

**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 11, 2020

FLUENT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-37893
(Commission
File Number)

77-0688094
(I.R.S. Employer
Identification No.)

300 Vesey Street, 9th Floor
New York, New York
(Address of principal executive offices)

10282
(Zip Code)

Registrant's telephone number, including area code: (646) 669-7272

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:

- 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))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|--|
| Common Stock, \$0.0005 par value per share | FLNT | The NASDAQ Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 2.02. Results of Operations and Financial Condition.

On May 11, 2020, Fluent, Inc. issued a press release announcing first quarter 2020 financial results. A copy of the press release is furnished herewith as Exhibit 99.1.

The information included herein and in Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (“Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|----------------------|-----------------------------------|
| 99.1 | Press release, dated May 11, 2020 |

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.

Fluent, Inc.

May 11, 2020

By: /s/ Ryan Schulke
Name: Ryan Schulke
Title: Chief Executive Officer

Fluent Announces First Quarter 2020 Financial Results

- **19% growth in Q1 2020 revenue over Q1 2019, to \$78.9 million**
- **Net income of \$0.4 million, or \$0.01 per share**
- **Media margin of \$23.9 million, up 4% over Q1 2019 and representing 30.3% of revenue**
- **Adjusted EBITDA of \$9.0 million, representing 11% of revenue**
- **Adjusted net income of \$3.8 million, or \$ 0.05 per share**

New York, NY – May 11, 2020 – Fluent, Inc. (NASDAQ: FLNT), a leading data-driven performance marketing company, today reported financial results for the first quarter ended 2020.

Ryan Schulke, Fluent’s Chief Executive Officer, commented, "Amidst the extraordinary challenges we are all facing during the current global pandemic, we express our most sincere gratitude to those working tirelessly to support people in need. We also take great pride in the expressions of caring and concern by our colleague base, to support each other's families and respective communities."

"At the same time, we are extremely fortunate that our team has been so adaptive and resilient, enabling Fluent to maintain focus in driving our business forward, by executing on our core business goals and strategic agenda. We see our revenue growth in the quarter as an important indicator that Fluent continues to forge stronger bonds with leading brands across multiple verticals, and become a more critical component of our partners' overall marketing strategies."

First Quarter Financial Summary

- 19% growth in Q1 2020 revenue over Q1 2019, to \$78.9 million
- Net income of \$0.4 or \$0.01 per share, compared to net income of \$1.0 million, or \$0.01 per share, in Q1 2019
- Media margin of \$23.9 million, an increase of 4% over Q1 2019 and representing 30.3% of revenue
- Adjusted EBITDA of \$9.0 million, representing 11% of revenue
- Adjusted net income of \$3.8 million, or \$ 0.05 per share

Media margin, adjusted EBITDA and adjusted net income are non-GAAP financial measures, as defined and reconciled below.

Business Outlook

- Fluent currently sees Q2 2020 trending in-line with Q2 2019 revenue and media margin.
 - Volume of consumer traffic to our websites continues to be elevated year over year, reflecting consumers spending more time on their mobile devices, as the country largely shelters at home.
 - Cost of media in Q2 2020 is trending favorably compared to Q2 2019, while monetization reflects the economic uncertainties our advertiser clients are responding to.
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Conference Call

Fluent, Inc. will host a conference call on Monday, May 11, 2020 at 4:30 PM ET to discuss its 2020 first quarter financial results. To listen to the conference call on your telephone, please dial (888) 339-0797 for domestic callers, or (412) 317-5248 for international callers. To access the live audio webcast, visit the Fluent website at investors.fluentco.com. Please login at least 15 minutes prior to the start of the call to ensure adequate time for any downloads that may be required. Following completion of the earnings call, a recorded replay of the webcast will be available for those unable to participate. To listen to the telephone replay, please dial (877) 344-7529 or (412) 317-0088 with the replay passcode 10143972. The replay will also be available for one week on the Fluent website at investors.fluentco.com.

About Fluent, Inc.

