



SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (a)

(Unaudited and in thousands except share, per share amounts and ARPU)

| | For the three months ended | |
|--|-----------------------------------|-------------------------|
| | <u>3/31/2016</u> | <u>3/31/2015</u> |
| Revenue: | | |
| Wireless | \$ 28,172 | \$ 30,690 |
| Software | \$ 17,216 | \$ 17,448 |
| Total revenue | <u>45,388</u> | <u>48,138</u> |
| Operating expenses: | | |
| Cost of revenue | \$ 8,017 | \$ 8,813 |
| Service, rental and maintenance | \$ 11,213 | \$ 11,256 |
| Selling and marketing | \$ 6,529 | \$ 7,048 |
| General and administrative | \$ 10,510 | \$ 11,001 |
| Severance | \$ (4) | \$ — |
| Depreciation, amortization and accretion | \$ 3,323 | \$ 3,747 |
| Total operating expenses | <u>39,588</u> | <u>41,865</u> |
| % of total revenue | 87.2 % | 87.0 % |
| Operating income | <u>5,800</u> | <u>6,273</u> |
| % of total revenue | 12.8 % | 13.0 % |
| Interest income (expense), net | \$ 49 | \$ (1) |
| Other income (expense), net | \$ 254 | \$ 60 |
| Income before income tax expense | <u>6,103</u> | <u>6,332</u> |
| Income tax benefit (expense) | \$ (2,659) | \$ (2,415) |
| Net income | <u>\$ 3,444</u> | <u>\$ 3,917</u> |
| Basic net income per common share | <u>\$ 0.17</u> | <u>\$ 0.18</u> |
| Diluted net income per common share | <u>\$ 0.17</u> | <u>\$ 0.18</u> |
| Basic weighted average common shares outstanding | <u>20,683,719</u> | <u>21,898,792</u> |
| Diluted weighted average common shares outstanding | <u>20,845,661</u> | <u>22,053,015</u> |
| Reconciliation of operating income to EBITDA (b): | | |
| Operating income | \$ 5,800 | \$ 6,273 |
| Add back: depreciation, amortization and accretion | 3,323 | 3,747 |
| EBITDA | <u>\$ 9,123</u> | <u>\$ 10,020</u> |
| % of total revenue | 20.1 % | 20.8 % |
| Key statistics: | | |
| Units in service | 1,153 | 1,230 |
| Average revenue per unit (ARPU) | \$ 7.77 | \$ 7.91 |
| Bookings | \$ 15,106 | \$ 17,740 |
| Backlog | \$ 36,766 | \$ 40,551 |

(a) Slight variations in totals are due to rounding.

(b) EBITDA or earnings before interest, taxes, depreciation, amortization and accretion is a non-GAAP measure and is presented for analytical purposes only.



SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (a)
(Unaudited and in thousands except share, per share amounts and ARPU)

