



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 nine months ended	
	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Revenue:				
Wireless	\$ 25,110	\$ 27,024	\$ 76,609	\$ 83,055
Software	18,526	18,331	50,796	52,322
Total revenue	43,636	45,355	127,405	135,377
Operating expenses:				
Cost of revenue	7,069	7,639	21,295	23,167
Research and development	5,001	3,645	13,768	9,765
Service, rental and maintenance	7,875	8,253	23,885	24,745
Selling and marketing	5,533	5,955	16,784	18,912
General and administrative	12,058	10,605	35,706	31,551
Depreciation, amortization and accretion	2,775	3,229	8,849	9,787
Total operating expenses	40,311	39,326	120,287	117,927
% of total revenue	92.4 %	86.7 %	94.4 %	87.1 %
Operating income	3,325	6,029	7,118	17,450
% of total revenue	7.6 %	13.3 %	5.6 %	12.9 %
Interest income	214	67	490	176
Other income	359	85	415	443
Income before income tax expense	3,898	6,181	8,023	18,069
Income tax expense	(171)	(2,123)	(1,945)	(7,116)
Net income	\$ 3,727	\$ 4,058	\$ 6,078	\$ 10,953
Basic and diluted net income per common share	\$ 0.19	\$ 0.20	\$ 0.30	\$ 0.53
Basic weighted average common shares outstanding	19,977,263	20,541,275	20,285,240	20,604,905
Diluted weighted average common shares outstanding	20,008,321	20,541,275	20,362,774	20,604,905
Key statistics:				
Units in service	1,063	1,124	1,063	1,124
Average revenue per unit (ARPU)	\$ 7.48	\$ 7.63	\$ 7.53	\$ 7.70
Bookings	\$ 18,327	\$ 18,659	\$ 58,519	\$ 53,829
Backlog	\$ 46,900	\$ 38,812	\$ 46,900	\$ 38,812

(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>9/30/2017</u>	<u>6/30/2017</u>	<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>
Revenue:								
Wireless	\$ 25,110	25,639	\$ 25,860	\$ 26,535	\$ 27,024	\$ 27,859	\$ 28,172	\$ 28,727
Software	18,526	16,686	15,584	17,649	18,331	16,776	17,216	18,612
Total revenue	43,636	42,325	41,444	44,184	45,355	44,635	45,388	47,339
Operating expenses:								
Cost of revenue	7,069	7,190	7,036	7,482	7,639	7,513	8,017	8,035
Research and development	5,001	4,662	4,105	3,702	3,645	3,211	2,908	2,608
Service, rental and maintenance	7,875	7,944	8,066	7,989	8,253	8,188	8,305	8,416
Selling and marketing	5,533	5,329	5,922	5,855	5,955	6,429	6,529	7,036
General and administrative	12,007	11,939	11,710	9,839	10,593	10,439	10,510	10,276
Severance	51	—	—	1,438	12	—	(4)	1,056
Depreciation, amortization and accretion	2,775	2,851	3,223	3,176	3,229	3,235	3,323	3,362
Total operating expenses	40,311	39,915	40,062	39,481	39,326	39,015	39,588	40,789
% of total revenue	92.4 %	94.3 %	96.7 %	89.4 %	86.7 %	87.4 %	87.2 %	86.2 %
Operating income	3,325	2,410	1,382	4,703	6,029	5,620	5,800	6,550
% of total revenue	7.6 %	5.7 %	3.3 %	10.6 %	13.3 %	12.6 %	12.8 %	13.8 %
Interest income, net	214	154	122	99	67	61	49	13
Other income (expense), net	359	89	(30)	100	85	104	254	71
Income before income tax expense	3,898	2,653	1,474	4,902	6,181	5,785	6,103	6,634
Income tax benefit (expense)	(171)	(1,155)	(620)	(1,876)	(2,123)	(2,334)	(2,659)	62,098
Net income	\$ 3,727	\$ 1,498	\$ 854	\$ 3,026	\$ 4,058	\$ 3,451	\$ 3,444	\$ 68,732
Basic and diluted net income per common share	\$ 0.19	\$ 0.07	\$ 0.04	\$ 0.15	\$ 0.20	\$ 0.17	\$ 0.17	\$ 3.28
Basic weighted average common shares outstanding	19,977,263	20,353,801	20,530,739	20,529,958	20,541,275	20,568,058	20,706,082	20,949,484
Diluted weighted average common shares outstanding	20,008,321	20,366,102	20,585,542	20,529,958	20,541,275	20,568,058	20,706,082	20,949,484
Key statistics:								
Units in service	1,063	1,086	1,091	1,111	1,124	1,144	1,153	1,173
Average revenue per unit (ARPU)	7.48	\$ 7.52	\$ 7.56	\$ 7.59	\$ 7.63	\$ 7.71	\$ 7.77	\$ 7.79
Bookings	18,327	\$ 20,405	\$ 19,788	\$ 20,025	\$ 18,659	\$ 20,063	\$ 15,106	\$ 18,511
Backlog	46,900	\$ 43,455	\$ 40,555	\$ 38,295	\$ 38,812	\$ 39,475	\$ 36,766	\$ 38,650

