA was \$131,000, an increase of \$2.4 million versus the year ago period and a decrease of \$(1.6) million from the prior quarter. The sequential Adjusted EBITDA decline from the prior quarter was partially driven by a \$475,000 legal accrual for the settlement of an ongoing legal matter.

Cash: Cash provided by operating activities in the first quarter was \$49,000. At March 31, 2017, the Company had \$10.8 million in cash and cash equivalents, compared to \$11.4 million at the end of the prior quarter. At quarter end, the Company had no outstanding debt.

SPARK NETWORKS, INC.

SEGMENT⁴ RESULTS FROM OPERATIONS

(in thousands except subscriber and ARPU information)

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q1 '17 v. Q1 '16 | Q1 '17 v. Q4 '16 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|------------------------|------------------------|
| Revenue | | | | | | | |
| Jewish Networks | \$3,148 | \$3,136 | \$3,322 | \$3,628 | \$3,995 | -21.2 % | 0.4 % |
| Christian Networks | 3,813 | 4,262 | 4,673 | 5,044 | 5,405 | -29.5 % | -10.5 % |
| Other Networks | 286 | 335 | 385 | 413 | 438 | -34.7 % | -14.6 % |
| Offline & Other Businesses | 17 | 10 | 11 | 13 | 21 | -19.0 % | 70.0 % |
| Total Revenue | \$7,264 | \$7,743 | \$8,391 | \$9,098 | \$9,859 | -26.3 % | -6.2 % |
| Direct Mktg. Exp. | | | | | | | |
| Jewish Networks | \$570 | \$316 | \$420 | \$372 | \$497 | 14.6 % | 80.4 % |
| Christian Networks | 803 | 316 | 750 | 1,001 | 4,420 | -81.8 % | 154.0 % |
| Other Networks | 60 | 41 | 60 | 105 | 120 | -50.1 % | 46.5 % |
| Total Direct Mktg. Exp. | \$1,433 | \$673 | \$1,230 | \$1,478 | \$5,038 | -71.6 % | 112.9 % |
| Contribution | | | | | | | |
| Jewish Networks | \$2,578 | \$2,820 | \$2,902 | \$3,256 | \$3,497 | -26.3 % | -8.6 % |
| Christian Networks | 3,009 | 3,946 | 3,923 | 4,043 | 985 | 205.5 % | -23.7 % |
| Other Networks | 227 | 294 | 325 | 308 | 318 | -28.8 % | -23.0 % |
| Offline & Other Businesses | 17 | 10 | 11 | 13 | 20 | -17.5 % | 68.7 % |
| Total Contribution | \$5,831 | \$7,070 | \$7,161 | \$7,620 | \$4,821 | 21.0 % | -17.5 % |
| Period Ending Subs | | | | | | | |
| Jewish Networks | 47,236 | 51,519 | 52,952 | 59,868 | 63,982 | -26.2 % | -8.3 % |
| Christian Networks | 65,146 | 82,163 | 95,047 | 112,895 | 122,935 | -47.0 % | -20.7 % |
| Other Networks | 7,158 | 8,690 | 10,234 | 10,915 | 11,321 | -36.8 % | -17.6 % |
| Total Period Ending Subs. | 119,540 | 142,372 | 158,233 | 183,678 | 198,238 | -39.7 % | -16.0 % |
| Average Paying Subs. | | | | | | | |
| Jewish Networks | 48,823 | 52,493 | 57,684 | 61,732 | 63,930 | -23.6 % | -7.0 % |
| Christian Networks | 73,627 | 88,774 | 105,108 | 117,024 | 124,180 | -40.7 % | -17.1 % |
| Other Networks | 7,991 | 9,408 | 10,772 | 11,182 | 11,341 | -29.5 % | -15.1 % |
| Total Avg. Paying Subs. | 130,441 | 150,675 | 173,564 | 189,938 | 199,451 | -34.6 % | -13.4 % |
| ARPU | | | | | | | |
| Jewish Networks | \$18.59 | \$18.58 | \$18.79 | \$19.33 | \$20.46 | -9.2 % | 0.1 % |
| Christian Networks | 17.22 | 15.75 | 14.60 | 14.09 | 14.17 | 21.5 % | 9.3 % |
| Other Networks | 11.91 | 11.55 | 11.69 | 12.15 | 12.52 | -4.9 % | 3.1 % |
| Total ARPU⁵ | \$18.38 | \$16.89 | \$15.81 | \$15.70 | \$16.12 | 14.0 % | 8.9 % |