| | For the three months ended | | | | | | | |
|--|----------------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | <u>3/31/2016</u> | <u>12/31/2015</u> | <u>9/30/2015</u> | <u>6/30/2015</u> | <u>3/31/2015</u> | <u>12/31/2014</u> | <u>9/30/2014</u> | <u>6/30/2014</u> |
| Revenue: | | | | | | | | |
| Wireless | \$ 28,172 | \$ 28,727 | \$ 29,375 | \$ 30,222 | \$ 30,690 | \$ 31,678 | \$ 32,855 | \$ 33,518 |
| Software | 17,216 | 18,612 | 16,806 | 17,747 | 17,448 | 19,591 | 16,936 | 15,576 |
| Total revenue | 45,388 | 47,339 | 46,181 | 47,969 | 48,138 | 51,269 | 49,791 | 49,094 |
| Operating expenses: | | | | | | | | |
| Cost of revenue | 8,017 | 8,035 | 7,871 | 9,131 | 8,813 | 10,571 | 8,000 | 7,180 |
| Service, rental and maintenance | 11,213 | 11,024 | 11,117 | 11,003 | 11,256 | 11,285 | 10,988 | 11,420 |
| Selling and marketing | 6,529 | 7,036 | 6,572 | 6,790 | 7,048 | 7,915 | 7,072 | 7,780 |
| General and administrative | 10,510 | 10,276 | 10,410 | 10,472 | 11,001 | 11,905 | 10,866 | 10,990 |
| Severance | (4) | 1,056 | 141 | 1,504 | — | 926 | 545 | 4 |
| Depreciation, amortization and accretion | 3,323 | 3,362 | 3,413 | 3,448 | 3,747 | 4,049 | 4,247 | 4,352 |
| Total operating expenses | 39,588 | 40,789 | 39,524 | 42,348 | 41,865 | 46,651 | 41,718 | 41,726 |
| % of total revenue | 87.2 % | 86.2 % | 85.6 % | 88.3 % | 87.0 % | 91.0 % | 83.8 % | 85.0 % |
| Operating income | 5,800 | 6,550 | 6,657 | 5,621 | 6,273 | 4,618 | 8,073 | 7,368 |
| % of total revenue | 12.8 % | 13.8 % | 14.4 % | 11.7 % | 13.0 % | 9.0 % | 16.2 % | 15.0 % |
| Interest income (expense), net | 49 | 13 | 1 | 3 | (1) | (262) | (63) | (64) |
| Other income (expense), net | 254 | 71 | 784 | 264 | 60 | (188) | (2) | (194) |
| Income before income tax expense | 6,103 | 6,634 | 7,442 | 5,888 | 6,332 | 4,168 | 8,008 | 7,110 |
| Income tax benefit (expense) | (2,659) | 66,087 | (3,222) | (2,512) | (2,415) | 2,744 | (3,356) | (2,819) |
| Net income | \$ 3,444 | \$ 72,721 | \$ 4,220 | \$ 3,376 | \$ 3,917 | \$ 6,912 | \$ 4,652 | \$ 4,291 |
| Basic net income per common share | \$ 0.17 | \$ 3.54 | \$ 0.20 | \$ 0.16 | \$ 0.18 | \$ 0.32 | \$ 0.21 | \$ 0.20 |
| Diluted net income per common share | \$ 0.17 | \$ 3.53 | \$ 0.20 | \$ 0.16 | \$ 0.18 | \$ 0.31 | \$ 0.21 | \$ 0.19 |
| Basic weighted average common shares outstanding | 20,683,719 | 20,528,326 | 21,301,311 | 21,677,299 | 21,898,792 | 21,554,746 | 21,651,347 | 21,642,163 |
| Diluted weighted average common shares outstanding | 20,845,661 | 20,628,053 | 21,352,838 | 21,735,829 | 22,053,015 | 22,101,600 | 22,135,554 | 22,099,791 |
| Reconciliation of operating income to EBITDA (b): | | | | | | | | |
| Operating income | \$ 5,800 | \$ 6,550 | \$ 6,657 | \$ 5,621 | \$ 6,273 | \$ 4,618 | \$ 8,073 | \$ 7,368 |
| Add back: depreciation, amortization and accretion | 3,323 | 3,362 | 3,413 | 3,448 | 3,747 | 4,049 | 4,247 | 4,352 |
| EBITDA | \$ 9,123 | \$ 9,912 | \$ 10,070 | \$ 9,069 | \$ 10,020 | \$ 8,667 | \$ 12,320 | \$ 11,720 |
| % of total revenue | 20.1 % | 20.9 % | 21.8 % | 18.9 % | 20.8 % | 16.9 % | 24.7 % | 23.9 % |
| Key statistics: | | | | | | | | |
| Units in service | 1,153 | 1,173 | 1,192 | 1,211 | 1,230 | 1,256 | 1,274 | 1,299 |
| Average revenue per unit (ARPU) | \$ 7.77 | \$ 7.79 | \$ 7.82 | \$ 7.86 | \$ 7.91 | \$ 7.92 | \$ 7.97 | \$ 7.98 |
| Bookings | \$ 15,106 | \$ 18,511 | \$ 16,746 | \$ 21,027 | \$ 17,740 | \$ 22,272 | \$ 20,362 | \$ 18,959 |
| Backlog | \$ 36,766 | \$ 38,650 | \$ 41,639 | \$ 43,524 | \$ 40,551 | \$ 42,391 | \$ 42,117 | \$ 40,182 |

(a) Slight variations in totals are due to rounding.

