



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>3/31/2017</u>	<u>3/31/2016</u>
Revenue:		
Wireless	\$ 25,860	\$ 28,172
Software	15,584	17,216
Total revenue	<u>41,444</u>	<u>45,388</u>
Operating expenses:		
Cost of revenue	7,036	8,017
Research and development	4,105	2,908
Service, rental and maintenance	8,066	8,305
Selling and marketing	5,922	6,529
General and administrative	11,710	10,506
Depreciation, amortization and accretion	3,223	3,323
Total operating expenses	<u>40,062</u>	<u>39,588</u>
% of total revenue	96.7 %	87.2 %
Operating income	1,382	5,800
% of total revenue	3.3 %	12.8 %
Interest income	122	49
Other income	(30)	254
Income before income tax expense	<u>1,474</u>	<u>6,103</u>
Income tax benefit (expense)	(620)	(2,659)
Net income	<u><u>\$ 854</u></u>	<u><u>\$ 3,444</u></u>
Basic and diluted net income per common share	\$ 0.04	\$ 0.17
Basic weighted average common shares outstanding	20,530,739	20,706,082
Diluted weighted average common shares outstanding	20,585,542	20,706,082
Key statistics:		
Units in service	1,091	1,153
Average revenue per unit (ARPU)	\$ 7.56	\$ 7.77
Bookings	\$ 19,788	\$ 15,106
Backlog	\$ 40,555	\$ 36,766

(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>3/31/2017</u>	<u>12/31/2016</u>	<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>
Revenue:								
Wireless	\$ 25,860	26,535	\$ 27,024	\$ 27,859	\$ 28,172	\$ 28,727	\$ 29,375	\$ 30,222
Software	15,584	17,649	18,331	16,776	17,216	18,612	16,806	17,747
Total revenue	41,444	44,184	45,355	44,635	45,388	47,339	46,181	47,969
Operating expenses:								
Cost of revenue	7,036	7,482	7,639	7,513	8,017	8,035	7,871	9,131
Research and development	4,105	3,702	3,645	3,211	2,908	2,608	2,525	2,579
Service, rental and maintenance	8,066	7,989	8,253	8,187	8,305	8,416	8,590	8,425
Selling and marketing	5,922	5,855	5,955	6,429	6,529	7,036	6,572	6,790
General and administrative	11,710	9,839	10,593	10,439	10,510	10,276	10,410	10,472
Severance	—	1,438	12	—	(4)	1,056	141	1,504
Depreciation, amortization and accretion	3,223	3,176	3,229	3,235	3,323	3,362	3,413	3,448
Total operating expenses	40,062	39,481	39,326	39,014	39,588	40,789	39,522	42,349
% of total revenue	96.7 %	89.4 %	86.7 %	87.4 %	87.2 %	86.2 %	85.6 %	88.3 %
Operating income	1,382	4,703	6,029	5,621	5,800	6,550	6,659	5,620
% of total revenue	3.3 %	10.6 %	13.3 %	12.6 %	12.8 %	13.8 %	14.4 %	11.7 %
Interest income (expense), net	122	99	67	61	49	13	1	3
Other income, net	(30)	100	85	104	254	71	784	264
Income before income tax expense	1,474	4,902	6,181	5,786	6,103	6,634	7,444	5,887
Income tax benefit (expense)	(620)	(1,876)	(2,123)	(2,334)	(2,659)	62,098	(3,222)	(2,512)
Net income	\$ 854	\$ 3,026	\$ 4,058	\$ 3,452	\$ 3,444	\$ 68,732	\$ 4,222	\$ 3,375
Basic and diluted net income per common share	\$ 0.04	\$ 0.15	\$ 0.20	\$ 0.17	\$ 0.17	\$ 3.28	\$ 0.20	\$ 0.16
Basic weighted average common shares outstanding	20,530,739	20,529,958	20,541,275	20,568,058	20,706,082	20,949,484	21,324,068	21,700,566
Diluted weighted average common shares outstanding	20,585,542	20,529,958	20,541,275	20,568,058	20,706,082	20,949,484	21,324,068	21,700,566
Key statistics:								
Units in service	1,091	1,111	1,124	1,144	1,153	1,173	1,192	1,211
Average revenue per unit (ARPU)	\$ 7.56	\$ 7.59	\$ 7.63	\$ 7.71	\$ 7.77	\$ 7.79	\$ 7.82	\$ 7.86
Bookings	\$ 19,788	\$ 20,025	\$ 18,659	\$ 20,063	\$ 15,106	\$ 18,511	\$ 16,746	\$ 21,027
Backlog	\$ 40,555	\$ 38,295	\$ 38,812	\$ 39,475	\$ 36,766	\$ 38,650	\$ 41,639	\$ 43,524

