



SPOK 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 twelve months ended</u>	
	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
Revenue:				
Wireless	\$ 24,579	\$ 26,535	\$ 101,188	\$ 109,590
Software	19,191	17,649	69,987	69,971
Total revenue	43,770	44,184	171,175	179,561
Operating expenses:				
Cost of revenue	7,122	7,482	28,418	30,649
Research and development	4,934	3,702	18,702	13,467
Service, rental and maintenance	7,617	7,989	31,502	32,734
Selling and marketing	6,039	5,855	22,823	24,768
General and administrative	11,695	11,277	47,400	42,827
Depreciation, amortization and accretion	2,774	3,176	11,624	12,963
Total operating expenses	40,181	39,481	160,469	157,408
% of total revenue	91.80 %	89.36 %	93.75 %	87.66 %
Operating income	3,589	4,703	10,706	22,153
% of total revenue	8.20 %	10.64 %	6.25 %	12.34 %
Interest income	229	99	719	275
Other (expense) income	(282)	100	134	543
Income before income tax expense	3,536	4,902	11,559	22,971
Income tax expense	(24,920)	(1,876)	(26,865)	(8,992)
Net (loss) income	\$ (21,384)	\$ 3,026	\$ (15,306)	\$ 13,979
Basic and diluted net (loss) income per common share	\$ (1.07)	\$ 0.15	\$ (0.76)	\$ 0.68
Basic and diluted weighted average common shares outstanding	19,987,763	20,529,958	20,210,260	20,586,066
Key statistics:				
Units in service	1,049	1,111	1,049	1,111
Average revenue per unit (ARPU)	\$ 7.46	\$ 7.59	\$ 7.51	\$ 7.67
Bookings	\$ 19,190	\$ 20,025	\$ 77,709	\$ 73,854
Backlog	\$ 42,305	\$ 38,295	\$ 42,305	\$ 38,295

(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>12/31/2017</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>
Revenue:								
Wireless	\$ 24,579	\$ 25,110	\$ 25,639	\$ 25,860	\$ 26,535	\$ 27,024	\$ 27,859	\$ 28,172
Software	19,191	18,526	16,686	15,584	17,649	18,331	16,776	17,216
Total revenue	43,770	43,636	42,325	41,444	44,184	45,355	44,635	45,388
Operating expenses:								
Cost of revenue	7,122	7,069	7,190	7,036	7,482	7,639	7,513	8,017
Research and development	4,934	5,001	4,662	4,105	3,702	3,645	3,211	2,908
Service, rental and maintenance	7,617	7,875	7,944	8,066	7,989	8,253	8,188	8,305
Selling and marketing	6,039	5,533	5,329	5,922	5,855	5,955	6,429	6,529
General and administrative	11,695	12,058	11,939	11,710	11,277	10,605	10,439	10,506
Depreciation, amortization and accretion	2,774	2,775	2,851	3,223	3,176	3,229	3,235	3,323
Total operating expenses	40,181	40,311	39,915	40,062	39,481	39,326	39,015	39,588
% of total revenue	91.8 %	92.4 %	94.3 %	96.7 %	89.4 %	86.7 %	87.4 %	87.2 %
Operating income	3,589	3,325	2,410	1,382	4,703	6,029	5,620	5,800
% of total revenue	8.2 %	7.6 %	5.7 %	3.3 %	10.6 %	13.3 %	12.6 %	12.8 %
Interest income, net	229	214	154	122	99	67	61	49
Other (expense) income, net	(282)	359	89	(30)	100	85	104	254
Income before income tax expense	3,536	3,898	2,653	1,474	4,902	6,181	5,785	6,103
Income tax expense	(24,920)	(171)	(1,155)	(620)	(1,876)	(2,123)	(2,334)	(2,659)
Net (loss) income	\$ (21,384)	\$ 3,727	\$ 1,498	\$ 854	\$ 3,026	\$ 4,058	\$ 3,451	\$ 3,444
Basic and diluted net (loss) income per common share	\$ (1.07)	\$ 0.19	\$ 0.07	\$ 0.04	\$ 0.15	\$ 0.20	\$ 0.17	\$ 0.17
Basic weighted average common shares outstanding	19,987,763	19,977,263	20,353,801	20,530,739	20,529,958	20,541,275	20,568,058	20,706,082
Key statistics:								
Units in service	1,049	1,063	1,086	1,091	1,111	1,124	1,144	1,153
Average revenue per unit (ARPU)	\$ 7.46	\$ 7.48	\$ 7.52	\$ 7.56	\$ 7.59	\$ 7.63	\$ 7.71	\$ 7.77
Bookings	\$ 19,190	\$ 18,327	\$ 20,405	\$ 19,788	\$ 20,025	\$ 18,659	\$ 20,063	\$ 15,106
Backlog	\$ 42,305	\$ 46,900	\$ 43,455	\$ 40,555	\$ 38,295	\$ 38,812	\$ 39,475	\$ 36,766