(b) EBITDA or earnings before interest, taxes, depreciation, amortization and accretion is a non-GAAP measure and is presented for analytical purposes only



SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (a)

(In thousands)

| | <u>3/31/2016</u> | <u>12/31/2015</u> |
|---|-------------------|-------------------|
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 111,921 | \$ 111,332 |
| Accounts receivable, net | 21,078 | 22,638 |
| Prepaid expenses and other | 4,858 | 5,352 |
| Inventory | 1,986 | 2,291 |
| Total current assets | 139,843 | 141,613 |
| Property and equipment, net | 14,806 | 15,386 |
| Goodwill | 133,031 | 133,031 |
| Other intangible assets, net | 13,853 | 14,964 |
| Deferred income tax assets, net | 81,659 | 83,983 |
| Other assets | 1,547 | 1,445 |
| Total assets | \$ 384,739 | \$ 390,422 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 7,804 | \$ 9,247 |
| Accrued compensation and benefits | 9,837 | 10,864 |
| Deferred revenue | 27,415 | 27,045 |
| Total current liabilities | 45,056 | 47,156 |
| Deferred revenue | 738 | 741 |
| Other long-term liabilities | 8,854 | 8,972 |
| Total liabilities | 54,648 | 56,869 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock | — | — |
| Common stock | 2 | 2 |
| Additional paid-in capital | 106,234 | 110,435 |
| Retained earnings | 223,855 | 223,116 |
| Total stockholders' equity | 330,091 | 333,553 |
| Total liabilities and stockholders' equity | \$ 384,739 | \$ 390,422 |

(a) Slight variations in totals are due to rounding.



SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (a)
(Unaudited and in thousands)

| | For the three months ended | |
|---|-----------------------------------|-------------------|
| | 3/31/2016 | 3/31/2015 |
| Cash flows from operating activities: | | |
| Net income | \$ 3,444 | \$ 3,917 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 3,323 | 3,747 |
| Amortization of deferred financing costs | - | - |
| Deferred income (benefit) tax expense | 2,327 | 1,997 |
| Stock based compensation | 637 | 443 |
| Provisions for doubtful accounts, service credits and other | 238 | 327 |
| Adjustments of non-cash transaction taxes | (81) | (49) |
| Loss/(Gain) on disposals of property and equipment | - | (18) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,322 | 1,268 |
| Prepaid expenses, intangible assets and other assets | 595 | 54 |
| Accounts payable, accrued liabilities and other | (2,667) | (5,791) |
| Customer deposits and deferred revenue | 381 | 530 |
| Net cash provided by operating activities | 9,519 | 6,425 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,445) | (1,040) |
| Proceeds from disposals of property and equipment | - | 30 |
| Net cash used in investing activities | (1,445) | (1,010) |
| Cash flows from financing activities: | | |
| Cash distributions to stockholders | (2,580) | (3,356) |
| Purchase of common stock (including commissions) | (4,905) | (466) |
| Employee stock based compensation tax withholding | - | (3,825) |
| Net cash used in financing activities | (7,485) | (7,647) |
| Net increase in cash and cash equivalents | 589 | (2,232) |
| Cash and cash equivalents, beginning of period | 111,332 | 107,869 |
| Cash and cash equivalents, end of period | \$ 111,921 | \$ 105,637 |
| Supplemental disclosure: | | |
| Income taxes paid | \$ 352 | \$ 337 |

(a) Slight variations in totals are due to rounding.



SPOK HOLDINGS, INC.
CONSOLIDATED REVENUE
SUPPLEMENTAL INFORMATION (a)
(Unaudited and in thousands)

For the three months ended

| | <u>3/31/2016</u> | <u>12/31/2015</u> | <u>9/30/2015</u> | <u>6/30/2015</u> | <u>3/31/2015</u> | <u>12/31/2014</u> | <u>9/30/2014</u> | <u>6/30/2014</u> |
|-------------------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| Revenue | | | | | | | | |
| Paging | \$ 27,101 | \$ 27,637 | \$ 28,196 | \$ 28,782 | \$ 29,491 | \$ 30,071 | \$ 30,776 | \$ 31,458 |
| Non-paging | 1,071 | 1,090 | 1,179 | 1,440 | 1,199 | 1,607 | 2,079 | 2,060 |
| Total wireless revenue | 28,172 | 28,727 | 29,375 | 30,222 | 30,690 | 31,678 | 32,855 | 33,518 |
| Subscription | 498 | 471 | 392 | 419 | 398 | 365 | 458 | 377 |
| License | 1,593 | 2,733 | 1,457 | 3,011 | 2,595 | 3,474 | 2,374 | 2,497 |
| Services | 4,315 | 4,610 | 4,600 | 4,609 | 5,018 | 5,579 | 4,305 | 3,558 |
| Equipment | 1,729 | 1,764 | 1,434 | 1,301 | 1,374 | 2,145 | 1,930 | 1,614 |
| Operations revenue | 8,135 | 9,578 | 7,883 | 9,340 | 9,385 | 11,563 | 9,067 | 8,046 |
| Maintenance revenue | 9,081 | 9,034 | 8,923 | 8,407 | 8,063 | 8,028 | 7,869 | 7,530 |
| Total software revenue | 17,216 | 18,612 | 16,806 | 17,747 | 17,448 | 19,591 | 16,936 | 15,576 |
| Total revenue | \$ 45,388 | \$ 47,339 | \$ 46,181 | \$ 47,969 | \$ 48,138 | \$ 51,269 | \$ 49,791 | \$ 49,094 |

(a) Slight variations in totals are due to rounding.



