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Spok Reports Second Quarter Operating Results; Board Declares Regular Quarterly Dividend

***Software Bookings Set Record, Backlog Nears Record High;
Wireless Trends Improve; Balance Sheet Remains Strong***

SPRINGFIELD, Va. (July 30, 2014) – [Spok Holdings, Inc.](#) (NASDAQ: SPOK), formerly USA Mobility, Inc., a [global leader in critical communications](#), today announced operating results for the second quarter ended June 30, 2014. In addition, the Company's Board of Directors declared a regular quarterly dividend of \$0.125 per share, payable on September 10, 2014 to stockholders of record on August 19, 2014.

Consolidated revenue for the second quarter was \$49.1 million, compared to \$52.3 million in the second quarter of 2013. Software revenue was \$15.6 million versus \$14.5 million in the year-earlier quarter. Wireless revenue was \$33.5 million in the second quarter, compared to \$37.8 million in the second quarter of 2013.

Second quarter EBITDA (earnings before interest, taxes, depreciation, amortization and accretion) totaled \$11.7 million, or 23.9 percent of revenue, compared to \$15.7 million, or 30.1 percent of revenue, in the year-earlier quarter.

Net income for the second quarter was \$4.3 million, or \$0.19 per fully diluted share, compared to \$6.8 million, or \$0.31 per fully diluted share, in the second quarter of 2013.

Key results and highlights for the second quarter included:

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- Bookings for the second quarter increased to \$19.0 million from \$15.6 million in the year-earlier quarter, achieving a record high.
- Backlog totaled \$40.2 million at June 30, 2014, compared to \$39.6 million a year earlier.
- Of the \$15.6 million in second quarter Software revenue, \$8.1 million was operations revenue and \$7.5 million was maintenance revenue, compared to \$7.6 million and \$6.9 million, respectively, of the \$14.5 million in Software revenue for second quarter of 2013.
- The renewal rate for software maintenance in the second quarter was 99.5 percent.
- The quarterly rate of Wireless revenue erosion improved to 2.4 percent from 2.6 percent in the second quarter of 2013, while the annual rate of revenue erosion improved to 11.3 percent from 11.7 percent in the year-earlier quarter.
- Net paging unit losses were 28,000 in the second quarter versus 35,000 in the second quarter of 2013. The quarterly rate of unit erosion improved to 2.1 percent versus 2.4 percent a year earlier. Units in service at June 30, 2014 totaled 1,299,000, compared to 1,445,000 a year earlier.
- Total paging ARPU (average revenue per unit) was \$7.98 in the second quarter, compared to \$8.22 in the year-earlier quarter.
- Operating expenses (excluding depreciation, amortization and accretion) totaled \$37.4 million in the second quarter, compared to \$36.5 million in the year-earlier quarter.
- Capital expenses were \$2.4 million, compared to \$2.9 million in the second quarter of 2013.
- The number of full-time equivalent employees at June 30, 2014 totaled 615, compared to 659 at June 30, 2013.
- Dividends paid to stockholders totaled \$2.7 million in the second quarter.
- The Company's cash balance at June 30, 2014 was \$97.0 million.

Vincent D. Kelly, president and chief executive officer, said: "The Company continued to make excellent progress during the quarter. We achieved or exceeded our expectations on nearly all performance measures and continued the positive momentum we established in recent quarters.

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Software revenue increased from the year-earlier quarter, bookings reached an all-time high, and our backlog remained near-record levels at mid-year. In addition, we met our goals for Wireless revenue, gross pager placements, and unit churn. At the same time, we continued to operate profitably, expand our market reach and product offerings, strengthen our balance sheet, and generate sufficient cash flow to again return capital to stockholders in the form of cash dividends.”

Kelly added: “We also announced our new corporate name – Spok, (pronounced “spoke”) – in early July as part of a rebranding initiative that we believe better reflects our evolving identity as a global leader in critical communications. Our new corporate identity under the brand Spok represents a fresh start for our organization after completing the consolidation of our Software and Wireless operations earlier this year. While we realize a brand strategy evolves over time, we are pleased with the positive response we’ve received to the name change from inside and outside the Company.”

Commenting on Software revenue, Kelly said: “Compared to the second quarter of 2013, operations revenue grew 6.5 percent, maintenance revenue increased 8.4 percent, and total Software revenue of \$15.6 million was up 7.4 percent. The increase in operations revenue primarily reflected growing deliveries of software, hardware and professional services while higher maintenance revenue reflected our continued renewal rates in excess of 99 percent.”

Kelly also noted that record high bookings for the second quarter included sales to both new and existing customers. “Demand was particularly strong for upgrades and installations of call center solutions, with one large health system, for example, adding new applications for its solutions suite to increase patient safety, improve nursing workflows and enhance overall operational efficiencies. Customer demand also remained strong for such software solutions as critical smartphone communications, secure texting, emergency management, and clinical alerting. Beyond healthcare, the public safety sector also showed solid growth with 19 new contracts signed during the quarter.”



Overall, Kelly added, "Software sales continued to be strongest in North America. However, our sales team also recorded an increasing number of contracts with international customers while continuing to build a solid pipeline of new business leads throughout both national and international markets."

Spok's Wireless sales efforts during the quarter continued to focus primarily on the core market segments of Healthcare, Government and Large Enterprise. "These core segments represented approximately 93.0 percent of our direct subscriber base and 89.7 percent of our direct paging revenue at the end of the quarter," Kelly said. "Healthcare comprised 76.2 percent of our direct subscriber base at June 30 and continued to be our best performing market segment with the highest rate of gross placements (4.5 percent) and lowest level of unit disconnects (0.8 percent). Although competition remains strong for all Wireless services, we are pleased the vast majority of our customers continue to recognize the reliability and cost advantages of paging for their critical messaging needs."

Kelly also noted that Spok's Software and Wireless sales representatives continued to collaborate on numerous sales initiatives during the second quarter, resulting in 11 new cross-selling accounts.

Shawn E. Endsley, chief financial officer, said second quarter results were largely in line with the Company's expectations. "Strong revenue from both Wireless and Software, along with continued expense management, enabled us to maintain solid operating cash flow, EBITDA and operating margins," he noted. "In addition, we again improved our balance sheet, recording a cash balance of \$97 million at June 30. While we continue to operate as a debt-free company, we still have approximately \$40 million in available borrowing capacity through our existing credit facility for investment opportunities."

Endsley added that the Company is maintaining its previously announced financial guidance for 2014, which projects total revenue to range from \$183 million to \$201 million, operating expenses (excluding depreciation, amortization and accretion) to range from \$147 million to \$156 million, and capital expenses to range from \$7 million to \$9 million.



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Spok plans to host a conference call for investors on its second quarter operating results at 10:00 a.m. Eastern Time on Thursday, July 31, 2014. Dial-in numbers for the call are 719-325-2402 or 888-430-8691. The pass code for the call is 6085888. A replay of the call will be available from 12:30 p.m. ET on July 31 until 12:30 p.m. on Thursday, August 14. Replay numbers are 719-457-0820 or 888-203-1112. The pass code for the replay is 6085888.

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About Spok

[Spok Holdings, Inc.](#), headquartered in Springfield, Va., is proud to be a leader in [critical communications](#) for healthcare, government, public safety, and other industries. We deliver smart, reliable solutions to help protect the health, well-being, and safety of people around the globe. More than 125,000 organizations worldwide rely on Spok for [workflow improvement](#), [secure texting](#), [paging services](#), [contact center optimization](#), and [public safety response](#). When communications matter, Spok delivers. Visit us at [spok.com](#) or find us on Twitter [@Spoktweets](#).

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