

Spark Network (LOV)

Price:	\$5.37
Market Cap:	\$110,622,000
Cash:	\$12,520,000
Debt:	\$0
Net Cash:	\$12,520,000
Enterprise Value:	\$98,102,000

Price/Book:	4.49
EV/FCF:	88.38
Net Tang. Asset/Share:	\$0.65
Avg. Year 1-5 FCF/Share:	\$0.29
5 Years of FCF:	\$1.43
Net Tang. Asset+5 FCF:	\$2.08

Net Tang. Asset Yr. 5/Share:	\$2.09
Avg. Year FCF/Share:	\$0.29
Year 5 Disposition FCF Multipl:	3.0
Year 5 Disposition Price:	\$2.95
Gain Year 5:	\$2.30

Net Tang. Asset+5 FCF+ Gain Disposition:	\$4.39
IRR:	-3.97%

Read a report on Spark Network (LOV). Operator of a Jewish and Christian matching/dating website. \$105 MM market cap, \$13 MM cash, zero debt. Op. cash flow around \$8 MM/year, with \$2 MM cap ex and no other out flows. We value the firm at \$90 MM in 5 years, so the company is on the pricey side. On a sum of parts basis, Jewish site maybe \$75 MM, at minimum, since gross margin is \$23 MM, which maybe \$15 MM EBIT, or a 5 times EBIT multiple. However, the Christian site should generate more cash since the market is 30x bigger. So, on a sum of parts basis, the stock is cheap. Company is gaining traction, as more people feel comfortable meeting matches found online, as the Facebook/LinkedIn/RouletteChat phenomena influences people's willingness to meet strangers.

Company Name:	Spark Network
Ticker Symbol:	LOV
Last Price:	\$5.37
Net Cash/Share:	\$0.61
Net Cash to Last Price:	11.32%
Shares Outstanding:	20,600,000
Industry:	Personal Services
Sector:	Consumer Cyclical

Institutional Ownership:	#VALUE!
Mutual Fund Ownership:	#VALUE!
Insider Ownership:	#VALUE!
Retail Ownership:	#VALUE!
Float:	#VALUE!

Technicals

52 week low:	Error
Today from 52 week low:	#VALUE!
52 week high:	Error
Today from 52 week high:	#VALUE!
50 day Moving Average:	Error
200 day Moving Average:	Error

Analyst/Consensus

Analyst Sales Growth FY1:	N/A
Analyst Sales Growth FY2:	21.00%
SN Valuation Estimate FY1:	5.00%
SN Valuation Estimate FY2:	5.00%

Analyst Earnings Estimate FY1:	-\$0.16
Analyst Earnings Estimate FY2:	\$0.04
SN Valuation Earnings Est. FY1:	\$0.26
SN Valuation Earnings Est. FY2:	\$0.27

Multiples

Market Value to Book:	4.49
EV to Book:	3.98
Market Value to Tangible Net Assets:	-58.84
P/E Ratio:	-35.23
Trailing P/E Ratio:	N/A
Forward P/E Ratio:	134.25
Beta:	Error
Dividend:	0
Dividend Yield:	0.00%
Dividend Date:	N/A
Ex-Dividend Date:	N/A

Competitors

Average EV to EBITDA:	N/A
Company EV to EBITDA:	43.99
Average EV to EBIT:	N/A
Company EV to EBITA:	-86.05

Market Capitalization:	\$110,622,000.00
Total Debt:	\$0.00
Total Cash:	\$12,520,000.00
Net Cash/(Debt):	\$12,520,000.00
Enterprise Value:	\$98,102,000.00
Current EV/Share:	\$4.76
EBITDA:	\$2,230,000.00
EV/EBITDA Multiple:	43.99
EV/EBITDA Multiple Average Year 1-5:	8.95
EV/FCF Multiple:	88.38
EV/FCF Multiple Average Year 1-5:	16.60

**Upper Range
DCF: EV/EBITDA Terminal Value**

Implied TV from 3 X EV/EBITDA Multiple	\$29,705,708.62
Enterprise Value	\$29,705,708.62
Cash at Year 5:	\$42,075,121.89
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$71,780,830.51
Equity/Share at Year 5:	\$3.48
Annualized Return:	-8.29%

