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 15, 2024

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 15, 2024, Fluent, Inc. issued a press release announcing first quarter 2024 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

Exhibit No.	Description
99.1	Press release, dated May 15, 2024
104	Cover Page Interactive Data File (formatted as Inline XBRL)

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 hereinto duly authorized.

Fluent, Inc.

May 15, 2024

By:	/s/ Don Patrick
Name:	Don Patrick
Title:	Chief Executive Officer

Exhibit 99.1

Fluent Announces First Quarter 2024 Financial Results

- Revenue of $66.0 million for Q1 2024
- Net loss of $6.3 million for Q1 2024
- Gross profit (exclusive of depreciation and amortization) of $18.6 million for Q1 2024
- Media margin of $22.1 million for Q1 2024
- Adjusted EBITDA of $0.7 million for Q1 2024
- Adjusted net loss of $4.2 million for Q1 2024

New York, NY – May 15, 2024 – Fluent, Inc. (NASDAQ: FLNT), a leading data-driven performance marketing company, today reported financial results for the first quarter ended March 31, 2024.

Don Patrick, Fluent's Chief Executive Officer, commented, "For the quarter, we reported improved gross margins over last year with positive adjusted EBITDA as we continued to deliver both leading and emerging brands a broader suite of customer acquisition and partner monetization solutions. Our new syndicated performance marketplaces - a key strategic focus of ours - continue to be well received in the market and contributed positively to our gross margin performance in the quarter. As expected, our owned and operated markets are seeing softness in the first half of this year due to a challenging macroeconomic environment and media supply challenges partly stemming from changes in compliance practices in connection with our FTC consent order, which influenced reductions in spend by key clients in various sectors. We remain optimistic that this part of the business will stabilize in the back half of the year as we continue to set the standard for industry compliance on behalf of our clients."

Mr. Patrick continued, "We continue to invest in our new performance marketplaces while strengthening our owned and operated business in line with the evolving industry landscape. The $10 million equity investment in Fluent from investors including our founders, our largest shareholder, and me, announced today, provides additional capital, reduces dependence on our credit facility and reflects confidence in our strategy to build a more valuable performance-based model for stakeholders."

First Quarter Financial Highlights

- Revenue of $66.0 million, a decrease of 15%, compared to $77.3 million in Q1 2023
- Net loss of $6.3 million, or $0.45 per share, compared to net loss of $31.9 million, or $2.34 per share, for Q1 2023
- Gross profit (exclusive of depreciation and amortization) of $18.6 million, a decrease of 2% over Q1 2023 and representing 28% of revenue
- Media margin of $22.1 million, an increase of 1% over Q1 2023 and representing 33.6% of revenue
- Adjusted EBITDA of $0.7 million, an increase of $0.2 million over Q1 2023 and representing 1.0% of revenue
- Adjusted net loss of $4.2 million, or $0.30 per share, compared to adjusted net loss of $2.7 million, or $0.20 per share, for Q1 2023

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

Business Outlook & Goals

- Industry challenges affecting the owned and operated business expected to drive further revenue retraction in Q2; Focused on fortifying and strengthening long-term performance of owned and operated marketplaces.
- Maintain increased gross margins throughout 2024 consistent with Q1 and drive sequential and year over year revenue growth in the second half of the year by expanding our syndicated performance marketplaces, which leverage our advertiser and technology assets to drive enhanced results for our advertising partners in growing market segments.
- Leverage our leadership position with the new compliance standards we have set to level the industry playing field, create additional competitive differentiation, and increase market share.
- Ensure we source customer traffic that meets our internal quality and regulatory requirements, leading to higher quality consumer engagement for our advertisers.
- Continue to be prudent in managing growth, margin, and investment initiatives to drive near breakeven adjusted EBITDA in Q2, high single-digit adjusted EBITDA margin in the second half of the year, and ultimately long-term shareholder value.

The Company cannot provide a reconciliation of adjusted EBITDA to expected net income or net loss for the remaining periods of 2024 due to the unknown effect, timing, and potential significance of certain operating costs and expenses, share-based compensation expense, and the provision for (or benefit from) income taxes.

