



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

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

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Revenue:				
Wireless	\$ 27,024	\$ 29,375	\$ 83,055	\$ 90,287
Software	18,331	16,806	52,322	52,002
Total revenue	45,355	46,181	135,377	142,289
Operating expenses:				
Cost of revenue	7,639	7,871	23,167	25,816
Service, rental and maintenance	11,898	11,117	34,510	33,376
Selling and marketing	5,955	6,572	18,912	20,409
General and administrative	10,593	10,410	31,542	31,883
Severance	12	141	9	1,645
Depreciation, amortization and accretion	3,229	3,413	9,787	10,608
Total operating expenses	39,326	39,524	117,927	123,737
% of total revenue	86.7 %	85.6 %	87.1 %	87.0 %
Operating income	6,029	6,657	17,450	18,552
% of total revenue	13.3 %	14.4 %	12.9 %	13.0 %
Interest income	67	1	176	3
Other income	85	784	443	1,110
Income before income tax expense	6,181	7,442	18,069	19,665
Income tax benefit (expense)	(2,123)	(3,222)	(7,116)	(8,150)
Net income	\$ 4,058	\$ 4,220	\$ 10,953	\$ 11,515
Basic net income per common share	\$ 0.20	\$ 0.20	\$ 0.53	\$ 0.53
Diluted net income per common share	\$ 0.20	\$ 0.20	\$ 0.53	\$ 0.53
Basic weighted average common shares outstanding	20,517,419	21,301,311	20,581,586	21,623,612
Diluted weighted average common shares outstanding	20,532,345	21,315,685	20,596,050	21,638,973
Key statistics:				
Units in service	1,124	1,192	1,124	1,192
Average revenue per unit (ARPU)	\$ 7.63	\$ 7.82	\$ 7.70	\$ 7.85
Bookings	\$ 18,659	\$ 16,746	\$ 53,829	\$ 55,514
Backlog	\$ 38,812	\$ 41,639	\$ 38,812	\$ 41,639

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



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>9/30/2016</u>	<u>6/30/2016</u>	<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>
Revenue:								
Wireless	\$ 27,024	\$ 27,859	\$ 28,172	\$ 28,727	\$ 29,375	\$ 30,222	\$ 30,690	\$ 31,678
Software	18,331	16,776	17,216	18,612	16,806	17,747	17,448	19,591
Total revenue	45,355	44,635	45,388	47,339	46,181	47,969	48,138	51,269
Operating expenses:								
Cost of revenue	7,639	7,513	8,017	8,035	7,871	9,131	8,813	10,571
Service, rental and maintenance	11,898	11,399	11,213	11,024	11,117	11,003	11,256	11,285
Selling and marketing	5,955	6,429	6,529	7,036	6,572	6,790	7,048	7,915
General and administrative	10,593	10,439	10,510	10,276	10,410	10,472	11,001	11,905
Severance	12	—	(4)	1,056	141	1,504	—	926
Depreciation, amortization and accretion	3,229	3,235	3,323	3,362	3,413	3,448	3,747	4,049
Total operating expenses	39,326	39,015	39,588	40,789	39,524	42,348	41,865	46,651
% of total revenue	86.7 %	87.4 %	87.2 %	86.2 %	85.6 %	88.3 %	87.0 %	91.0 %
Operating income	6,029	5,620	5,800	6,550	6,657	5,621	6,273	4,618
% of total revenue	13.3 %	12.6 %	12.8 %	13.8 %	14.4 %	11.7 %	13.0 %	9.0 %
Interest income (expense), net	67	61	49	13	1	3	(1)	(262)
Other income (expense), net	85	104	254	71	784	264	60	(188)
Income before income tax expense	6,181	5,785	6,103	6,634	7,442	5,888	6,332	4,168
Income tax benefit (expense)	(2,123)	(2,334)	(2,659)	66,087	(3,222)	(2,512)	(2,415)	2,744
Net income	\$ 4,058	\$ 3,451	\$ 3,444	\$ 72,721	\$ 4,220	\$ 3,376	\$ 3,917	\$ 6,912
Basic net income per common share	\$ 0.20	\$ 0.17	\$ 0.17	\$ 3.47	\$ 0.20	\$ 0.16	\$ 0.18	\$ 0.32
Diluted net income per common share	\$ 0.20	\$ 0.17	\$ 0.17	\$ 3.47	\$ 0.20	\$ 0.16	\$ 0.18	\$ 0.32
Basic weighted average common shares outstanding	20,517,419	20,544,327	20,683,719	20,927,590	21,301,311	21,677,299	21,898,792	21,554,746
Diluted weighted average common shares outstanding	20,532,345	20,559,018	20,697,192	20,941,360	21,315,685	21,692,976	21,914,796	21,570,522
Key statistics:								
Units in service	1,124	1,144	1,153	1,173	1,192	1,211	1,230	1,256
Average revenue per unit (ARPU)	\$ 7.63	\$ 7.71	\$ 7.77	\$ 7.79	\$ 7.82	\$ 7.86	\$ 7.91	\$ 7.92
Bookings	\$ 18,659	\$ 20,063	\$ 15,106	\$ 18,511	\$ 16,746	\$ 21,027	\$ 17,740	\$ 22,272
Backlog	\$ 38,812	\$ 39,475	\$ 36,766	\$ 38,650	\$ 41,639	\$ 43,524	\$ 40,551	\$ 42,391