**Lower Range
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value**

Year 5 Net Tangible Assets excluding cash and debt	-\$1,880,000.00
Enterprise Value	-\$1,880,000.00
Cash at Year 5:	\$42,075,121.89
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$40,195,121.89
Equity/Share at Year 5:	\$1.95
Annualized Return:	-18.33%

EVA

EVA today:	\$22,602,164.12
EVA in 5 Years:	\$36,378,863.60
EVA/Share:	\$1.77
Cash at Year 5:	\$42,075,121.89
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$78,453,985.49
Equity/Share at Year 5:	\$3.81
Annualized return	9.99%

Current Net Tangible Asset

Net Tangible Asset/Share:	\$0.55
Net Tangible Asset/Share in Year 5:	\$2.00
Annualized return	29.27%

Current Equity Price:	\$5.37
Selling at Discount?	Premium
Appreciation Potential:	-89.69%

Dividend Model

Next Year Dividend	\$0.00
WACC:	11.00%
Dividend:	\$0.00
Net Income:	-\$3,140,000.00

Income Statement

Revenue:	\$52,090,000.00	100.0%
Cost of Goods Sold:	\$32,550,000.00	62.5%
Gross Profit:	\$19,540,000.00	37.5%
EBITDA:	#VALUE!	#VALUE!
Net Income:	-\$3,140,000.00	-6.0%

Balance Sheet

Cash:	\$12,520,000.00
Short Term Investment:	\$0.00
A/R:	\$1,000,000.00
PP&E:	\$2,000,000.00
Assets:	\$34,630,000.00
A/P:	\$880,000.00
Deferred Tax:	\$1,290,000.00
Other Liabilities:	\$10,290,000.00
Short term Debt:	\$0.00
Long Term Debt:	\$0.00
Liabilities:	\$12,460,000.00
Retained Earnings:	-\$29,050,000.00
Paid-In Capital:	\$53,030,000.00
Treasury Stock:	\$0.00
Stockholder's Equity:	\$24,650,000.00

Cash Flow

Net Income:	-1,610,000.00
Depreciation/Amortization:	1,690,000.00
Change in Working capital:	1,000,000.00
Cash from Operating Activities:	3,060,000.00
Capital Expenditures:	-1,580,000.00
Cash from Investing Activities:	-1,940,000.00
Total Cash Dividends Paid:	0.00
Issuance (Retirement) of Stock:	20,000.00
Issuance (Retirement) of Debt:	0.00
Cash from Financing Activities:	90,000.00

Profitability Margins

Debt to Equity:	0.00%
Return on Assets:	-4.65%
Return on Capital:	-6.53%
Return on Equity:	-6.53%

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	3.42	Non-LBO Forecast	Non-LBO Forecast
EV/EBITDA with 3X Multiple Terminal Value:	\$3.48	Market Price:	5.37	Year 1 Target	4.91
Net Tangible Asset Terminal Value:	\$1.95	LBO Price:	5.37	Year 2 Target	4.48
EV/EBITDA with Today's Multiple Terminal Value:	\$4.45	Premium to Market Price:	0.00%	Year 3 Target	4.10
EVA Enterprise Value:	\$3.81	LBO Price/Intrinsic Price Target:	-8.62%	Year 4 Target	3.75
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-3.71%	Year 5 Target	3.42
Average (Excluding Dividend Discount):	\$3.42	Implied IRR at today's EV/EBITDA:	-3.71%	Implied IRR (Market Price):	-8.62%
		5 Year Return:	-36.27%	Desired Return Rate	20.00%
				Implied Today's Price	1.38
				Overvalued/(Undervalued)	290.42%