SPOK HOLDINGS, INC.
CONSOLIDATED OPERATING EXPENSES
SUPPLEMENTAL INFORMATION (a)
(Unaudited and in thousands)

| | For the three months ended | | | | | | | |
|---|----------------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | <u>3/31/2016</u> | <u>12/31/2015</u> | <u>9/30/2015</u> | <u>6/30/2015</u> | <u>3/31/2015</u> | <u>12/31/2014</u> | <u>9/30/2014</u> | <u>6/30/2014</u> |
| Cost of revenue | | | | | | | | |
| Payroll and related | \$ 4,634 | \$ 4,414 | \$ 4,277 | \$ 4,274 | \$ 4,157 | \$ 4,222 | \$ 3,743 | \$ 3,827 |
| Cost of sales | 2,673 | 2,902 | 2,549 | 3,801 | 3,620 | 5,225 | 3,098 | 2,232 |
| Stock based compensation | 49 | 33 | 33 | 34 | 34 | 81 | 108 | 81 |
| Other | 661 | 686 | 1,012 | 1,022 | 1,002 | 1,043 | 1,051 | 1,040 |
| Total cost of revenue | 8,017 | 8,035 | 7,871 | 9,131 | 8,813 | 10,571 | 8,000 | 7,180 |
| Service, rental and maintenance | | | | | | | | |
| Payroll and related | 5,072 | 4,815 | 4,613 | 4,555 | 4,652 | 4,533 | 4,106 | 4,434 |
| Site rent | 3,660 | 3,663 | 3,763 | 3,783 | 3,766 | 3,834 | 3,914 | 3,981 |
| Telecommunications | 1,222 | 1,218 | 1,392 | 1,288 | 1,343 | 1,487 | 1,548 | 1,669 |
| Stock based compensation | 52 | 29 | 29 | 29 | 29 | 30 | 56 | (17) |
| Other | 1,207 | 1,299 | 1,320 | 1,348 | 1,466 | 1,401 | 1,364 | 1,353 |
| Total service, rental and maintenance | 11,213 | 11,024 | 11,117 | 11,003 | 11,256 | 11,285 | 10,988 | 11,420 |
| Selling and marketing | | | | | | | | |
| Payroll and related | 3,666 | 3,780 | 3,664 | 3,732 | 3,916 | 3,945 | 3,859 | 4,099 |
| Commissions | 1,525 | 1,754 | 1,858 | 1,792 | 1,836 | 2,481 | 1,949 | 2,087 |
| Stock based compensation | 48 | (7) | 16 | 51 | 51 | 131 | 151 | 131 |
| Other | 1,290 | 1,509 | 1,034 | 1,215 | 1,245 | 1,358 | 1,113 | 1,463 |
| Total selling and marketing | 6,529 | 7,036 | 6,572 | 6,790 | 7,048 | 7,915 | 7,072 | 7,780 |
| General and administrative | | | | | | | | |
| Payroll and related | 4,392 | 4,029 | 4,320 | 4,611 | 4,879 | 4,737 | 4,217 | 4,440 |
| Stock based compensation | 488 | 316 | 316 | 548 | 329 | 780 | 791 | 429 |
| Facility rent | 839 | 856 | 868 | 841 | 941 | 830 | 863 | 899 |
| Outside services | 1,726 | 1,783 | 1,864 | 1,728 | 1,786 | 1,786 | 1,698 | 1,719 |
| Taxes, licenses and permits | 1,055 | 1,132 | 1,068 | 1,150 | 1,125 | 1,283 | 1,788 | 1,383 |
| Other | 2,010 | 2,160 | 1,974 | 1,594 | 1,941 | 2,489 | 1,509 | 2,120 |
| Total general and administrative | 10,510 | 10,276 | 10,410 | 10,472 | 11,001 | 11,905 | 10,866 | 10,990 |
| Severance | (4) | 1,056 | 141 | 1,504 | — | 926 | 545 | 4 |
| Depreciation, amortization and accretion | 3,323 | 3,362 | 3,413 | 3,448 | 3,747 | 4,049 | 4,247 | 4,352 |
| Operating expenses | \$ 39,588 | \$ 40,789 | \$ 39,524 | \$ 42,348 | \$ 41,865 | \$ 46,651 | \$ 41,718 | \$ 41,726 |
| Capital expenditures | \$ 1,445 | \$ 2,024 | \$ 1,318 | \$ 1,992 | \$ 1,040 | \$ 1,352 | \$ 1,291 | \$ 2,393 |

(a) Slight variations in totals are due to rounding.