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



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

(In thousands)

	<u>9/30/2016</u>	<u>12/31/2015</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 122,461	\$ 111,332
Accounts receivable, net	23,382	22,638
Prepaid expenses and other	4,293	5,352
Inventory	2,100	2,291
Total current assets	152,236	141,613
Property and equipment, net	13,672	15,386
Goodwill	133,031	133,031
Other intangible assets, net	11,810	14,964
Deferred income tax assets, net	77,795	83,983
Other assets	2,588	1,445
Total assets	\$ 391,132	\$ 390,422
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,238	\$ 9,247
Accrued compensation and benefits	11,471	10,864
Deferred revenue	30,183	27,045
Total current liabilities	48,892	47,156
Deferred revenue	712	741
Other long-term liabilities	9,074	8,972
Total liabilities	58,678	56,869
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock	2	2
Additional paid-in capital	106,342	110,435
Retained earnings	226,110	223,116
Total stockholders' equity	332,454	333,553
Total liabilities and stockholders' equity	\$ 391,132	\$ 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 nine months ended	
	<u>9/30/2016</u>	<u>9/30/2015</u>
Cash flows from operating activities:		
Net income	\$ 10,953	\$ 11,515
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	9,787	10,608
Amortization of deferred financing costs	-	-
Deferred income (benefit) tax expense	6,188	6,989
Stock based compensation	2,067	1,497
Provisions for doubtful accounts, service credits and other	645	1,040
Adjustments of non-cash transaction taxes	(214)	(530)
Loss/(Gain) on disposals of property and equipment	3	(794)
Changes in assets and liabilities:		
Accounts receivable	(1,389)	1,896
Prepaid expenses, intangible assets and other assets	27	1,878
Accounts payable and accrued liabilities	(1,402)	(4,621)
Customer deposits and deferred revenue	3,109	4,002
Other long-term liabilities	(336)	45
Net cash provided by operating activities	<u>29,438</u>	<u>33,525</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,378)	(4,450)
Proceeds from disposals of property and equipment	1	807
Net cash used in investing activities	<u>(4,377)</u>	<u>(3,643)</u>
Cash flows from financing activities:		
Cash distributions to stockholders	(7,718)	(8,739)
Purchase of common stock (including commissions)	(6,214)	(11,804)
Employee stock based compensation tax withholding	-	(3,825)
Net cash used in financing activities	<u>(13,932)</u>	<u>(24,368)</u>
Net increase in cash and cash equivalents	11,129	5,514
Cash and cash equivalents, beginning of period	111,332	107,869
Cash and cash equivalents, end of period	<u>\$ 122,461</u>	<u>\$ 113,383</u>
Supplemental disclosure:		
Income taxes paid	\$ 681	\$ 1,169