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



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

(In thousands)

	<u>9/30/2017</u>	<u>12/31/2016</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 110,140	\$ 125,816
Accounts receivable, net	27,057	23,666
Prepaid expenses and other	6,637	4,384
Inventory	1,906	1,996
Total current assets	145,740	155,862
Non-current assets:		
Property and equipment, net	13,706	12,818
Goodwill	133,031	133,031
Intangible assets, net	8,542	10,803
Deferred income tax assets	71,973	73,068
Other non-current assets	2,025	2,505
Total non-current assets	229,277	232,225
Total assets	\$ 375,017	\$ 388,087
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,023	\$ 1,909
Accrued compensation and benefits	13,577	13,268
Accrued dividends payable	365	5,140
Accrued taxes	2,668	4,132
Deferred revenue	30,159	29,145
Other current liabilities	2,185	2,733
Total current liabilities	51,977	56,327
Non-current liabilities:		
Deferred revenue	1,051	752
Other long-term liabilities	8,620	8,921
Total non-current liabilities	9,671	9,673
Total liabilities	61,648	66,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock	2	2
Additional paid-in capital	97,630	104,810
Retained earnings	215,737	217,275
Total stockholders' equity	313,369	322,087
Total liabilities and stockholders' equity	\$ 375,017	\$ 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 nine months ended	
	9/30/2017	9/30/2016
Cash flows provided by operating activities:		
Net income	\$ 6,078	\$ 10,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	8,849	9,787
Deferred income tax expense	1,118	6,188
Stock based compensation	2,815	2,067
Provision for doubtful accounts, service credits and other	767	648
Adjustment of non-cash transaction taxes	(754)	(214)
Changes in assets and liabilities:		
Accounts receivable	(4,156)	(1,389)
Prepaid expenses, inventory, intangibles and other assets	(1,726)	27
Accounts payable, accrued liabilities and other	(319)	(1,738)
Deferred revenue	1,313	3,109
Net cash provided by operating activities	13,985	29,438
Cash flows used in investing activities:		
Purchase of property and equipment, net of proceeds from disposals of property and equipment	(7,034)	(4,377)
Net cash used in investing activities	(7,034)	(4,377)
Cash flows used in financing activities:		
Cash distributions to stockholders	(12,733)	(7,718)
Purchase of common stock (including commissions), net of proceeds from issuance of common stock	(9,894)	(6,214)
Net cash used in financing activities	(22,627)	(13,932)
Net (decrease) increase in cash and cash equivalents	(15,676)	11,129
Cash and cash equivalents, beginning of period	125,816	111,332
Cash and cash equivalents, end of period	\$ 110,140	\$ 122,461
Supplemental disclosure:		
Income taxes paid	\$ 2,300	\$ 681

(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>9/30/2017</u>	<u>6/30/2017</u>	<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>
Revenue								
Paging	\$ 24,128	\$ 24,572	\$ 24,972	\$ 25,441	\$ 25,944	\$ 26,564	\$ 27,101	\$ 27,637
Non-paging	982	1,067	888	1,094	1,080	1,295	1,071	1,090
Total wireless revenue	25,110	25,639	25,860	26,535	27,024	27,859	28,172	28,727
Subscription	577	623	543	551	560	503	498	471
License	1,995	1,641	1,171	1,594	1,842	1,691	1,593	2,733
Services	5,189	3,650	3,354	4,500	5,578	4,202	4,315	4,610
Equipment	1,102	1,127	973	1,402	1,091	1,250	1,729	1,764
Operations revenue	8,863	7,041	6,041	8,047	9,071	7,646	8,135	9,578
Maintenance revenue	9,663	9,645	9,543	9,602	9,260	9,130	9,081	9,034
Total software revenue	18,526	16,686	15,584	17,649	18,331	16,776	17,216	18,612
Total revenue	\$ 43,636	\$ 42,325	\$ 41,444	\$ 44,184	\$ 45,355	\$ 44,635	\$ 45,388	\$ 47,339