Fluent (NASDAQ: FLNT) is a leading performance marketing company with expertise in creating meaningful connections between consumers and brands. Leveraging our proprietary first-party database of opted-in consumer profiles, Fluent drives intelligent growth strategies that deliver superior outcomes. Founded in 2010, the company is headquartered in New York City. For more information, visit www.fluentco.com.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

The matters contained in this press release may be considered to be “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. Those statements include statements regarding the intent, belief or current expectations or anticipations of Fluent and members of our management team. Factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include the following: compliance with a significant number of governmental laws and regulations, including those laws and regulations regarding privacy and data; failure to safeguard the personal information and other data contained in our database; failure to compete effectively against other online marketing and advertising companies; dependence on third-party publishers, internet search providers and social media platforms for a significant portion of visitors to our websites; dependence on our key personnel; dependence on emails, text messages and telephone calls, among other channels, to reach users for marketing purposes; competition we face for web traffic; ability to compete and manage media costs in an industry characterized by rapidly-changing internet media and advertising technology, evolving industry standards, regulatory uncertainty, and changing user and client demands; liability related to actions of third-party publishers; limitations on our or our third-party publishers’ ability to collect and use data derived from user activities; ability to remain competitive with the shift of online interactions from computers to mobile devices; dependence on third-party service providers; management of the growth of our operations, including the integration of the AdParlor business and other acquired business units or personnel; management of unfavorable publicity and negative public perception about our industry; failure to meet our clients’ performance metrics or changing needs; failure to detect click-through or other fraud on advertisements; achievement of some or all of the benefits that we expect to achieve as a stand-alone company; failure to adequately protect intellectual property rights or allegations of infringement of intellectual property rights; compliance with the covenants of our credit agreement; and the potential for failures in our internal control over financial reporting. These and additional factors to be considered are set forth under “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and in our other filings with the Securities and Exchange Commission. Fluent undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results or expectations.

FLUENT, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)
(unaudited)

| | March 31, 2020 | December 31, 2019 |
|---|-------------------|----------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ 13,086 | \$ 18,679 |
| Accounts receivable, net of allowance for doubtful accounts of \$665 and \$1,967, respectively | 61,012 | 60,915 |
| Prepaid expenses and other current assets | 1,944 | 1,921 |
| Total current assets | 76,042 | 81,515 |
| Restricted cash | 1,480 | 1,480 |
| Property and equipment, net | 2,684 | 2,863 |
| Operating lease right-of-use assets | 9,448 | 9,865 |
| Intangible assets, net | 52,720 | 55,603 |
| Goodwill | 164,774 | 164,774 |
| Other non-current assets | 1,106 | 993 |
| Total assets | \$ 308,254 | \$ 317,093 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Accounts payable | \$ 15,854 | \$ 21,574 |
| Accrued expenses and other current liabilities | 18,857 | 20,358 |
| Deferred revenue | 1,526 | 1,140 |
| Current portion of long-term debt | 4,750 | 6,873 |
| Current portion of operating lease liability | 2,271 | 2,282 |
| Total current liabilities | 43,258 | 52,227 |
| Long-term debt, net | 43,579 | 44,098 |
| Operating lease liability, net | 8,607 | 9,056 |
| Other non-current liabilities | 745 | 775 |
| Total liabilities | 96,189 | 106,156 |
| Shareholders' equity: | | |
| Preferred stock — \$0.0001 par value, 10,000,000 Shares authorized; Shares outstanding — 0 shares for both periods | — | — |
| Common stock — \$0.0005 par value, 200,000,000 Shares authorized; Shares issued — 79,809,417 and 78,642,078, respectively; and Shares outstanding — 76,207,613 and 75,873,679, respectively | 40 | 39 |
| Treasury stock, at cost — 3,601,804 and 2,768,399 shares, respectively | (9,900) | (8,184) |
| Additional paid-in capital | 408,633 | 406,198 |
| Accumulated deficit | (186,708) | (187,116) |
| Total shareholders' equity | 212,065 | 210,937 |
| Total liabilities and shareholders' equity | \$ 308,254 | \$ 317,093 |

FLUENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share data)
(unaudited)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-----------------|
| | 2020 | 2019 |
| Revenue | \$ 78,934 | \$ 66,561 |
| Costs and expenses: | | |
| Cost of revenue (exclusive of depreciation and amortization) | 56,624 | 44,829 |
| Sales and marketing (1) | 2,830 | 3,434 |
| Product development (1) | 2,731 | 2,150 |
| General and administrative (1) | 11,076 | 10,043 |
| Depreciation and amortization | 3,733 | 3,317 |
| Total costs and expenses | 76,994 | 63,773 |
| Income from operations | 1,940 | 2,788 |
| Interest expense, net | (1,532) | (1,778) |
| Income before income taxes | 408 | 1,010 |
| Income tax benefit | — | 35 |
| Net income | \$ 408 | \$ 1,045 |
| Basic and diluted income per share: | | |
| Basic | \$ 0.01 | \$ 0.01 |
| Diluted | \$ 0.01 | \$ 0.01 |
| Weighted average number of shares outstanding: | | |
| Basic | 78,604,280 | 79,097,426 |
| Diluted | 78,753,770 | 80,063,989 |
| (1) Amounts include share-based compensation expense as follows: | | |
| Sales and marketing | \$ 218 | \$ 369 |
| Product development | 237 | 245 |
| General and administrative | 1,942 | 1,661 |
| Share-based compensation | \$ 2,397 | \$ 2,275 |

FLUENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(unaudited)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 408 | \$ 1,045 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 3,733 | 3,317 |
| Non-cash interest expense | 356 | 319 |
| Share-based compensation expense | 2,397 | 2,275 |
| Provision for bad debt | 183 | — |
| Deferred income tax benefit | — | (35) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (280) | 4,629 |
| Prepaid expenses and other current assets | (23) | (601) |
| Other non-current assets | (113) | (21) |
| Operating lease assets and liabilities, net | (43) | 587 |
| Accounts payable | (5,720) | (1,629) |
| Accrued expenses and other current liabilities | (1,501) | (4,929) |
| Deferred revenue | 386 | 230 |
| Other | (30) | (22) |
| Net cash (used in) provided by operating activities | (247) | 5,165 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | (7) | (1,385) |
| Capitalized costs included in intangible assets | (625) | (357) |
| Net cash used in investing activities | (632) | (1,742) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments of long-term debt | (2,998) | (875) |
| Taxes paid related to net share settlement of vesting of restricted stock units | (416) | (1,610) |
| Repurchase of treasury stock | (1,300) | — |
| Net cash used in financing activities | (4,714) | (2,485) |
| Net decrease in cash, cash equivalents and restricted cash | (5,593) | 938 |
| Cash, cash equivalents and restricted cash at beginning of period | 20,159 | 19,249 |
| Cash, cash equivalents and restricted cash at end of period | \$ 14,566 | \$ 20,187 |

Definitions, Reconciliations and Uses of Non-GAAP Financial Measures

The following non-GAAP measures are used in this release:

Media margin is defined as revenue minus cost of revenue (exclusive of depreciation and amortization) attributable to variable costs paid for media and related expenses. Media margin is also presented as percentage of revenue.

Adjusted EBITDA is defined as net income excluding (1) income taxes, (2) interest expense, net, (3) depreciation and amortization, (4) share-based compensation expense, (5) acquisition-related costs (6) restructuring and certain severance costs, (7) certain litigation and other related costs, and (8) one-time items.

Adjusted net income is defined as net income excluding (1) share-based compensation expense, (2) acquisition-related costs, (3) restructuring and certain severance costs, (4) certain litigation and other related costs, and (5) one-time items. Adjusted net income is also presented on a per share (basic and diluted) basis.

Below is a reconciliation of media margin from net income, which we believe is the most directly comparable GAAP measure.

| | Three Months Ended March 31, | |
|----------------------------------|------------------------------|-----------|
| | 2020 | 2019 |
| Net income | \$ 408 | \$ 1,045 |
| Income tax benefit | — | (35) |
| Interest expense, net | 1,532 | 1,778 |
| Depreciation and amortization | 3,733 | 3,317 |
| General and administrative | 11,076 | 10,043 |
| Product development | 2,731 | 2,150 |
| Sales and marketing | 2,830 | 3,434 |
| Non-media cost of revenue (1) | 1,603 | 1,361 |
| Media margin | \$ 23,913 | \$ 23,093 |
| Revenue | \$ 78,934 | \$ 66,561 |
| Media margin % of revenue | 30.3% | 34.7% |

(1) Represents the portion of cost of revenue (exclusive of depreciation and amortization) not attributable to variable costs paid for media and related expenses.