Distribution of New Subscription Purchases⁶

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|---------------------------|---------|---------|---------|---------|---------|
| Jewish Networks | | | | | |
| 1 month plans | 51.6% | 45.7% | 32.6% | 28.2% | 26.4% |
| 3 month plans | 19.2% | 20.4% | 18.4% | 19.2% | 17.0% |
| 6 month plans | 29.2% | 33.9% | 49.0% | 52.6% | 56.6% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Christian Networks | | | | | |
| 1 month plans | 55.1% | 52.7% | 36.5% | 39.2% | 32.9% |
| 3 month plans | 25.0% | 27.0% | 22.4% | 25.7% | 20.5% |
| 6 month plans | 19.9% | 20.3% | 41.1% | 35.1% | 46.7% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Other Networks | | | | | |
| 1 month plans | 55.0% | 60.1% | 51.1% | 52.2% | 55.8% |
| 3 month plans | 12.2% | 10.5% | 9.5% | 10.8% | 11.6% |
| 6 month plans | 32.8% | 29.4% | 39.4% | 37.1% | 32.6% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Composition of Average Paying Subscriber Base⁷

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|---------------------------|---------|---------|---------|---------|---------|
| Jewish Networks | | | | | |
| First Time Subscribers | 21.7% | 22.0% | 23.7% | 24.6% | 24.7% |
| Winback Subscribers | 28.1% | 33.0% | 34.6% | 34.0% | 32.5% |
| Renewal Subscribers | 50.2% | 44.9% | 41.7% | 41.4% | 42.8% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Christian Networks | | | | | |
| First Time Subscribers | 35.2% | 37.2% | 39.9% | 42.0% | 43.1% |
| Winback Subscribers | 21.4% | 25.1% | 26.4% | 26.0% | 24.6% |
| Renewal Subscribers | 43.4% | 37.7% | 33.7% | 32.0% | 32.3% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Other Networks | | | | | |
| First Time Subscribers | 28.0% | 29.8% | 32.7% | 33.0% | 31.9% |
| Winback Subscribers | 21.6% | 22.2% | 22.9% | 22.4% | 21.7% |
| Renewal Subscribers | 50.4% | 48.0% | 44.4% | 44.6% | 46.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Investor Conference Call

The Company will discuss its transaction with EliteSingles during a live teleconference tomorrow at 7:30 a.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 <http://investor.spark.net>.

A replay will begin approximately three hours after completion of the call and run until May 17, 2017.

Replay

Toll-Free (United States): 1-844-512-2921

International: 1-412-317-6671

Passcode: 13660277

Forward-Looking Statements

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause Spark's or EliteSingles' or the combined company's performance or achievements to be materially different from those of any expected future results, performance, or achievements. Forward-looking statements speak only as of the date they are made, and neither Spark nor EliteSingles assumes any duty to update forward-looking statements. We caution readers that a number of important factors could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements. Such forward-looking statements include, but are not limited to, statements about the benefits of the business combination transaction involving the Company and EliteSingles, including future financial and operating results, the combined company's plans, objectives, expectations and intentions and other statements that are not historical facts. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: (i) the possibility that the proposed transaction does not close when expected or at all because required regulatory, shareholder or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all (ii) changes in Spark's share price before closing, including as a result of the financial performance of EliteSingles prior to closing, or more generally due to broader stock market movements, and the performance of peer group companies (iii) the risk that the benefits from the transaction may not be fully realized or may take longer to realize than expected, including as a result of changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations and their enforcement, and the degree of competition in the geographic and business areas in which Spark and EliteSingles operate (iv) the ability to promptly and effectively integrate the businesses of Spark and EliteSingles (v) the reaction to the transaction of the companies' customers, employees and counterparties (vi) diversion of management time on merger-related issues (vii) lower-than-expected revenues, credit quality deterioration or a reduction in net earnings and (viii) other risks that are described in Spark's public filings with the SEC. For more information, see the risk factors described in Spark's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and other filings with the

SEC.

How to Find Further Information

This communication does not constitute an offer to sell or a solicitation of an offer to sell or a solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law. This communication is being made in respect of the proposed business combination transaction between the Company and EliteSingles. The proposed transaction will be submitted to the shareholders of the Company for their consideration. In connection with the proposed transaction, the new entity and EliteSingles will file with the SEC a registration statement on Form F-4 that will include the proxy statement of the Company that also constitutes a prospectus of the Company. After the registration statement has been declared effective by the SEC, a definitive proxy statement/prospectus will be mailed to each Company stockholder entitled to vote at the Company's stockholder meeting. **INVESTORS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER DOCUMENTS RELATING TO THE TRANSACTION FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors may obtain copies of the proxy statement/prospectus (when available) and all other documents filed with the SEC regarding the proposed transaction, free of charge, at the SEC's website (<http://www.sec.gov>). Investors may also obtain these documents, free of charge, from the Company's website (www.spark.net) under the link "Investor Relations" and then under the tab "SEC Filings" or by directing request to investor@spark.net.

Participants in Solicitation

The Company and its directors, executive officers and other members of management and employees may be deemed to be "participants" in the solicitation of proxies from the Company's stockholders in connection with the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of the Company's stockholders in connection with the proposed transaction and a description of their direct and indirect interest, by security holdings or otherwise, will be set forth in the proxy statement/prospectus filed with the SEC in connection with the proposed transaction. You can find information about the Company's executive officers and directors in its definitive proxy statement filed with the SEC on March 31, 2017 and in its Annual Report on Form 10-K filed with the SEC on March 22, 2017. You can also obtain free copies of these documents from the Company using the contact information above.

