



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		For the twelve months ended	
	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Revenue:				
Wireless	\$ 26,535	\$ 28,727	\$ 109,590	\$ 119,014
Software	17,649	18,612	69,971	70,614
Total revenue	44,184	47,339	179,561	189,628
Operating expenses:				
Cost of revenue	7,482	8,035	30,649	33,851
Research and development	3,702	2,608	13,467	10,280
Service, rental and maintenance	7,989	8,416	32,734	34,121
Selling and marketing	5,855	7,036	24,768	27,446
General and administrative	9,839	10,276	41,381	42,159
Severance	1,438	1,056	1,446	2,701
Depreciation, amortization and accretion	3,176	3,362	12,963	13,970
Total operating expenses	39,481	40,789	157,408	164,528
% of total revenue	89.4 %	86.2 %	87.7 %	86.8 %
Operating income	4,703	6,550	22,153	25,100
% of total revenue	10.6 %	13.8 %	12.3 %	13.2 %
Interest income	99	13	275	16
Other income	100	71	543	1,182
Income before income tax expense	4,902	6,634	22,971	26,298
Income tax benefit (expense)	(1,876)	62,098	(8,992)	53,948
Net income	\$ 3,026	\$ 68,732	\$ 13,979	\$ 80,246
Basic and diluted net income per common share	\$ 0.15	\$ 3.28	\$ 0.68	\$ 3.74
Basic and diluted weighted average common shares outstanding	20,529,958	20,949,484	20,586,066	21,471,041
Key statistics:				
Units in service	1,111	1,173	1,111	1,173
Average revenue per unit (ARPU)	\$ 7.59	\$ 7.79	\$ 7.67	\$ 7.83
Bookings	\$ 20,025	\$ 18,511	\$ 73,854	\$ 74,024
Backlog	\$ 38,295	\$ 38,650	\$ 38,295	\$ 38,650

(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>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>	<u>3/31/2015</u>
Revenue:								
Wireless	\$ 26,535	27,024	\$ 27,859	\$ 28,172	\$ 28,727	\$ 29,375	\$ 30,222	\$ 30,690
Software	17,649	18,331	16,776	17,216	18,612	16,806	17,747	17,448
Total revenue	44,184	45,355	44,635	45,388	47,339	46,181	47,969	48,138
Operating expenses:								
Cost of revenue	7,482	7,639	7,513	8,017	8,035	7,871	9,131	8,813
Research and development	3,702	3,645	3,211	2,908	2,608	2,525	2,579	2,567
Service, rental and maintenance	7,989	8,253	8,187	8,305	8,416	8,590	8,425	8,690
Selling and marketing	5,855	5,955	6,429	6,529	7,036	6,572	6,790	7,048
General and administrative	9,839	10,593	10,439	10,510	10,276	10,410	10,472	11,001
Severance	1,438	12	—	(4)	1,056	141	1,504	—
Depreciation, amortization and accretion	3,176	3,229	3,235	3,323	3,362	3,413	3,448	3,747
Total operating expenses	39,481	39,326	39,014	39,588	40,789	39,522	42,349	41,866
% of total revenue	89.4 %	86.7 %	87.4 %	87.2 %	86.2 %	85.6 %	88.3 %	87.0 %
Operating income	4,703	6,029	5,621	5,800	6,550	6,659	5,620	6,272
% of total revenue	10.6 %	13.3 %	12.6 %	12.8 %	13.8 %	14.4 %	11.7 %	13.0 %
Interest income (expense), net	99	67	61	49	13	1	3	(1)
Other income, net	100	85	104	254	71	784	264	60
Income before income tax expense	4,902	6,181	5,786	6,103	6,634	7,444	5,887	6,331
Income tax benefit (expense)	(1,876)	(2,123)	(2,334)	(2,659)	62,098	(3,222)	(2,512)	(2,415)
Net income	\$ 3,026	\$ 4,058	\$ 3,452	\$ 3,444	\$ 68,732	\$ 4,222	\$ 3,375	\$ 3,916
Basic and diluted net income per common share	\$ 0.15	\$ 0.20	\$ 0.17	\$ 0.17	\$ 3.28	\$ 0.20	\$ 0.16	\$ 0.18
Basic and diluted weighted average common shares outstanding	20,529,958	20,541,275	20,568,058	20,706,082	20,949,484	21,324,068	21,700,566	21,922,352
Key statistics:								
Units in service	1,111	1,124	1,144	1,153	1,173	1,192	1,211	1,230
Average revenue per unit (ARPU)	\$ 7.59	\$ 7.63	\$ 7.71	\$ 7.77	\$ 7.79	\$ 7.82	\$ 7.86	\$ 7.91
Bookings	\$ 20,025	\$ 18,659	\$ 20,063	\$ 15,106	\$ 18,511	\$ 16,746	\$ 21,027	\$ 17,740
Backlog	\$ 38,295	\$ 38,812	\$ 39,475	\$ 36,766	\$ 38,650	\$ 41,639	\$ 43,524	\$ 40,551