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



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

(In thousands)

	<u>3/31/2017</u>	<u>12/31/2016</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 118,947	\$ 125,816
Accounts receivable, net	24,079	23,666
Prepaid expenses and other	4,650	4,384
Inventory	1,841	1,996
Total current assets	149,517	155,862
Property and equipment, net	13,600	12,818
Goodwill	133,031	133,031
Other intangible assets, net	9,796	10,803
Deferred income tax assets, net	72,802	73,068
Other non-current assets	2,519	2,505
Total non-current assets	231,748	232,225
Total assets	\$ 381,265	\$ 388,087
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,976	\$ 1,909
Accrued compensation and benefits	11,080	13,268
Accrued dividends payable	11	5,140
Accrued taxes	4,047	4,132
Deferred revenue	30,663	29,145
Other current liabilities	2,560	2,733
Total current liabilities	50,337	56,327
Non-current liabilities		
Deferred revenue	749	752
Other long-term liabilities	8,774	8,921
Total non-current liabilities	9,523	9,673
Total liabilities	59,860	66,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock	2	2
Additional paid-in capital	105,766	104,810
Retained earnings	215,637	217,275
Total stockholders' equity	321,405	322,087
Total liabilities and stockholders' equity	\$ 381,265	\$ 388,087

(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	
	<u>3/31/2017</u>	<u>3/31/2016</u>
Cash flows provided by operating activities:		
Net income	\$ 854	\$ 3,444
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	3,223	3,323
Deferred income tax expense	279	2,327
Stock based compensation	955	637
Provision for doubtful accounts, service credits and other	223	238
Adjustment of non-cash transaction taxes	(122)	(81)
Changes in assets and liabilities:		
Accounts receivable	(636)	1,322
Prepaid expenses and other assets	(146)	595
Accounts payable, accrued liabilities and other	(2,473)	(2,653)
Deferred revenue	1,515	367
Net cash provided by operating activities	3,672	9,519
Cash flows used in investing activities:		
Purchase of property and equipment, net of proceeds from disposals of property and equipment	(2,851)	(1,445)
Net cash used in investing activities	(2,851)	(1,445)
Cash flows used in financing activities:		
Cash distributions to stockholders	(7,694)	(2,580)
Purchase of common stock (including commissions), net of proceeds from issuance of common stock	4	(4,905)
Net cash used in financing activities	(7,690)	(7,485)
Net decrease in cash and cash equivalents	(6,869)	589
Cash and cash equivalents, beginning of period	125,816	111,332
Cash and cash equivalents, end of period	\$ 118,947	\$ 111,921
Supplemental disclosure:		
Income taxes paid	\$ 180	\$ 352

(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>3/31/2017</u>	<u>12/31/2016</u>	<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>
Revenue								
Paging	\$24,972	\$ 25,441	\$ 25,944	\$ 26,564	\$ 27,101	\$ 27,637	\$ 28,196	\$ 28,782
Non-paging	888	1,094	1,080	1,295	1,071	1,090	1,179	1,440
Total wireless revenue	<u>25,860</u>	<u>26,535</u>	<u>27,024</u>	<u>27,859</u>	<u>28,172</u>	<u>28,727</u>	<u>29,375</u>	<u>30,222</u>
Subscription	543	551	560	503	498	471	392	419
License	1,171	1,594	1,842	1,691	1,593	2,733	1,457	3,011
Services	3,354	4,500	5,578	4,202	4,315	4,610	4,600	4,609
Equipment	973	1,402	1,091	1,250	1,729	1,764	1,434	1,301
Operations revenue	<u>6,041</u>	<u>8,047</u>	<u>9,071</u>	<u>7,646</u>	<u>8,135</u>	<u>9,578</u>	<u>7,883</u>	<u>9,340</u>
Maintenance revenue	9,543	9,602	9,260	9,130	9,081	9,034	8,923	8,407
Total software revenue	<u>15,584</u>	<u>17,649</u>	<u>18,331</u>	<u>16,776</u>	<u>17,216</u>	<u>18,612</u>	<u>16,806</u>	<u>17,747</u>
Total revenue	<u><u>\$41,444</u></u>	<u><u>\$ 44,184</u></u>	<u><u>\$ 45,355</u></u>	<u><u>\$ 44,635</u></u>	<u><u>\$ 45,388</u></u>	<u><u>\$ 47,339</u></u>	<u><u>\$ 46,181</u></u>	<u><u>\$ 47,969</u></u>