(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>9/30/2017</u>	<u>6/30/2017</u>	<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>
Cost of revenue								
Payroll and related	\$ 4,330	\$ 4,613	\$ 4,490	\$ 4,611	\$ 4,469	\$ 4,404	\$ 4,632	\$ 4,417
Cost of sales	2,228	1,904	1,995	2,415	2,587	2,323	2,784	3,008
Stock based compensation	4	60	58	(108)	57	58	49	33
Other	507	613	493	564	526	728	552	577
Total cost of revenue	7,069	7,190	7,036	7,482	7,639	7,513	8,017	8,035
Research and development								
Payroll and related	4,005	3,807	3,405	3,195	2,939	2,505	2,337	2,023
Outside services	849	659	516	511	569	580	428	480
Stock based compensation	43	65	55	(82)	46	48	40	21
Other	104	131	129	78	91	78	103	84
Total research and development	5,001	4,662	4,105	3,702	3,645	3,211	2,908	2,608
Service, rental and maintenance								
Payroll and related	2,582	2,607	2,665	2,687	2,638	2,644	2,743	2,785
Site rent	3,534	3,604	3,620	3,618	3,626	3,668	3,660	3,664
Telecommunications	1,060	1,001	1,081	1,096	1,162	1,127	1,222	1,285
Stock based compensation	20	20	20	(29)	15	15	13	7
Other	679	712	680	617	812	734	667	675
Total service, rental and maintenance	7,875	7,944	8,066	7,989	8,253	8,188	8,305	8,416
Selling and marketing								
Payroll and related	3,113	3,039	3,071	3,556	3,467	3,489	3,654	3,771
Commissions	1,234	1,121	1,202	1,248	1,317	1,559	1,525	1,754
Stock based compensation	84	99	101	(131)	75	75	48	(7)
Other	1,102	1,070	1,548	1,182	1,096	1,306	1,302	1,518
Total selling and marketing	5,533	5,329	5,922	5,855	5,955	6,429	6,529	7,036
General and administrative								
Payroll and related	4,569	4,420	4,439	4,426	4,076	4,249	4,399	3,913
Stock based compensation	711	755	722	(863)	507	534	488	316
Bad debt								
Facility rent	913	869	819	817	848	810	839	856
Telecommunications								
Outside services	2,267	2,224	2,287	2,277	2,082	1,964	1,735	1,790
Taxes, licenses and permits	1,077	1,034	989	976	1,164	1,060	1,055	1,132
Other	2,470	2,637	2,454	2,206	1,916	1,822	1,994	2,269
Total general and administrative	12,007	11,939	11,710	9,839	10,593	10,439	10,510	10,276
Severance	51	—	—	1,438	12	—	(4)	1,056
Depreciation, amortization and accretion	2,775	2,851	3,223	3,176	3,229	3,235	3,323	3,362
Operating expenses	\$ 40,311	\$ 39,915	\$ 40,062	\$ 39,481	\$ 39,326	\$ 39,015	\$ 39,588	\$ 40,789
Capital expenditures	1,816	2,353	2,851	1,878	1,396	1,537	1,445	2,024

(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)