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



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

(In thousands)

	<u>12/31/2016</u>	<u>12/31/2015</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 125,816	\$ 111,332
Accounts receivable, net	23,666	22,638
Prepaid expenses and other	4,384	5,352
Inventory	1,996	2,291
Total current assets	155,862	141,613
Property and equipment, net	12,818	15,386
Goodwill	133,031	133,031
Other intangible assets, net	10,803	14,964
Deferred income tax assets, net	73,068	79,994
Other assets	2,505	1,445
Total assets	\$ 388,087	\$ 386,433
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,909	\$ 2,121
Accrued compensation and benefits	13,268	9,508
Accrued dividends payable	5,140	—
Accrued taxes	4,132	3,465
Deferred revenue	29,145	27,045
Other current liabilities	2,733	5,017
Total current liabilities	56,327	47,156
Deferred revenue	752	741
Other long-term liabilities	8,921	8,972
Total liabilities	66,000	56,869
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock	2	2
Additional paid-in capital	104,810	110,435
Retained earnings	217,275	219,127
Total stockholders' equity	322,087	329,564
Total liabilities and stockholders' equity	\$ 388,087	\$ 386,433

(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 twelve months ended	
	12/31/2016	12/31/2015
Cash flows from operating activities:		
Net income	\$ 13,979	\$ 80,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	12,963	13,970
Amortization of deferred financing costs	—	—
Deferred income (benefit) tax expense	6,926	(55,018)
Stock based compensation	854	1,868
Provisions for doubtful accounts, service credits and other	761	1,290
Adjustments of non-cash transaction taxes	(270)	(686)
Loss/(Gain) on disposals of property and equipment	2	(793)
Changes in assets and liabilities:		
Accounts receivable	(1,790)	1,041
Prepaid expenses, intangible assets and other assets	843	658
Accounts payable, accrued liabilities and other	1,083	(3,556)
Deferred revenue	2,110	2,817
Net cash provided by operating activities	37,461	41,837
Cash flows from investing activities:		
Purchases of property and equipment, net of proceeds from disposals of property and equipment	(6,254)	(5,565)
Net cash used in investing activities	(6,254)	(5,565)
Cash flows from financing activities:		
Cash distributions to stockholders	(10,287)	(13,976)
Purchase of common stock (including commissions)	(6,436)	(15,008)
Employee stock based compensation tax withholding	—	(3,825)
Net cash used in financing activities	(16,723)	(32,809)
Net increase in cash and cash equivalents	14,484	3,463
Cash and cash equivalents, beginning of period	111,332	107,869
Cash and cash equivalents, end of period	\$ 125,816	\$ 111,332
Supplemental disclosure:		
Income taxes paid	\$ 695	\$ 1,521