(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>3/31/2017</u>	<u>12/31/2016</u>	<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>
Cost of revenue								
Payroll and related	\$ 4,489	\$ 4,612	\$ 4,468	\$ 4,406	\$ 4,634	\$ 4,414	\$ 4,277	\$ 4,274
Cost of sales	1,910	2,309	2,480	2,227	2,673	2,902	2,549	3,801
Stock based compensation	58	(108)	57	58	49	33	33	34
Other	579	669	634	822	661	686	1,012	1,022
Total cost of revenue	7,036	7,482	7,639	7,513	8,017	8,035	7,871	9,131
Research and development								
Payroll and related	3,396	3,198	2,940	2,478	2,325	2,025	1,889	1,936
Outside services	516	511	569	580	428	480	516	491
Stock based compensation	55	(82)	46	48	40	21	21	21
Other	138	75	90	105	115	82	99	131
Total research and development	4,105	3,702	3,645	3,211	2,908	2,608	2,525	2,579
Service, rental and maintenance								
Payroll and related	2,670	2,689	2,641	2,647	2,747	2,790	2,723	2,619
Site rent	3,620	3,618	3,626	3,668	3,660	3,664	3,763	3,783
Telecommunications	1,069	1,088	1,152	1,117	1,213	1,269	1,377	1,271
Stock based compensation	20	(29)	15	15	13	7	7	7
Other	687	623	819	740	672	686	720	745
Total service, rental and maintenance	8,066	7,989	8,253	8,187	8,305	8,416	8,590	8,425
Selling and marketing								
Payroll and related	3,103	3,575	3,502	3,510	3,666	3,780	3,664	3,732
Commissions	1,202	1,248	1,317	1,559	1,525	1,754	1,858	1,792
Stock based compensation	101	(131)	75	75	48	(7)	16	51
Other	1,516	1,163	1,061	1,285	1,290	1,509	1,034	1,215
Total selling and marketing	5,922	5,855	5,955	6,429	6,529	7,036	6,572	6,790
General and administrative								
Payroll and related	4,442	4,542	4,142	4,306	4,392	4,029	4,320	4,611
Stock based compensation	721	(863)	507	534	488	316	316	548
Facility rent	819	817	848	810	839	856	868	841
Outside services	2,287	2,277	1,946	1,921	1,726	1,783	1,864	1,728
Taxes, licenses and permits	989	976	1,164	1,060	1,055	1,132	1,068	1,150
Other	2,452	2,090	1,986	1,808	2,010	2,160	1,974	1,594
Total general and administrative	11,710	9,839	10,593	10,439	10,510	10,276	10,410	10,472
Severance	—	1,438	12	—	(4)	1,056	141	1,504
Depreciation, amortization and accretion	3,223	3,176	3,229	3,235	3,323	3,362	3,413	3,448
Operating expenses	\$ 40,062	\$ 39,481	\$ 39,326	\$ 39,014	\$ 39,588	\$ 40,789	\$ 39,522	\$ 42,349
Capital expenditures	2,851	1,878	1,396	1,537	1,445	2,024	1,318	1,992