SPOK HOLDINGS, INC.
UNITS IN SERVICE ACTIVITY, MARKET SEGMENT, CHURN AND AVERAGE REVENUE PER UNIT (ARPU) (a)
(Unaudited and in thousands)

| | For the three months ended | | | | | | | |
|--|----------------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | <u>3/31/2016</u> | <u>12/31/2015</u> | <u>9/30/2015</u> | <u>6/30/2015</u> | <u>3/31/2015</u> | <u>12/31/2014</u> | <u>9/30/2014</u> | <u>6/30/2014</u> |
| Paging units in service | | | | | | | | |
| Beginning units in service (000's) | 1,173 | 1,192 | 1,211 | 1,230 | 1,256 | 1,274 | 1,299 | 1,327 |
| Gross placements | 28 | 31 | 36 | 40 | 29 | 35 | 45 | 51 |
| Gross disconnects | (48) | (50) | (55) | (59) | (55) | (53) | (70) | (79) |
| Net change | (20) | (19) | (19) | (19) | (26) | (18) | (25) | (28) |
| Ending units in service | 1,153 | 1,173 | 1,192 | 1,211 | 1,230 | 1,256 | 1,274 | 1,299 |
| End of period units in service % of total (b) | | | | | | | | |
| Healthcare | 77.5% | 77.0% | 76.3% | 75.9% | 74.6% | 74.1% | 73.6% | 73.0% |
| Government | 6.9% | 7.2% | 7.2% | 7.3% | 7.6% | 7.8% | 7.9% | 8.3% |
| Large enterprise | 6.9% | 6.9% | 7.1% | 7.3% | 7.6% | 7.6% | 7.8% | 7.8% |
| Other(b) | 8.7% | 9.0% | 9.3% | 9.5% | 10.2% | 10.4% | 10.7% | 10.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Account size ending units in service (000's) | | | | | | | | |
| 1 to 100 units | 118 | 123 | 128 | 134 | 139 | 145 | 152 | 160 |
| 101 to 1,000 units | 238 | 243 | 250 | 256 | 266 | 277 | 282 | 289 |
| >1,000 units | 797 | 807 | 814 | 821 | 825 | 834 | 840 | 850 |
| Total | 1,153 | 1,173 | 1,192 | 1,211 | 1,230 | 1,256 | 1,274 | 1,299 |
| Account size net loss rate(c) | | | | | | | | |
| 1 to 100 units | (4.3)% | (3.9)% | (4.4)% | (3.4)% | (4.3)% | (4.7)% | (5.0)% | (5.3)% |
| 101 to 1,000 units | (2.0)% | (2.9)% | (2.4)% | (3.8)% | (3.8)% | (1.9)% | (2.4)% | (2.5)% |
| >1,000 units | (1.2)% | (0.9)% | (0.8)% | (0.6)% | (1.1)% | (0.7)% | (1.2)% | (1.3)% |
| Total | (1.7)% | (1.6)% | (1.5)% | (1.6)% | (2.1)% | (1.4)% | (1.9)% | (2.1)% |
| Account size ARPU | | | | | | | | |
| 1 to 100 units | 12.57 | 12.52 | 12.49 | 12.57 | 12.58 | 12.50 | 12.54 | 12.47 |
| 101 to 1,000 units | 8.70 | 8.65 | 8.69 | 8.72 | 8.74 | 8.76 | 8.76 | 8.68 |
| >1,000 units | 6.77 | 6.79 | 6.80 | 6.81 | 6.84 | 6.83 | 6.86 | 6.88 |
| Total | \$ 7.77 | \$ 7.79 | \$ 7.82 | \$ 7.86 | \$ 7.91 | \$ 7.92 | \$ 7.97 | \$ 7.98 |

(a) Slight variations in totals are due to rounding.

(b) Other includes hospitality, resort and indirect units

(c) Net loss rate is net current period placements and disconnected units in service divided by prior period ending units in service.