(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>9/30/2016</u>	<u>6/30/2016</u>	<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>
Revenue								
Paging	\$ 25,944	\$ 26,564	\$ 27,101	\$ 27,637	\$ 28,196	\$ 28,782	\$ 29,491	\$ 30,071
Non-paging	1,080	1,295	1,071	1,090	1,179	1,440	1,199	1,607
Total wireless revenue	\$ 27,024	\$ 27,859	\$ 28,172	\$ 28,727	\$ 29,375	\$ 30,222	\$ 30,690	\$ 31,678
Subscription	560	503	498	471	392	419	398	365
License	1,842	1,691	1,593	2,733	1,457	3,011	2,595	3,474
Services	5,578	4,202	4,315	4,610	4,600	4,609	5,018	5,579
Equipment	1,091	1,250	1,729	1,764	1,434	1,301	1,374	2,145
Operations revenue	\$ 9,071	\$ 7,646	\$ 8,135	\$ 9,578	\$ 7,883	\$ 9,340	\$ 9,385	\$ 11,563
Maintenance revenue	\$ 9,260	\$ 9,130	\$ 9,081	\$ 9,034	\$ 8,923	\$ 8,407	\$ 8,063	\$ 8,028
Total software revenue	\$ 18,331	\$ 16,776	\$ 17,216	\$ 18,612	\$ 16,806	\$ 17,747	\$ 17,448	\$ 19,591
Total revenue	\$ 45,355	\$ 44,635	\$ 45,388	\$ 47,339	\$ 46,181	\$ 47,969	\$ 48,138	\$ 51,269

(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>9/30/2016</u>	<u>6/30/2016</u>	<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>
Cost of revenue								
Payroll and related	\$ 4,468	\$ 4,406	\$ 4,634	\$ 4,414	\$ 4,277	\$ 4,274	\$ 4,157	\$ 4,222
Cost of sales	2,480	2,227	2,673	2,902	2,549	3,801	3,620	5,225
Stock based compensation	57	58	49	33	33	34	34	81
Other	634	822	661	686	1,012	1,022	1,002	1,043
Total cost of revenue	7,639	7,513	8,017	8,035	7,871	9,131	8,813	10,571
Service, rental and maintenance								
Payroll and related	5,582	5,125	5,072	4,815	4,613	4,555	4,652	4,533
Site rent	3,626	3,668	3,660	3,663	3,763	3,783	3,766	3,834
Telecommunications	1,162	1,127	1,222	1,218	1,392	1,288	1,343	1,487
Stock based compensation	61	63	52	29	29	29	29	30
Other	1,467	1,416	1,207	1,299	1,320	1,348	1,466	1,401
Total service, rental and maintenance	11,898	11,399	11,213	11,024	11,117	11,003	11,256	11,285
Selling and marketing								
Payroll and related	3,502	3,510	3,666	3,780	3,664	3,732	3,916	3,945
Commissions	1,317	1,559	1,525	1,754	1,858	1,792	1,836	2,481
Stock based compensation	75	75	48	(7)	16	51	51	131
Other	1,061	1,285	1,290	1,509	1,034	1,215	1,245	1,358
Total selling and marketing	5,955	6,429	6,529	7,036	6,572	6,790	7,048	7,915
General and administrative								
Payroll and related	4,142	4,306	4,392	4,029	4,320	4,611	4,879	4,737
Stock based compensation	507	534	488	316	316	548	329	780
Facility rent	848	810	839	856	868	841	941	830
Outside services	1,946	1,921	1,726	1,783	1,864	1,728	1,786	1,786
Taxes, licenses and permits	1,164	1,060	1,055	1,132	1,068	1,150	1,125	1,283
Other	1,986	1,808	2,010	2,160	1,974	1,594	1,941	2,489
Total general and administrative	10,593	10,439	10,510	10,276	10,410	10,472	11,001	11,905
Severance	12	—	(4)	1,056	141	1,504	—	926
Depreciation, amortization and accretion	3,229	3,235	3,323	3,362	3,413	3,448	3,747	4,049
Operating expenses	\$ 39,326	\$ 39,015	\$ 39,588	\$ 40,789	\$ 39,524	\$ 42,348	\$ 41,865	\$ 46,651
Capital expenditures	\$ 1,396	\$ 1,537	\$ 1,445	\$ 2,024	\$ 1,318	\$ 1,992	\$ 1,040	\$ 1,352

