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## **Spok Reports Third Quarter Operating Results; Board Declares Regular Quarterly Dividend**

***Consolidated Revenue Increases; Software Bookings Reach Record High;  
Wireless Trends Continue to Improve; Balance Sheet Remains Strong;  
Stock Repurchase Plan Extended Through 2015***

**SPRINGFIELD, Va. (October 29, 2014)** – [Spok Holdings, Inc.](#) (NASDAQ: SPOK), a [global leader in critical communications](#), today announced operating results for the third quarter ended September 30, 2014. In addition, the Company's Board of Directors declared a regular quarterly dividend of \$0.125 per share, payable on December 10, 2014 to stockholders of record on November 18, 2014.

Consolidated revenue increased to \$49.8 million in the third quarter from \$49.7 million in the third quarter of 2013 and \$49.1 million in the second quarter of 2014. Software revenue increased 34.4 percent to \$16.9 million from \$12.6 million in the year-earlier quarter. Wireless revenue was \$32.9 million in the third quarter, compared to \$37.1 million in the third quarter of 2013.

Third quarter EBITDA (earnings before interest, taxes, depreciation, amortization and accretion) totaled \$12.3 million, or 24.7 percent of revenue, compared to \$13.4 million, or 27.0 percent of revenue, in the year-earlier quarter, and \$11.7 million, or 23.9 percent of revenue, in the second quarter of 2014.

Net income for the third quarter was \$4.7 million, or \$0.21 per fully diluted share, compared to \$5.8 million, or \$0.26 per fully diluted share, in the third quarter of 2013.



Other key results and highlights for the third quarter included:

- Bookings for the third quarter increased to \$20.4 million from \$17.3 million in the year-earlier quarter, reaching a record high for the second consecutive quarter.
- Backlog totaled \$42.1 million at September 30, 2014, compared to \$40.2 million at June 30, 2014.
- Of the \$16.9 million in third quarter software revenue, \$9.1 million was operations revenue and \$7.8 million was maintenance revenue, compared to \$5.6 million and \$7.0 million, respectively, of the \$12.6 million in software revenue for the third quarter of 2013.
- The renewal rate for software maintenance in the third quarter was 99.6 percent.
- The quarterly rate of unit erosion improved to 1.9 percent versus 2.6 percent a year earlier, and was the Company's lowest net paging unit loss rate in more than a decade. Net paging unit losses were 25,000 in the third quarter versus 37,000 in the third quarter of 2013. Units in service at September 30, 2014 totaled 1,274,000, compared to 1,408,000 a year earlier.
- The quarterly rate of wireless revenue erosion was 2.0 percent, compared to 1.9 percent in the third quarter of 2013, and 2.4 percent in the second quarter of 2014.
- Total paging ARPU (average revenue per unit) was \$7.97 in the third quarter, compared to \$8.22 in the year-earlier quarter and \$7.98 in the prior quarter.
- Consolidated operating expenses (excluding depreciation, amortization and accretion) totaled \$37.5 million in the third quarter, compared to \$36.3 million in the year-earlier quarter.
- Capital expenses were \$1.3 million, compared to \$2.5 million in the third quarter of 2013.
- The number of full-time equivalent employees at September 30, 2014 totaled 606, compared to 652 at September 30, 2013.
- Dividends paid to stockholders totaled \$2.7 million in the third quarter.
- The Company's cash balance at September 30, 2014 was \$106.9 million.



“We achieved or exceeded our expectations on virtually all key operating measures for the quarter,” said Vincent D. Kelly, president and chief executive officer, “resulting in one of our most successful quarterly performances in many years. Consolidated revenues increased from the year-earlier quarter for the first time in our recent history, software revenues increased substantially from the same quarter a year ago, bookings reached an all-time high for the second consecutive quarter, and our backlog remained near record levels. In addition, wireless trends continue to improve as the quarterly rate of paging unit churn fell to 1.9 percent, its best level in more than a decade, while wireless revenue remained strong. During the quarter we also continued to enhance our product offerings, expand our market reach, strengthen our balance sheet, and generate sufficient cash flow to again return capital to stockholders in the form of cash dividends.”