Current Evaluation				Exit Evaluation			
Current Market Price:	5.37	LBO Price:	5.37	Exit Price:	3.42	Exit Price:	4.45
Outstanding Shares:	20,600,000	Outstanding Shares:	20,600,000	Outstanding Shares:	20,600,000	Outstanding Shares:	20,600,000
Market Capitalization:	110,622,000	Market Capitalization:	110,622,000	Market Capitalization:	70,503,644	Market Capitalization:	91,584,636
Available Cash:	12,520,000	Available Cash:	12,520,000	Available Cash:	42,075,122	Available Cash:	42,075,122
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	12,520,000	Net Cash:	12,520,000	Net Cash:	42,075,122	Net Cash:	42,075,122
Enterprise Value:	98,102,000	Enterprise Value:	98,102,000	Enterprise Value:	28,428,522	Enterprise Value:	49,509,514
Original EV/EBITDA:	-86.05	EV/EBITDA:	-86.05	EV/EBITDA at 5 Years:	2.87	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	43.99	EV/EBITDA:	43.99	EV/EBITDA at 5 Years:	3.27	EV/EBITDA at 5 Years:	4.11
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	5.37	-1.65	-1.51	-1.38	-1.26	-1.15	-1.05
Shares Outstanding:	20,600,000	20,600,000	20,600,000	20,600,000	20,600,000	20,600,000	20,600,000
Market Capitalization:	110,622,000	-33,949,368	-31,024,566	-28,351,740	-25,909,184	-23,677,058	-21,637,235
Available Cash:	12,520,000	12,520,000	17,687,823	23,209,126	29,101,584	35,383,754	42,075,122
Debt:	0	0	0	0	0	0	0
Net Cash:	12,520,000	12,520,000	17,687,823	23,209,126	29,101,584	35,383,754	42,075,122
Enterprise Value:	98,102,000	-46,469,368	-48,712,389	-51,560,867	-55,010,768	-59,060,812	-63,712,357
EBIT	540,000	540,000	8,146,320	8,553,636	8,981,318	9,430,384	9,901,903
EV/EBIT:	181.67	-86.05	-5.98	-6.03	-6.13	-6.26	-6.43
EBITDA	2,230,000	2,230,000	9,920,820	10,416,861	10,937,704	11,484,589	12,058,819
EV/EBITDA:	43.99	43.99	-4.91	-4.95	-5.03	-5.14	-5.28

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	5.37	-1.65	-33.17	-34.61	-36.11	-37.68	-39.32
Shares Outstanding:	20,600,000	20,600,000	20,600,000	20,600,000	20,600,000	20,600,000	20,600,000
Market Capitalization:	110,622,000	-33,949,368	-683,338,742	-712,868,767	-743,780,204	-776,142,124	-810,027,050
Available Cash:	12,520,000	12,520,000	17,687,823	23,209,126	29,101,584	35,383,754	42,075,122
Debt:	0	0	0	0	0	0	0
Net Cash:	12,520,000	12,520,000	17,687,823	23,209,126	29,101,584	35,383,754	42,075,122
Enterprise Value:	98,102,000	-46,469,368	-701,026,565	-736,077,894	-772,881,788	-811,525,878	-852,102,172
EBIT	540,000	540,000	8,146,320	8,553,636	8,981,318	9,430,384	9,901,903
EV/EBIT:	181.67	-86.05	-86.05	-86.05	-86.05	-86.05	-86.05
EBITDA	2,230,000	2,230,000	9,920,820	10,416,861	10,937,704	11,484,589	12,058,819
EV/EBITDA:	43.99	43.99	-70.66	-70.66	-70.66	-70.66	-70.66

LBO Price	5.37	Equity Partners:	110,622,000	Weighting	100.00%	Annualized Return for Equity Partners: -3.71%
Shares Outstanding	20,600,000	Debt Partners:	0		0.00%	
Market Capitalization	110,622,000	Total Funds for LBO:	110,622,000		100.00%	
Debt	0					
Cash	12,520,000					
Enterprise Value	98,102,000					
Capital Investment	110,622,000					

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	24.65	Beginning Enterprise Value	98.10	Current Market Price	\$5.37	Starting Debt	0.00
Year 5 Book Value	54.40	Year 5 Enterprise Value	49.51	Year 5 Market Price	\$4.45	Debt Repayment	0.00
Annualized Return	17.15%	Annualized Return	-12.78%	Annualized Return	-3.71%	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

Spark Network

Ticker:

LOV

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Revenue	57.27	45.39	40.85	48.49	50.91	53.46	56.13	58.94	61.89
COGS	18.71	15.21	13.75	28.95	17.82	18.71	19.65	20.63	21.66
Gross margin	38.56	30.18	27.10	19.54	33.09	34.75	36.49	38.31	40.23
SG&A	17.52	13.44	13.28	11.79	16.80	17.64	18.52	19.45	20.42
R&D	4.46	3.90	3.09	2.71	4.07	4.28	4.49	4.72	4.95
Unusual expense	1.35	12.00	0.31	1.15	0.00	0.00	0.00	0.00	0.00
Other operating expense	4.24	3.34	2.83	3.35	4.07	4.28	4.49	4.72	4.95
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	10.99	-2.50	7.59	0.54	8.15	8.55	8.98	9.43	9.90
Interest income/(expense)	-0.11	1.10	0.05	-0.17	0.15	0.15	0.15	0.15	0.15
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	9.21	-2.92	6.26	-1.31	8.30	8.70	9.13	9.58	10.05
Tax	4.42	3.48	2.56	0.30	2.90	3.05	3.20	3.35	3.52
Income after tax	4.79	-6.40	3.70	-1.61	5.39	5.66	5.94	6.23	6.53
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	4.79	-6.40	3.70	-1.61	5.39	5.66	5.94	6.23	6.53
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.23	-\$0.31	\$0.18	-\$0.08	\$0.26	\$0.27	\$0.29	\$0.30	\$0.32
P/E (historical today's price; forecasted intrinsic price)	23.09	-17.28	29.90	-68.71	18.74	16.33	14.22	12.39	10.79
Revenue Growth	N/A	-20.74%	-10.00%	18.70%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	47.99%	-119.18%	40.89%	-22.90%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-1.42%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	32.67%	33.51%	33.66%	59.70%	35.00%	35.00%	35.00%	35.00%	35.00%
Gross margin	67.33%	66.49%	66.34%	40.30%	65.00%	65.00%	65.00%	65.00%	65.00%
SG&A	30.59%	29.61%	32.51%	24.31%	33.00%	33.00%	33.00%	33.00%	33.00%
R&D	7.79%	8.59%	7.56%	5.59%	8.00%	8.00%	8.00%	8.00%	8.00%
Unusual expense	2.36%	26.44%	0.76%	2.37%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	7.40%	7.36%	6.53%	6.91%	8.00%	8.00%	8.00%	8.00%	8.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	19.19%	-5.51%	18.58%	1.11%	16.00%	16.00%	16.00%	16.00%	16.00%
Interest income/(expense)	-0.19%	2.42%	0.12%	-0.35%	0.30%	0.28%	0.27%	0.26%	0.24%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	16.08%	-6.43%	15.32%	-2.70%	16.30%	16.28%	16.27%	16.26%	16.24%
Tax	7.72%	6.27%	6.27%	0.62%	5.70%	5.70%	5.69%	5.69%	5.69%
Income after tax	8.36%	-14.10%	9.06%	-3.32%	10.59%	11.11%	11.66%	12.23%	12.83%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	8.36%	-14.10%	9.06%	-3.32%	10.59%	10.58%	10.57%	10.57%	10.56%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-03-31	+	-						
Cash	7.42	6.22	13.90	15.11	12.52			12.52	17.69	23.21	29.10	35.38	42.08
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	7.42	6.22	13.90	15.11	12.52			12.52	17.69	23.21	29.10	35.38	42.08
Accounts Receivable	1.10	0.68	0.85	1.15	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	1.10	0.68	0.85	1.15	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	1.87	0.85	0.91	1.16	1.13			1.13	1.13	1.13	1.13	1.13	1.13
Other Current Assets	0.82	0.90	1.04	1.00	1.14			1.14	1.14	1.14	1.14	1.14	1.14
Current Assets	11.21	8.65	16.70	18.42	15.79	0.00	0.00	15.79	20.96	26.48	32.37	38.65	45.35
PP&E, Gross	13.88	12.18	8.61	9.00	9.00			9.00	11.00	13.00	15.00	17.00	19.00
Change in Depreciation		1.54	1.38	1.69	1.69			1.69	1.77	1.86	1.96	2.05	2.16
Accumulated Depreciation	12.20	9.90	6.09	7.00	7.00			7.00	8.77	10.64	12.59	14.65	16.81
PP&E, Net	1.68	2.28	2.52	2.00	2.00			2.00	2.23	2.36	2.41	2.35	2.19
Goodwill	17.96	8.76	9.16	8.68	8.86	0.00		8.86	8.86	8.86	8.86	8.86	8.86
Intangibles	5.75	3.59	3.02	1.90	1.91			1.91	1.91	1.91	1.91	1.91	1.91
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	5.40	6.57	5.18	6.10	6.07			6.07	6.07	6.07	6.07	6.07	6.07
Long Term Assets	30.79	21.20	19.88	18.68	18.84			18.84	19.07	19.20	19.25	19.19	19.03
Total Assets	42.00	29.85	36.58	37.10	34.63	0.00	0.00	34.63	40.02	45.68	51.62	57.85	64.38
Accounts Payable	2.26	1.42	1.37	0.95	0.88			0.88	0.88	0.88	0.88	0.88	0.88
Accrued Expense	4.49	4.23	3.63	4.05	2.19			2.19	2.19	2.19	2.19	2.19	2.19
Other current Liabilities	4.43	4.24	4.33	5.93	6.96			6.96	6.96	6.96	6.96	6.96	6.96
Total Current Liabilities	11.18	9.89	9.33	10.93	10.03	0.00	0.00	10.03	10.03	10.03	10.03	10.03	10.03
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	7.75	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	7.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.76	0.66	0.82	1.22	1.29			1.29	1.29	1.29	1.29	1.29	1.29
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.91	0.98	1.04	1.14	1.14			1.14	1.14	1.14	1.14	1.14	1.14
Total Liabilities	20.60	11.53	11.19	13.29	12.46	0.00	0.00	12.46	12.46	12.46	12.46	12.46	12.46
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.02	0.02	0.02	0.02	0.02		0.00	0.02	0.02	0.02	0.02	0.02	0.02
Additional Paid-in capital	45.55	48.81	52.02	53.01	53.01	0.00	0.00	53.01	53.01	53.01	53.01	53.01	53.01
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-24.74	-31.15	-27.44	-29.05	-29.05		0.00	-29.05	-23.66	-18.00	-12.06	-5.83	0.70
Treasury Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.59	0.64	0.77	0.67	0.67		0.00	0.67	0.67	0.67	0.67	0.67	0.67
Total Equity	21.42	18.32	25.37	24.65	24.65	0.00	0.00	24.65	30.04	35.70	41.64	47.87	54.40
Liability + Equity	42.02	29.85	36.56	37.94	37.11	0.00	0.00	37.11	42.50	48.16	54.10	60.33	66.86
Variance	-0.02	0.00	0.02	-0.84	-2.48			-2.48	-2.48	-2.48	-2.48	-2.48	-2.48
Debt/Equity	0.36	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	52.06	66.75	48.06	42.17	50.91			48.49	50.91	53.46	56.13	58.94	61.89
Accounts Receivable Turnover Days	7.01	5.47	7.59	8.66	7.17			7.53	7.17	6.83	6.50	6.19	5.90
Days Payable Outstanding	44.09	34.08	36.37	11.98	18.02			11.09	18.02	17.17	16.35	15.57	14.83
Days Sales Outstanding	7.01	5.47	7.59	8.66	7.17			8.66	7.53	7.17	6.83	6.50	6.19
Cash Conversion Cycle	-37.08	-28.61	-28.77	-3.32	-10.86			-2.44	-10.50	-10.00	-9.52	-9.07	-8.64
Net tangible assets/share					0.55				0.82	1.09	1.38	1.68	2.00