Conference Call

Fluent, Inc. will host a conference call on Wednesday, May 15, 2024, at 4:30 PM ET to discuss its 2024 first quarter financial results. The conference call can be accessed by phone after registering online at https://register.vevent.com/register/BI2eb363dbc16e4baab7d474635cfda70e. The call will also be webcast simultaneously on the Fluent website at https://investors.fluentco.com/. Following the 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 connect via https://edge.media-server.com/mmc/p/3mwjahv4. The replay will be available for one year, via the Fluent website https://investors.fluentco.com/.

About Fluent, Inc.

Fluent, Inc. (NASDAQ: FLNT) has been a leader in performance marketing since 2010, offering customer acquisition and partner monetization solutions that exceed client expectations. Leveraging untapped channels and diverse ad inventory across partner ecosystems and owned sites, Fluent connects brands with consumers at the most optimal moment, ensuring impactful engagement when it matters most. Constantly innovating and optimizing for performance, Fluent unlocks additional revenue streams for partners and empowers advertisers to acquire their most valuable customers at scale. For more insights visit https://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 regarding telemarketing, text messaging, privacy and data;
- The financial impact of compliance changes to our business, including changes to our employment opportunities marketplace and programmatic advertising businesses, and whether and when our competitors will implement similar changes;
- The outcome of litigation, regulatory investigations, or other legal proceedings in which we may become involved in the future;
- Failure to safeguard the personal information and other data contained in our database;
- Unfavorable publicity and negative public perception about the digital marketing industry;
- Failure to adequately protect intellectual property rights or allegations of infringement of intellectual property rights;
- Unfavorable global economic conditions, including as a result of health concerns, terrorist attacks or civil unrest;
- Dependence on our key personnel and ability to attract or retain employees;
- Dependence on and liability related to actions of third-party service providers;
- A decline in the supply or increase in the price of media available;
- Ability to compete in an industry characterized by rapidly-evolving standards and internet media and advertising technology;
- Failure to compete effectively against other online marketing and advertising companies or respond to user demands;
- Competition for web traffic and dependence on third-party publishers, internet search providers, and social media platforms for a significant portion of visitors to our websites;
- Dependence on emails, text messages, and telephone calls, among other channels, to reach users for marketing purposes;
- Credit risk from certain clients;
- Limitations on our third-party publishers’ ability to collect and use data derived from user activities;
- Ability to remain competitive with the shift to mobile applications;
- Failure to detect click-through or other fraud on advertisements;
- Fluctuation in fulfillment costs;
- Dependence on the gaming industry;
- Failure to meet our clients’ performance metrics or changing needs;
- Pricing pressure by certain clients and the ability of our marketplace to respond through allocating traffic to higher paying clients;
- Potential limitations on the use of the revolving credit line under our credit agreement to fund operating expenses based on the amount and character of accounts receivable at any given time and our ability to meet our financial forecast, the potential for which raises substantial doubt about our ability to continue as a going concern;
- Compliance with the covenants of our credit agreement in light of current business conditions, the uncertainty of which raises substantial doubt about our ability to continue as a going concern;
- Potential for failures in our internal control over financial reporting;
- Ability to maintain listing of our securities on Nasdaq or any stock exchange and potential impact on our stock price, liquidity, and ability to obtain financing; and
- Management of the growth of our operations, including international expansion and the integration of acquired business units or personnel.