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), JSwipe (www.jswipeapp.com), CROSSPATHS (www.crosspathsapp.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 non-GAAP 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. A reconciliation of the Adjusted EBITDA for the three months ended March 31, 2017 can be found in the table below.

“Adjusted EBITDA” is defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation, impairment of intangible and long-lived assets, non-cash currency translation adjustments for an inter-company loan and non-recurring legal and acquisition costs.

³ "Paying Subscribers" are defined as individuals who have paid a monthly fee for access to communication and website features beyond those provided to our members. Period ending subscribers for each quarter represent the paying subscriber count as of the last day of the period. 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. The calculation excludes results from the Company’s HurryDate business due to its relative size.

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 JDate, JDate.co.il, JDate.fr, JDate.co.uk, Cupid.co.il, and JSwipe. The Christian Networks segment consists of ChristianMingle, CrossPaths, ChristianMingle.co.uk, ChristianMingle.com.au, Believe.com, ChristianCards.net, ChristianDating.com, DailyBibleVerse.com and Faith.com. The Other Networks segment consists of Spark.com and related other general market websites 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 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.

⁶ 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.

⁷ Represents the composition of average paying subscribers in the 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. Figures exclude results from JSwipe and CrossPaths.

SPARK NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

| | March 31, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 10,806 | \$ 11,360 |
| Restricted cash | 415 | 454 |
| Accounts receivable | 406 | 525 |
| Prepaid expenses and other | 1,128 | 1,408 |
| Total current assets | 12,755 | 13,747 |
| Property and equipment, net | 3,356 | 4,494 |
| Goodwill | 10,883 | 10,523 |
| Intangible assets, net | 2,903 | 2,950 |
| Deposits and other assets | 95 | 103 |
| Total assets | \$ 29,992 | \$ 31,817 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | 1,156 | 819 |
| Accrued liabilities | 2,730 | 2,590 |
| Deferred revenue | 3,532 | 4,005 |
| Total current liabilities | 7,418 | 7,414 |
| Deferred tax liability - non-current | 2,202 | 2,092 |
| Other liabilities | 172 | 246 |
| Total liabilities | 9,792 | 9,752 |
| Commitments and Contingencies | | |
| Stockholders' equity: | | |
| 10,000,000 shares of Preferred Stock authorized, \$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 authorized, \$0.001 par value, with 32,097,183 and 31,983,545 shares of Common Stock issued and outstanding at March 31, 2017 and December 31, 2016: | 32 | 32 |
| Additional paid-in-capital | 87,358 | 87,198 |
| Accumulated other comprehensive income | 813 | 713 |
| Accumulated deficit | (68,003) | (65,878) |
| Total stockholders' equity | 20,200 | 22,065 |
| Total liabilities and stockholders' equity | \$ 29,992 | \$ 31,817 |

SPARK NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except per share data)

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2017 | 2016 |
| Revenue | \$7,264 | \$9,859 |
| Cost and expenses: | | |
| Cost of revenue (exclusive of depreciation shown separately below) | 2,354 | 6,229 |
| Sales and marketing | 650 | 1,452 |
| Customer service | 635 | 993 |
| Technical operations | 219 | 297 |
| Development | 715 | 1,030 |
| General and administrative | 3,234 | 2,511 |
| Depreciation | 1,708 | 712 |
| Amortization of intangible assets | 49 | 78 |
| Impairment of intangible and long-lived assets | 9 | 39 |
| Total cost and expenses | 9,573 | 13,341 |
| Operating loss | (2,309) | (3,482) |
| Interest (income) expense and other, net | (231) | (141) |
| Loss before provision for income taxes | (2,078) | (3,341) |
| Income tax provision | 47 | 67 |
| Net loss | (2,125) | (3,408) |
| Net loss per share - basic and diluted | \$(0.07) | \$(0.13) |
| Weighted average shares outstanding - basic and diluted | 32,003 | 25,846 |

Stock-based compensation:

| | | |
|--------------------------------|-------|-------|
| Sales and marketing | 1 | 28 |
| Customer service | 3 | 1 |
| Technical operations | 2 | 21 |
| Development | (4) | 5 |
| General and administrative | 158 | 267 |
| Total stock-based compensation | \$160 | \$322 |

Reconciliation of Net Loss to Adjusted EBITDA:

| | | |
|--|------------|------------|
| Net loss | \$(2,125) | \$(3,408) |
| Interest expense | 22 | 13 |
| Income tax provision | 47 | 67 |
| Depreciation | 1,708 | 712 |
| Impairment of intangible and long-lived assets | 9 | 39 |
| Amortization of intangible assets | 49 | 78 |
| Non-cash currency translation adjustments | (253) | (154) |
| Stock-based compensation | 160 | 322 |
| Non-recurring legal and acquisition costs | 514 | 64 |
| Adjusted EBITDA | \$131 | \$(2,267) |