Below is a reconciliation of adjusted EBITDA from net income, which we believe is the most directly comparable GAAP measure.

| | Three Months Ended March 31, | |
|--|------------------------------|----------|
| | 2020 | 2019 |
| Net income | \$ 408 | \$ 1,045 |
| Income tax benefit | — | (35) |
| Interest expense, net | 1,532 | 1,778 |
| Depreciation and amortization | 3,733 | 3,317 |
| Share-based compensation expense | 2,397 | 2,275 |
| Acquisition-related costs | 47 | — |
| Restructuring and certain severance costs | — | 110 |
| Certain litigation and other related costs | 907 | 489 |
| One-time items | — | 168 |
| Adjusted EBITDA | \$ 9,024 | \$ 9,147 |

Below is a reconciliation of adjusted net income and the related measure of adjusted net income per share from net income, which we believe is the most directly comparable GAAP measure.

| (In thousands, except share data) | Three Months Ended March 31, | |
|---|------------------------------|-----------------|
| | 2020 | 2019 |
| Net income | \$ 408 | \$ 1,045 |
| Share-based compensation expense | 2,397 | 2,275 |
| Acquisition-related costs | 47 | — |
| Restructuring and certain severance costs | — | 110 |
| Certain litigation and other related costs | 907 | 489 |
| One-time items | — | 168 |
| Adjusted net income | \$ 3,759 | \$ 4,087 |
| Adjusted net income per share: | | |
| Basic | \$ 0.05 | \$ 0.05 |
| Diluted | \$ 0.05 | \$ 0.05 |
| Weighted average number of shares outstanding: | | |
| Basic | 78,604,280 | 79,097,426 |
| Diluted | 78,753,770 | 80,063,989 |

We present media margin, adjusted EBITDA, adjusted net income and adjusted net income per share as supplemental measures of our financial and operating performance because we believe they provide useful information to investors. More specifically:

Media margin, as defined above, is a measure of the efficiency of the Company's operating model. We use media margin and the related measure of media margin as a percentage of revenue as primary metrics to measure the financial return on our media and related costs, specifically to measure the degree by which the revenue generated from our digital marketing services exceeds the cost to attract the consumers to whom offers are made through our services. Media margin is used extensively by our management to manage our operating performance, including evaluating operational performance against budgeted media margin and understanding the efficiency of our media and related expenditures. We also use media margin for performance evaluations and compensation decisions regarding certain personnel.

Adjusted EBITDA, as defined above, is another primary metric by which we evaluate the operating performance of our business, on which certain operating expenditures and internal budgets are based and by which, in addition to media margin and other factors, our senior management is compensated. The first three adjustments represent the conventional definition of EBITDA, and the remaining adjustments are items recognized and recorded under GAAP in particular periods but might be viewed as not necessarily coinciding with the underlying business operations for the periods in which they are so recognized and recorded. These adjustments include certain severance costs associated with department-specific reorganizations and certain litigation and other related costs associated with legal matters outside the ordinary course of business. Items are considered one-time in nature if they are non-recurring, infrequent or unusual and have not occurred in the past two years or are not expected to recur in the next two years, in accordance with SEC rules. Adjusted EBITDA for the three months ended March 31, 2019 excluded as one-time items \$0.2 million of costs associated with the move of our corporate headquarters. There were no other adjustments for one-time items in the current period presented.

Adjusted net income, as defined above, and the related measure of adjusted net income per share exclude certain items that are recognized and recorded under GAAP in particular periods but might be viewed as not necessarily coinciding with the underlying business operations for the periods in which they are so recognized and recorded. Adjusted net income for the three months ended March 31, 2019 excluded as one-time items \$0.2 million of costs associated with the move of our corporate headquarters. There were no other adjustments for one-time items in the current period presented. We believe adjusted net income affords investors a different view of the overall financial performance of the Company than adjusted EBITDA and the GAAP measure of net income.

Media margin, adjusted EBITDA, adjusted net income and adjusted net income per share are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, net income as indicators of operating performance. None of these metrics are presented as measures of liquidity. The way we measure media margin, adjusted EBITDA and adjusted net income may not be comparable to similarly titled measures presented by other companies and may not be identical to corresponding measures used in our various agreements.

Contact Information:

Investor Relations

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