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, 2023 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, 2024	December 31, 2023
ASSETS:		
Cash and cash equivalents	$ 11,658	$ 15,804
Accounts receivable, net of allowance for doubtful accounts of $247 and $231, respectively	53,421	56,531
Prepaid expenses and other current assets	6,337	6,071
Total current assets	71,416	78,406
Property and equipment, net	502	591
Operating lease right-of-use assets	2,952	3,395
Intangible assets, net	26,141	26,809
Goodwill	1,261	1,261
Other non-current assets	1,305	1,405
Total assets	$ 103,577	$ 111,867
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Accounts payable	$ 8,829	$ 10,954
Accrued expenses and other current liabilities	30,878	30,534
Deferred revenue	561	430
Current portion of long-term debt	30,981	5,000
Current portion of operating lease liability	2,279	2,296
Total current liabilities	73,528	49,214
Long-term debt, net	—	25,488
Operating lease liability, net	1,188	1,699
Other non-current liabilities	115	1,062
Total liabilities	74,831	77,463
Contingencies		
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 — 14,429,193 and 14,384,936, respectively; and Shares outstanding — 13,660,598 and 13,616,341, respectively (Note 7)	43	43
Treasury stock, at cost — 768,595 and 768,595 Shares, respectively (Note 7)	(11,407)	(11,407)
Additional paid-in capital	427,904	427,286
Accumulated deficit	(387,794)	(381,518)
Total shareholders' equity	28,746	34,404
Total liabilities and shareholders' equity	$ 103,577	$ 111,867

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

	Three Months Ended March 31,	
	2024	**2023**
Revenue	$ 65,983	$ 77,254
Costs and expenses:		
Cost of revenue (exclusive of depreciation and amortization)	47,348	58,272
Sales and marketing	4,812	4,813
Product development	4,840	4,938
General and administrative	10,365	12,325
Depreciation and amortization	2,571	2,359
Goodwill impairment and write-off of intangible assets	—	25,700
Total costs and expenses	69,936	108,407
Loss from operations	(3,953)	(31,153)
Interest expense, net	(1,415)	(689)
Loss before income taxes	(5,368)	(31,842)
Income tax expense	(908)	(101)
Net loss	(6,276)	(31,943)
Basic and diluted loss per share:		
Basic	$ (0.45)	$ (2.34)
Diluted	$ (0.45)	$ (2.34)
Weighted average number of shares outstanding:		
Basic	13,902,165	13,651,152
Diluted	13,902,165	13,651,152

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

	Three Months Ended March 31,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,276)	$ (31,943)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,571	2,359
Non-cash loan amortization expense	711	61
Share-based compensation expense	600	1,061
Goodwill impairment	—	25,700
Allowance for credit losses	82	(55)
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	3,028	6,460
Prepaid expenses and other current assets	(266)	(2,082)
Other non-current assets	100	82
Operating lease assets and liabilities, net	(85)	(82)
Accounts payable	(2,125)	6,739
Accrued expenses and other current liabilities	2,344	(3,362)
Deferred revenue	131	(9)
Other	(947)	(39)
Net cash (used in) provided by operating activities	(132)	4,890
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capitalized costs included in intangible assets	(1,796)	(1,134)
Business acquisitions, net of cash acquired	—	(1,250)
Net cash used in investing activities	(1,796)	(2,384)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(1,250)	(1,250)
Debt financing costs	(968)	—
Taxes paid related to net share settlement of vesting of restricted stock units	—	(236)
Net cash used in financing activities	(2,218)	(1,486)
Net increase (decrease) in cash and cash equivalents	(4,146)	1,020
Cash and cash equivalents at beginning of period	15,804	25,547
Cash and cash equivalents at end of period	$ 11,658	$ 26,567

Definitions, Reconciliations and Uses of Non-GAAP Financial Measures

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

Media margin is defined as that portion of gross profit (exclusive of depreciation and amortization) reflecting the variable costs paid for media and related expenses and excluding non-media cost of revenue. Gross profit (exclusive of depreciation and amortization) represents revenue minus cost of revenue (exclusive of depreciation and amortization). Media margin is also presented as percentage of revenue.

Adjusted EBITDA is defined as net income (loss), excluding (1) income taxes, (2) interest expense, net, (3) depreciation and amortization, (4) share-based compensation expense, (5) loss on early extinguishment of debt, (6) accrued compensation expense for Put/Call Consideration, (7) goodwill impairment, (8) write-off of intangible assets, (9) loss (gain) on disposal of property and equipment, (10) acquisition-related costs, (11) restructuring and other severance costs, and (12) certain litigation and other related costs.