(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							
	9/30/2016	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014
Paging units in service								
Beginning units in service (000's)	1,144	1,153	1,173	1,192	1,211	1,230	1,256	1,274
Gross placements	34	39	28	31	36	40	29	35
Gross disconnects	(54)	(48)	(48)	(50)	(55)	(59)	(55)	(53)
Net change	(20)	(9)	(20)	(19)	(19)	(19)	(26)	(18)
Ending units in service	1,124	1,144	1,153	1,173	1,192	1,211	1,230	1,256
End of period units in service % of total (b)								
Healthcare	78.6%	78.2%	77.5%	77.0%	76.3%	75.9%	74.6%	74.1%
Government	6.7%	6.8%	6.9%	7.2%	7.2%	7.3%	7.6%	7.8%
Large enterprise	6.5%	6.6%	6.9%	6.9%	7.1%	7.3%	7.6%	7.6%
Other(b)	8.2%	8.3%	8.7%	9.0%	9.3%	9.5%	10.2%	10.4%
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	110	114	118	123	128	134	139	145
101 to 1,000 units	222	228	238	243	250	256	266	277
>1,000 units	792	802	797	807	814	821	825	834
Total	1,124	1,144	1,153	1,173	1,192	1,211	1,230	1,256
Account size net loss rate(c)								
1 to 100 units	(3.5)%	(4.0)%	(4.3)%	(3.9)%	(4.4)%	(3.4)%	(4.3)%	(4.7)%
101 to 1,000 units	(2.6)%	(4.0)%	(2.0)%	(2.9)%	(2.4)%	(3.8)%	(3.8)%	(1.9)%
>1,000 units	(1.2)%	0.6%	(1.2)%	(0.9)%	(0.8)%	(0.6)%	(1.1)%	(0.7)%
Total	(1.7)%	(0.8)%	(1.7)%	(1.6)%	(1.5)%	(1.6)%	(2.1)%	(1.4)%
Account size ARPU								
1 to 100 units	\$ 12.34	\$ 12.48	\$ 12.57	\$ 12.52	\$ 12.49	\$ 12.57	\$ 12.58	\$ 12.50
101 to 1,000 units	8.64	8.65	8.70	8.65	8.69	8.72	8.74	8.76
>1,000 units	6.68	6.75	6.77	6.79	6.80	6.81	6.84	6.83
Total	\$ 7.63	\$ 7.71	\$ 7.77	\$ 7.79	\$ 7.82	\$ 7.86	\$ 7.91	\$ 7.92

(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.



SPOK HOLDINGS, INC.
RECONCILIATION FROM NET INCOME TO EBITDA (a)
(Unaudited and in thousands)

	For the three months ended							
	<u>9/30/2016</u>	<u>6/30/2016</u>	<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>
Reconciliation of net income to EBITDA (b) (c):								
Net income	\$ 4,058	\$ 3,451	\$ 3,444	\$ 72,721	\$ 4,220	\$ 3,376	\$ 3,917	\$ 6,912
Plus: Income tax expense	2,123	2,334	2,659	(66,087)	3,222	2,512	2,415	(2,744)
Plus (Less): Other expense (income)	(85)	(104)	(254)	(71)	(784)	(264)	(60)	188
Plus (Less): Interest expense (income)	(67)	(61)	(49)	(13)	(1)	(3)	1	262
Operating income	<u>6,029</u>	<u>5,620</u>	<u>5,800</u>	<u>6,550</u>	<u>6,657</u>	<u>5,621</u>	<u>6,273</u>	<u>4,618</u>
Plus: depreciation, amortization and accretion	3,229	3,235	3,323	3,362	3,413	3,448	3,747	4,049
EBITDA	<u>\$ 9,258</u>	<u>\$ 8,855</u>	<u>\$ 9,123</u>	<u>\$ 9,912</u>	<u>\$ 10,070</u>	<u>\$ 9,069</u>	<u>\$ 10,020</u>	<u>\$ 8,667</u>

	For the nine months ended	
	<u>9/30/2016</u>	<u>9/30/2015</u>
Reconciliation of net income to EBITDA (b) (c):		
Net income	\$ 10,953	\$ 11,515
Plus: Income tax expense	7,116	8,150
Plus: Other expense	(443)	(1,110)
Plus: Interest expense	(176)	(3)
Operating income	<u>17,450</u>	<u>18,552</u>
Plus: depreciation, amortization and accretion	9,787	10,608
EBITDA	<u>\$ 27,237</u>	<u>\$ 29,160</u>

(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.

(c) EBITDA is the starting point for calculation of operating cash flow for purposes of the Company's short term and long term incentive plans. Management and the Board of Directors also rely on EBITDA for purposes of determining the Company's capital allocation policies.