	<u>For the three months ended</u>							
	<u>9/30/2017</u>	<u>6/30/2017</u>	<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>
Paging units in service								
Beginning units in service (000's)	1,086	1,091	1,111	1,124	1,144	1,153	1,173	1,192
Gross placements	30	42	28	36	34	39	28	31
Gross disconnects	(53)	(47)	(48)	(49)	(54)	(48)	(48)	(50)
Net change	(23)	(5)	(20)	(13)	(20)	(9)	(20)	(19)
Ending units in service	1,063	1,086	1,091	1,111	1,124	1,144	1,153	1,173
End of period units in service % of total (b)								
Healthcare	80.4 %	80.4 %	79.7 %	79.3 %	78.6 %	78.2 %	77.5 %	77.0 %
Government	6.1 %	6.3 %	6.4 %	6.5 %	6.7 %	6.8 %	6.9 %	7.2 %
Large enterprise	6.0 %	6.1 %	6.1 %	6.2 %	6.5 %	6.6 %	6.9 %	6.9 %
Other(b)	7.4 %	7.3 %	7.7 %	8.0 %	8.2 %	8.3 %	8.7 %	9.0 %
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	95	98	102	106	110	114	118	123
101 to 1,000 units	201	204	214	217	222	228	238	243
>1,000 units	767	784	775	788	792	802	797	807
Total	1,063	1,086	1,091	1,111	1,124	1,144	1,153	1,173
Account size net loss rate(c)								
1 to 100 units	(2.8)%	(3.7)%	(3.4)%	(3.9)%	(3.5)%	(4.0)%	(4.3)%	(3.9)%
101 to 1,000 units	(1.8)%	(4.5)%	(1.3)%	(2.3)%	(2.6)%	(4.0)%	(2.0)%	(2.9)%
>1,000 units	(2.2)%	1.1 %	(1.7)%	(0.5)%	(1.2)%	0.6 %	(1.2)%	(0.9)%
Total	(2.2)%	(0.4)%	(1.8)%	(1.2)%	(1.7)%	(0.8)%	(1.7)%	(1.6)%
Account size ARPU								
1 to 100 units	\$ 12.23	\$ 12.16	\$ 12.22	\$ 12.25	\$ 12.34	\$ 12.48	\$ 12.57	\$ 12.52
101 to 1,000 units	8.62	8.61	8.66	8.63	8.64	8.65	8.70	8.65
>1,000 units	6.59	6.64	6.64	6.67	6.68	6.75	6.77	6.79
Total	\$ 7.48	\$ 7.52	\$ 7.56	\$ 7.59	\$ 7.63	\$ 7.71	\$ 7.77	\$ 7.79

(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>9/30/2017</u>	<u>6/30/2017</u>	<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>
Reconciliation of net income to EBITDA (b)								
(c):								
Net income	\$ 3,727	\$ 1,498	\$ 854	\$ 3,026	\$ 4,058	\$ 3,451	\$ 3,444	\$ 68,732
Plus (less): Income tax expense (benefit)	171	1,155	620	1,876	2,123	2,334	2,659	(62,098)
Plus (less): Other expense (income)	(359)	(89)	30	(100)	(85)	(104)	(254)	(71)
Less: Interest income	(214)	(154)	(122)	(99)	(67)	(61)	(49)	(13)
Operating income	3,325	2,410	1,382	4,703	6,029	5,620	5,800	6,550
Plus: depreciation, amortization and accretion	2,775	2,851	3,223	3,176	3,229	3,235	3,323	3,362
EBITDA (as defined by the Company)	6,100	5,261	4,605	7,879	9,258	8,855	9,123	9,912
Less: Purchases of property and equipment	(1,816)	(2,353)	(2,851)	(1,878)	(1,396)	(1,537)	(1,445)	(2,024)
Plus: Severance	51	—	—	1,438	12	—	(4)	1,056
Adjusted OCF (as defined by the Company)	\$ 4,335	\$ 2,908	\$ 1,754	\$ 7,439	\$ 7,874	\$ 7,318	\$ 7,674	\$ 8,944

ended

	<u>9/30/2017</u>	<u>9/30/2016</u>
Reconciliation of net income to EBITDA (b)		
(c):		
Net income	\$ 6,078	\$ 10,953
Plus: Income tax expense	1,945	7,116
Less: Other income	(415)	(443)
Less: Interest income	(490)	(176)
Operating income	7,118	17,450
Plus: depreciation, amortization and accretion	8,849	9,787
EBITDA (as defined by the Company)	15,967	27,237
Less: Purchases of property and equipment	(7,020)	(4,378)
Plus: Severance	51	9
Adjusted OCF (as defined by the Company)	\$ 8,998	\$ 22,868

(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. Directors also rely on EBITDA for purposes of determining the Company's capital allocation policies.