Adjusted net income (loss) is defined as net income (loss), excluding (1) share-based compensation expense, (2) loss on early extinguishment of debt, (3) accrued compensation expense for Put/Call Consideration, (4) goodwill impairment, (5) write-off of intangible assets, (6) loss (gain) on disposal of property and equipment, (7) acquisition-related costs, (8) restructuring and other severance costs, and (9) certain litigation and other related costs. Adjusted net income (loss) is also presented on a per share (basic and diluted) basis.

Below is a reconciliation of media margin from gross profit (exclusive of depreciation and amortization), which we believe is the most directly comparable GAAP measure.

	Three Months Ended March 31,	
	2024	**2023**
Revenue	$ 65,983	$ 77,254
Less: Cost of revenue (exclusive of depreciation and amortization)	47,348	58,272
Gross profit (exclusive of depreciation and amortization)	$ 18,635	$ 18,982
Gross profit (exclusive of depreciation and amortization) % of revenue	28%	25%
Non-media cost of revenue (1)	3,504	2,981
Media margin	$ 22,139	$ 21,963
Media margin % of revenue	33.6%	28.4%

(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 loss for the three and three months ended March 31, 2024 and 2023, respectively, which we believe is the most directly comparable GAAP measure.

	Three Months Ended March 31,	
	2024	2023
Net loss	$ (6,276)	$ (31,943)
Income tax expense	908	101
Interest expense, net	1,415	689
Depreciation and amortization	2,571	2,359
Share-based compensation expense	600	1,061
Goodwill impairment	—	25,700
Acquisition-related costs(1)	782	623
Restructuring and other severance costs	665	480
Certain litigation and other related costs	—	1,378
Adjusted EBITDA	$ 665	$ 448

(1) Balance includes compensation expense related to non-competition agreements and earn-out expense incurred as a result of business combinations. The earn-out expense was $151 and $85 for the three months ended March 31, 2024 and 2023.

Below is a reconciliation of adjusted net loss and adjusted net loss per share from net loss for the three months ended March 31, 2024 and 2023, respectively, which we believe is the most directly comparable GAAP measure.

	Three Months Ended March 31,	
(In thousands, except share and per share data)	**2024**	**2023**
Net loss	$ (6,276)	$ (31,943)
Share-based compensation expense	600	1,061
Goodwill impairment	—	25,700
Acquisition-related costs(1)	782	623
Restructuring and other severance costs	665	480
Certain litigation and other related costs	—	1,378
Adjusted net loss	$ (4,229)	$ (2,701)
Adjusted net loss per share:		
Basic	$ (0.30)	$ (0.20)
Diluted	$ (0.30)	$ (0.20)
Weighted average number of shares outstanding:		
Basic	13,902,165	13,651,152
Diluted	13,902,165	13,651,152

(1) Balance includes compensation expense related to non-competition agreements and earn-out expense incurred as a result of business combinations. The earn-out expense was $151 and $85 for the three months ended March 31, 2024 and 2023.

We present media margin, media margin as a percentage of revenue, adjusted EBITDA, adjusted net income (loss), and adjusted net income (loss) 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 U.S. 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 litigation and other related costs associated with legal matters outside the ordinary course of business. We consider items 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. There were no adjustments for one-time items in the periods presented in this Quarterly Report on Form 10-Q.

Adjusted net income (loss), as defined above, and the related measure of adjusted net income (loss) per share excludes certain items that are recognized and recorded under U.S. 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. We believe adjusted net income (loss) affords investors a different view of the overall financial performance of the Company than adjusted EBITDA and the U.S. GAAP measure of net income (loss).

Media margin, adjusted EBITDA, adjusted net income (loss), and adjusted net income (loss) per share are non-GAAP financial measures with certain limitations regarding their usefulness. They do not reflect our financial results in accordance with U.S. GAAP, as they do not include the impact of certain expenses that are reflected in our condensed consolidated statements of operations. Accordingly, these metrics are not indicative of our overall results or indicators of past or future financial performance. Further, they are not financial measures of profitability and are neither intended to be used as a proxy for the profitability of our business nor to imply profitability. The way we measure media margin, adjusted EBITDA, and adjusted net income (loss) 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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