(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>3/31/2017</u>	<u>12/31/2016</u>	<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>
Paging units in service								
Beginning units in service (000's)	1,111	1,124	1,144	1,153	1,173	1,192	1,211	1,230
Gross placements	28	36	34	39	28	31	36	40
Gross disconnects	(48)	(49)	(54)	(48)	(48)	(50)	(55)	(59)
Net change	(20)	(13)	(20)	(9)	(20)	(19)	(19)	(19)
Ending units in service	<u>1,091</u>	<u>1,111</u>	<u>1,124</u>	<u>1,144</u>	<u>1,153</u>	<u>1,173</u>	<u>1,192</u>	<u>1,211</u>
End of period units in service % of total (b)								
Healthcare	79.7 %	79.3 %	78.6 %	78.2 %	77.5 %	77.0 %	76.3 %	75.9 %
Government	6.4 %	6.5 %	6.7 %	6.8 %	6.9 %	7.2 %	7.2 %	7.3 %
Large enterprise	6.1 %	6.2 %	6.5 %	6.6 %	6.9 %	6.9 %	7.1 %	7.3 %
Other(b)	7.7 %	8.0 %	8.2 %	8.3 %	8.7 %	9.0 %	9.3 %	9.5 %
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Account size ending units in service (000's)								
1 to 100 units	102	106	110	114	118	123	128	134
101 to 1,000 units	214	217	222	228	238	243	250	256
>1,000 units	775	788	792	802	797	807	814	821
Total	<u>1,091</u>	<u>1,111</u>	<u>1,124</u>	<u>1,144</u>	<u>1,153</u>	<u>1,173</u>	<u>1,192</u>	<u>1,211</u>
Account size net loss rate(c)								
1 to 100 units	(3.4)%	(3.9)%	(3.5)%	(4.0)%	(4.3)%	(3.9)%	(4.4)%	(3.4)%
101 to 1,000 units	(1.3)%	(2.3)%	(2.6)%	(4.0)%	(2.0)%	(2.9)%	(2.4)%	(3.8)%
>1,000 units	(1.7)%	(0.5)%	(1.2)%	0.6 %	(1.2)%	(0.9)%	(0.8)%	(0.6)%
Total	<u>(1.8)%</u>	<u>(1.2)%</u>	<u>(1.7)%</u>	<u>(0.8)%</u>	<u>(1.7)%</u>	<u>(1.6)%</u>	<u>(1.5)%</u>	<u>(1.6)%</u>
Account size ARPU								
1 to 100 units	\$ 12.22	\$ 12.25	\$ 12.34	\$ 12.48	\$ 12.57	\$ 12.52	\$ 12.49	\$ 12.57
101 to 1,000 units	8.66	8.63	8.64	8.65	8.70	8.65	8.69	8.72
>1,000 units	6.64	6.67	6.68	6.75	6.77	6.79	6.80	6.81
Total	<u>\$ 7.56</u>	<u>\$ 7.59</u>	<u>\$ 7.63</u>	<u>\$ 7.71</u>	<u>\$ 7.77</u>	<u>\$ 7.79</u>	<u>\$ 7.82</u>	<u>\$ 7.86</u>

(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>3/31/2017</u>	<u>12/31/2016</u>	<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>
Reconciliation of net income to EBITDA (b) (c):								
Net income	\$ 854	\$ 3,026	\$ 4,058	\$ 3,452	\$ 3,444	\$ 68,732	\$ 4,222	\$ 3,375
Plus (less): Income tax expense (benefit)	620	1,876	2,123	2,334	2,659	(62,098)	3,222	2,512
Less: Other income	30	(100)	(85)	(104)	(254)	(71)	(784)	(264)
Plus (less): Interest expense (income)	(122)	(99)	(67)	(61)	(49)	(13)	(1)	(3)
Operating income	1,382	4,703	6,029	5,621	5,800	6,550	6,659	5,620
Plus: depreciation, amortization and accretion	3,223	3,176	3,229	3,235	3,323	3,362	3,413	3,448
EBITDA (as defined by the Company)	4,605	7,879	9,258	8,856	9,123	9,912	10,072	9,068
Less: Purchases of property and equipment	(2,851)	(1,878)	(1,396)	(1,537)	(1,445)	(2,024)	(1,318)	(1,992)
Plus: Severance	—	1,438	12	—	(4)	1,056	141	1,504
Adjusted OCF (as defined by the Company)	\$ 1,754	\$ 7,439	\$ 7,874	\$ 7,319	\$ 7,674	\$ 8,944	\$ 8,895	\$ 8,580

(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.

###