(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>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>	<u>3/31/2015</u>
Revenue								
Paging	\$ 25,441	\$ 25,944	\$ 26,564	\$ 27,101	\$ 27,637	\$ 28,196	\$ 28,782	\$ 29,491
Non-paging	1,094	1,080	1,295	1,071	1,090	1,179	1,440	1,199
Total wireless revenue	26,535	27,024	27,859	28,172	28,727	29,375	30,222	30,690
Subscription	551	560	503	498	471	392	419	398
License	1,594	1,842	1,691	1,593	2,733	1,457	3,011	2,595
Services	4,500	5,578	4,202	4,315	4,610	4,600	4,609	5,018
Equipment	1,402	1,091	1,250	1,729	1,764	1,434	1,301	1,374
Operations revenue	8,047	9,071	7,646	8,135	9,578	7,883	9,340	9,385
Maintenance revenue	9,602	9,260	9,130	9,081	9,034	8,923	8,407	8,063
Total software revenue	17,649	18,331	16,776	17,216	18,612	16,806	17,747	17,448
Total revenue	\$ 44,184	\$ 45,355	\$ 44,635	\$ 45,388	\$ 47,339	\$ 46,181	\$ 47,969	\$ 48,138

(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>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>	<u>3/31/2015</u>
Cost of revenue								
Payroll and related	\$ 4,612	\$ 4,468	\$ 4,406	\$ 4,634	\$ 4,414	\$ 4,277	\$ 4,274	\$ 4,157
Cost of sales	2,309	2,480	2,227	2,673	2,902	2,549	3,801	3,620
Stock based compensation	(108)	57	58	49	33	33	34	34
Other	669	634	822	661	686	1,012	1,022	1,002
Total cost of revenue	7,482	7,639	7,513	8,017	8,035	7,871	9,131	8,813
Research and development								
Payroll and related	3,198	2,940	2,478	2,325	2,025	1,889	1,936	1,896
Outside services	511	569	580	428	480	516	491	545
Stock based compensation	(82)	46	48	40	21	21	21	21
Other	75	90	105	115	82	99	131	105
Total research and development	3,702	3,645	3,211	2,908	2,608	2,525	2,579	2,567
Service, rental and maintenance								
Payroll and related	2,689	2,641	2,647	2,747	2,790	2,723	2,619	2,756
Site rent	3,618	3,626	3,668	3,660	3,664	3,763	3,783	3,766
Telecommunications	1,088	1,152	1,117	1,213	1,269	1,377	1,271	1,328
Stock based compensation	(29)	15	15	13	7	7	7	7
Other	623	819	740	672	686	720	745	833
Total service, rental and maintenance	7,989	8,253	8,187	8,305	8,416	8,590	8,425	8,690
Selling and marketing								
Payroll and related	3,575	3,502	3,510	3,666	3,780	3,664	3,732	3,916
Commissions	1,248	1,317	1,559	1,525	1,754	1,858	1,792	1,836
Stock based compensation	(131)	75	75	48	(7)	16	51	51
Other	1,163	1,061	1,285	1,290	1,509	1,034	1,215	1,245
Total selling and marketing	5,855	5,955	6,429	6,529	7,036	6,572	6,790	7,048
General and administrative								
Payroll and related	4,542	4,142	4,306	4,392	4,029	4,320	4,611	4,879
Stock based compensation	(863)	507	534	488	316	316	548	329
Facility rent	817	848	810	839	856	868	841	941
Outside services	2,277	1,946	1,921	1,726	1,783	1,864	1,728	1,786
Taxes, licenses and permits	976	1,164	1,060	1,055	1,132	1,068	1,150	1,125
Other	2,090	1,986	1,808	2,010	2,160	1,974	1,594	1,941
Total general and administrative	9,839	10,593	10,439	10,510	10,276	10,410	10,472	11,001
Severance	1,438	12	—	(4)	1,056	141	1,504	—
Depreciation, amortization and accretion	3,176	3,229	3,235	3,323	3,362	3,413	3,448	3,747
Operating expenses	\$39,481	\$ 39,326	\$ 39,014	\$ 39,588	\$ 40,789	\$ 39,522	\$ 42,349	\$ 41,866
Capital expenditures	1,878	1,396	1,537	1,445	2,024	1,318	1,992	1,040