Commenting on Software revenue, Kelly said: “Compared to the third quarter of 2013, operations revenue grew 63.3 percent, maintenance revenue increased 11.6 percent, and total Software revenue of \$16.9 million was up 34.4 percent. The increase in operations revenue primarily reflected growing deliveries of software, hardware and professional services to our expanding worldwide customer base, while higher maintenance revenue reflected our continued renewal rates in excess of 99 percent.”

Kelly said record high bookings for the quarter included sales to both new and existing customers, with many existing customers upgrading applications as well as adding products to expand their portfolio of communications solutions. “Demand remained strong for upgrades and installations of call center solutions, along with healthcare applications to increase patient safety, improve nursing workflows and enhance organizational efficiencies. Customer demand also remained strong for such software solutions as critical smartphone communications, secure texting, emergency management, and clinical alerting. Our public safety sector also grew substantially during the quarter as our software sales team added 28 new accounts.”

Kelly added: “Software sales continued to be strongest in North America. However, we continued to expand our presence outside the United States as our sales team added numerous accounts in such [spok.com](http://spok.com)





key markets as Europe, the Middle East and the Asia-Pacific region, where our healthcare solutions have attracted significant interest. At the same time, we continued to build a solid pipeline of new business leads throughout both North American and international markets.”

The Company’s wireless sales team also outperformed expectations for the quarter. “Wireless revenue came in ahead of plan due to higher than expected units in service combined with the lowest quarterly rate of pager churn in years,” Kelly said. “In addition, we completed a sizable transaction with a cellular provider during the quarter. Overall, wireless sales efforts continued to focus primarily on the core market segments of Healthcare, Government and Large Enterprise. These core segments represented approximately 93.3 percent of our direct subscriber base and 89.9 percent of our direct paging revenue at the end of the quarter. Healthcare comprised 76.9 percent of our direct subscriber base at September 30 and continued to be our best performing market segment with the highest rate of gross placements and lowest level of unit disconnects.”

Kelly also noted that Spok’s software and wireless sales teams continued to collaborate on many sales initiatives during the quarter, resulting in 17 new accounts which represented more than \$1.5 million in software bookings.

Commenting on the Company’s previously announced name change, Kelly added: “Since changing our corporate name to Spok in July we’ve received an exceptionally positive response. The name change was part of a rebranding initiative that we believe better reflects our identity as a worldwide leader in critical communications. Going forward we expect our name recognition and brand strategy will continue to grow and evolve in both global and domestic markets.”

Shawn E. Endsley, chief financial officer, said: “Strong revenue from both wireless and software, combined with continued expense management, helped generate solid operating cash flow, EBITDA and operating margins for the quarter. We also strengthened our balance sheet, recording a cash



balance of \$106.9 million at September 30. In addition, we have no debt outstanding and approximately \$40 million of available borrowing capacity with our existing credit facility.”

Endsley said 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.

The Company announced that its Board of Directors has approved extension of the Company’s stock repurchase program from December 31, 2014 to December 31, 2015. In extending the plan, the Board also maintained the repurchase authority of \$15 million as of January 1, 2015. Since the program began in 2008, Spok has repurchased approximately 6.3 million shares of its common stock while maintaining appropriate cash balances and a strong balance sheet.

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Spok plans to host a conference call for investors on its third quarter operating results at 10:00 a.m. Eastern Time on Thursday, October 30, 2014. Dial-in numbers for the call are 719-785-1753 or 888-455-2260. The pass code for the call is 5978502. A replay of the call will be available from 1:00 p.m. ET on October 30 until 1:00 p.m. on Thursday, November 13. Replay numbers are 719-457-0820 or 888-203-1112. The pass code for the replay is 5978502.

In addition, the Company will host an Investor Meeting (“Analyst Day”) for financial analysts and other investors on November 20, 2014, in New York City. The meeting is scheduled from 9:00 a.m. to 11:00 a.m. ET at the offices of Latham & Watkins, LLP, Spok’s outside legal counsel, at 885 Third Avenue, New York, NY. Meeting details are posted on the investor relations section of the Company’s website at [www.spok.com](http://www.spok.com).

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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](http://spok.com) or find us on Twitter [@Spoktweets](#).

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