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	4.79	-6.40	3.70	-1.61	5.39	5.66	5.94	6.23	6.53
Depreciation	1.65	1.54	1.38	1.69	1.77	1.86	1.96	2.05	2.16
Net Income + Depreciation	6.44	-4.86	5.08	0.08	7.17	7.52	7.89	8.28	8.69
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	3.05	2.23	1.84	-0.10	0.00	0.00	0.00	0.00	0.00
Non Cash Items	2.15	8.30	-0.13	2.07	0.00	0.00	0.00	0.00	0.00
Change in Working capital	0.68	0.26	-1.02	1.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.42	-0.17	-0.30	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	1.02	-0.06	-0.25	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-0.84	-0.05	-0.42	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	12.32	5.93	5.77	3.05	7.17	7.52	7.89	8.28	8.69
Capital Expenditures Expenditures	-1.30	-1.44	-1.32	-1.58	-2.00	-2.00	-2.00	-2.00	-2.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-1.68	-1.39	1.52	-0.36	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-2.98	-2.83	0.20	-1.94	-2.00	-2.00	-2.00	-2.00	-2.00
Financing Cash flow items	2.59	3.19	1.68	0.07	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-20.80	0.03	0.02	0.02	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	7.50	-7.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-10.71	-4.28	1.70	0.09	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	8.80	7.42	6.22	13.90	12.52	17.69	23.21	29.10	35.38
Net Change in Cash	-1.38	-1.19	7.68	1.21	5.17	5.52	5.89	6.28	6.69
Ending Cash Balance	7.42	6.22	13.90	15.11	17.69	23.21	29.10	35.38	42.08
Capex to Revenue	2.27%	3.17%	3.23%	3.26%	3.93%	3.74%	3.56%	3.39%	3.23%
Depreciation to Sales	2.88%	3.39%	3.38%	3.49%	3.49%	3.49%	3.49%	3.49%	3.49%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	1.92%	1.50%	2.08%	2.37%	2.26%	2.15%	2.05%	1.95%	1.86%
Distributable FCF Yield	9.52%	3.16%	6.09%	1.13%	5.27%	5.63%	6.01%	6.40%	6.82%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	9.34	3.10	5.97	1.11	5.17	5.52	5.89	6.28	6.69