(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>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>	<u>3/31/2015</u>
Paging units in service								
Beginning units in service (000's)	1,124	1,144	1,153	1,173	1,192	1,211	1,230	1,256
Gross placements	36	34	39	28	31	36	40	29
Gross disconnects	(49)	(54)	(48)	(48)	(50)	(55)	(59)	(55)
Net change	(13)	(20)	(9)	(20)	(19)	(19)	(19)	(26)
Ending units in service	1,111	1,124	1,144	1,153	1,173	1,192	1,211	1,230
End of period units in service % of total (b)								
Healthcare	79.3 %	78.6 %	78.2 %	77.5 %	77.0 %	76.3 %	75.9 %	74.6 %
Government	6.5 %	6.7 %	6.8 %	6.9 %	7.2 %	7.2 %	7.3 %	7.6 %
Large enterprise	6.2 %	6.5 %	6.6 %	6.9 %	6.9 %	7.1 %	7.3 %	7.6 %
Other(b)	8.0 %	8.2 %	8.3 %	8.7 %	9.0 %	9.3 %	9.5 %	10.2 %
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	106	110	114	118	123	128	134	139
101 to 1,000 units	217	222	228	238	243	250	256	266
>1,000 units	788	792	802	797	807	814	821	825
Total	1,111	1,124	1,144	1,153	1,173	1,192	1,211	1,230
Account size net loss rate(c)								
1 to 100 units	(3.9)%	(3.5)%	(4.0)%	(4.3)%	(3.9)%	(4.4)%	(3.4)%	(4.3)%
101 to 1,000 units	(2.3)%	(2.6)%	(4.0)%	(2.0)%	(2.9)%	(2.4)%	(3.8)%	(3.8)%
>1,000 units	(0.5)%	(1.2)%	0.6 %	(1.2)%	(0.9)%	(0.8)%	(0.6)%	(1.1)%
Total	(1.2)%	(1.7)%	(0.8)%	(1.7)%	(1.6)%	(1.5)%	(1.6)%	(2.1)%
Account size ARPU								
1 to 100 units	12.25	12.34	12.48	12.57	12.52	12.49	12.57	12.58
101 to 1,000 units	8.63	8.64	8.65	8.7	8.65	8.69	8.72	8.74
>1,000 units	6.67	6.68	6.75	6.77	6.79	6.8	6.81	6.84
Total	7.59	7.63	7.71	7.77	7.79	7.82	7.86	7.91

(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>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>	<u>3/31/2015</u>
Reconciliation of net income to EBITDA (b) (c):								
Net income	\$ 3,026	\$ 4,058	\$ 3,452	\$ 3,444	\$ 68,732	\$ 4,222	\$ 3,375	\$ 3,916
Plus (less): Income tax expense (benefit)	1,876	2,123	2,334	2,659	(62,098)	3,222	2,512	2,415
Less: Other income	(100)	(85)	(104)	(254)	(71)	(784)	(264)	(60)
Plus (less): Interest expense (income)	(99)	(67)	(61)	(49)	(13)	(1)	(3)	1
Operating income	4,703	6,029	5,621	5,800	6,550	6,659	5,620	6,272
Plus: depreciation, amortization and accretion	3,176	3,229	3,235	3,323	3,362	3,413	3,448	3,747
EBITDA	\$ 7,879	\$ 9,258	\$ 8,856	\$ 9,123	\$ 9,912	\$ 10,072	\$ 9,068	\$ 10,019
	For the twelve months ended							
	<u>12/31/2016</u>	<u>12/31/2015</u>						
Reconciliation of net income to EBITDA (b) (c):								
Net income	\$ 13,979	\$ 80,246						
Plus (less): Income tax expense (benefit)	8,992	(53,948)						
Less: Other income	(543)	(1,182)						
Less: Interest income	(275)	(16)						
Operating income	22,153	25,100						
Plus: depreciation, amortization and accretion	12,963	13,970						
EBITDA	\$ 35,116	\$ 39,070						

(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.



SPOK HOLDINGS, INC.
2017 FINANCIAL GUIDANCE
(Unaudited and in millions)

	Guidance Range	
	<u>From</u>	<u>To</u>
Revenues		
Wireless	\$ 95	\$ 103
Software	<u>66</u>	<u>74</u>
	<u>\$161</u>	<u>\$177</u>
 Operating Expenses (a)	 <u>\$153</u>	 <u>\$159</u>
 Capital Expenses	 <u>\$ 8</u>	 <u>\$ 12</u>

(a) Operating expenses exclude depreciation, amortization and accretion.

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