

SPARK NETWORKS INC
Form 10-Q
August 14, 2012

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 June 30, 2012

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

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

8383 Wilshire Boulevard, Suite 800

Beverly Hills, California
(Address of principal executive offices)

90211
(Zip Code)

(323) 658-3000
(Registrant's telephone number, including area code)

Not Applicable

(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 Web site, 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 (Do not check if a smaller reporting company) 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 20,675,216 shares of common stock, par value \$0.001 per share, outstanding as of August 14, 2012.

SPARK NETWORKS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPARK NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2012 (unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,705	\$ 15,106
Restricted cash	1,128	958
Accounts receivable, net of allowance of \$0 and \$1, respectively	1,115	1,146
Deferred tax asset - current	45	44
Prepaid expenses and other	940	1,164
Total current assets	15,933	18,418
Property and equipment, net	3,103	2,839
Goodwill	8,522	8,683
Intangible assets, net	1,912	1,900
Deferred tax asset - non-current	6,951	5,641
Deposits and other assets	174	455
Total assets	\$ 36,595	\$ 37,936
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 928	\$ 952
Accrued liabilities	3,661	4,046
Deferred revenue	6,828	5,723
Deferred tax liability- current	203	203
Total current liabilities	11,620	10,924
Deferred tax liability	1,262	1,219
Other liabilities - non-current	1,141	1,141
Total liabilities	14,023	13,284
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Authorized capital stock consists of 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 and 100,000,000 shares of Common Stock, \$0.001 par value, with 20,675,216 and 20,594,670 shares of Common Stock issued and outstanding at June 30, 2012 and December 31, 2011, respectively:	21	21
Additional paid-in-capital	53,657	53,014
Accumulated other comprehensive income	663	672
Accumulated deficit	(31,769)	(29,055)
Total stockholders' equity	22,572	24,652

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Total liabilities and stockholders' equity	\$ 36,595	\$ 37,936
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See accompanying notes

SPARK NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	\$ 15,046	\$ 11,995	\$ 29,601	\$ 22,955
Cost and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	10,976	7,347	22,824	13,162
Sales and marketing	983	837	1,956	1,737
Customer service	622	449	1,235	910
Technical operations	355	336	705	750
Development	844	679	1,690	1,424
General and administrative	2,052	2,199	4,290	4,562
Depreciation	413	346	816	636
Amortization of intangible assets		93	13	191
Total cost and expenses	16,245	12,286	33,529	23,372
Operating loss	(1,199)	(291)	(3,928)	(417)
Interest expense (income) and other, net	113	(45)	(14)	(102)
Loss before income taxes	(1,312)	(246)	(3,914)	(315)
Benefit for income taxes	(311)	(165)	(1,200)	(50)
Net loss	\$ (1,001)	\$ (81)	\$ (2,714)	\$ (265)
Net loss per share basic and diluted	\$ (0.05)	\$ (0.00)	\$ (0.13)	\$ (0.01)
Weighted average shares outstanding basic and diluted	20,625	20,589	20,611	20,588
Comprehensive loss	\$ (1,048)	\$ (45)	\$ (2,723)	\$ (190)

Stock-based compensation:

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Cost of revenue	\$ 2	\$ 2	\$ 4	\$ 4
Sales and marketing	18	14	38	48
Customer service	1	0	1	0
Technical operations	30	27	60	58
Development	10	10	21	22
General and administrative	138	226	279	408

See accompanying notes

SPARK NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$ (2,714)	\$ (265)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Depreciation and amortization	829	827
Foreign exchange loss (gain) on intercompany loan	119	(169)
Income from asset received from legal judgment	(151)	
Stock-based compensation	403	540
Deferred taxes	(1,268)	92
Other	15	2
Changes in operating assets and liabilities:		
Accounts receivable	31	48
Restricted cash	(170)	93
Prepaid expenses and other assets	290	(544)
Accounts payable and accrued liabilities	(423)	(1,380)
Deferred revenue	1,105	804
Net cash (used in) provided by operating activities	\$ (1,934)	\$ 48
Cash flows from investing activities:		
Purchases of property and equipment	(1,201)	(744)
Purchases of intangible assets	(26)	(31)
Sale of property and other assets	520	
Net cash used in investing activities	\$ (707)	\$ (775)
Cash flows from financing activities:		
Proceeds from issuance of common stock	240	22
Net cash provided by financing activities	\$ 240	