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	1.21	5.17	5.52	5.89	6.28	6.69
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		15.11				
Interest @ 1.0%		0.15	0.15	0.15	0.15	0.15
Net Interest Expense/(Income)		(0.15)	(0.15)	(0.15)	(0.15)	(0.15)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		8.15	8.55	8.98	9.43	9.90
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

Debt Rating	2011	2012	2013	2014	2015
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Spark Network

Ticker:

LOV

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	0.03	-1.24	7.37	5.76	10.93	16.45	22.34	28.62	35.32
Total Assets	42.00	29.85	36.58	34.63	40.02	45.68	51.62	57.85	64.38
X1	0.00	-0.04	0.20	0.17	0.27	0.36	0.43	0.49	0.55
Retained Earnings	-24.74	-31.15	-27.44	-29.05	-23.66	-18.00	-12.06	-5.83	0.70
Total Assets	42.00	29.85	36.58	34.63	40.02	45.68	51.62	57.85	64.38
X2	-0.59	-1.04	-0.75	-0.84	-0.59	-0.39	-0.23	-0.10	0.01
EBITDA	10.99	-2.50	7.59	0.54	8.15	8.55	8.98	9.43	9.90
Total Assets	42.00	29.85	36.58	34.63	40.02	45.68	51.62	57.85	64.38
X3	0.26	-0.08	0.21	0.02	0.20	0.19	0.17	0.16	0.15
Market Value of Equity	110.62	110.62	110.62	110.62	101.09	92.38	84.42	77.15	70.50
Total Liabilities	20.60	11.53	11.19	12.46	12.46	12.46	12.46	12.46	12.46
X4	5.37	9.59	9.89	8.88	8.11	7.41	6.78	6.19	5.66
Net Sales	57.27	45.39	40.85	48.49	50.91	53.46	56.13	58.94	61.89
Total Assets	42.00	29.85	36.58	34.63	40.02	45.68	51.62	57.85	64.38
X5	1.36	1.52	1.12	1.40	1.27	1.17	1.09	1.02	0.96
Altman Z Score	4.63	5.49	6.92	5.80	6.31	6.12	5.92	5.72	5.54

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red