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



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

(In thousands)

	<u>12/31/2017</u>	<u>12/31/2016</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 107,157	\$ 125,816
Accounts receivable, net	32,279	23,666
Prepaid expenses and other	5,752	4,384
Inventory	1,672	1,996
Total current assets	146,860	155,862
Non-current assets:		
Property and equipment, net	13,399	12,818
Goodwill	133,031	133,031
Intangible assets, net	7,917	10,803
Deferred income tax assets	47,679	73,068
Other non-current assets	1,675	2,505
Total non-current assets	203,701	232,225
Total assets	\$ 350,561	\$ 388,087
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	1,305	1,909
Accrued compensation and benefits	11,018	13,268
Accrued dividends payable	384	5,140
Accrued taxes	2,547	4,132
Deferred revenue	31,414	29,145
Other current liabilities	4,226	2,733
Total current liabilities	50,894	56,327
Non-current liabilities:		
Deferred revenue	1,063	752
Other long-term liabilities	8,075	8,921
Total non-current liabilities	9,138	9,673
Total liabilities	60,032	66,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock	2	2
Additional paid-in capital	98,731	104,810
Retained earnings	191,796	217,275
Total stockholders' equity	290,529	322,087
Total liabilities and stockholders' equity	\$ 350,561	\$ 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)

	Twelve months ended	
	12/31/2017	12/31/2016
Cash flows provided by operating activities:		
Net (loss) income	\$ (15,306)	\$ 13,979
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, amortization and accretion	11,624	12,963
Deferred income tax expense	25,390	6,926
Stock based compensation	3,688	854
Provisions for doubtful accounts, service credits and other	1,035	761
(Gain) Loss on disposals of property and equipment and adjustments of non-cash transaction taxes	(813)	(268)
Changes in assets and liabilities:		
Accounts receivable	(9,648)	(1,790)
Prepaid expenses, intangible assets and other assets	274	843
Accounts payable, accrued liabilities and other	(3,267)	1,083
Deferred revenue	2,579	2,110
Net cash provided by operating activities	15,556	37,461
Cash flows from investing activities:		
Purchases of property and equipment, net of proceeds from disposals of property and equipment	(9,214)	(6,254)
Net cash used in investing activities	(9,214)	(6,254)
Cash flows from financing activities:		
Cash distributions to stockholders	(15,234)	(10,287)
Purchase of common stock (including commissions)	(10,023)	(6,489)
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	256	53
Net cash used in financing activities	(25,001)	(16,723)
Net decrease in cash and cash equivalents	(18,659)	14,484
Cash and cash equivalents, beginning of period	125,816	111,332
Cash and cash equivalents, end of period	\$ 107,157	\$ 125,816
Supplemental disclosure:		
Income taxes paid	\$ 2,620	\$ 695

(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>12/31/2017</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>
Revenue								
Paging	\$ 23,624	\$ 24,128	\$ 24,572	\$ 24,972	\$ 25,441	\$ 25,944	\$ 26,564	\$ 27,101
Non-paging	955	982	1,067	888	1,094	1,080	1,295	1,071
Total wireless revenue	24,579	25,110	25,639	25,860	26,535	27,024	27,859	28,172
Subscription	559	577	623	543	551	560	503	498
License	2,431	1,995	1,641	1,171	1,594	1,842	1,691	1,593
Services	5,437	5,189	3,650	3,354	4,500	5,578	4,202	4,315
Equipment	945	1,102	1,127	973	1,402	1,091	1,250	1,729
Operations revenue	9,372	8,863	7,041	6,041	8,047	9,071	7,646	8,135
Maintenance revenue	9,819	9,663	9,645	9,543	9,602	9,260	9,130	9,081
Total software revenue	19,191	18,526	16,686	15,584	17,649	18,331	16,776	17,216
Total revenue	\$ 43,770	\$ 43,636	\$ 42,325	\$ 41,444	\$ 44,184	\$ 45,355	\$ 44,635	\$ 45,388

(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>12/31/2017</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>
Cost of revenue								
Payroll and related	\$ 4,374	\$ 4,330	\$ 4,613	\$ 4,490	\$ 4,611	\$ 4,469	\$ 4,404	\$ 4,632
Cost of sales	1,990	2,228	1,904	1,995	2,415	2,587	2,323	2,784
Stock based compensation	58	4	60	58	(108)	57	58	49
Other	700	507	613	493	564	526	728	552
Total cost of revenue	7,122	7,069	7,190	7,036	7,482	7,639	7,513	8,017
Research and development								
Payroll and related	3,521	4,005	3,807	3,405	3,195	2,939	2,505	2,337
Outside services	1,361	849	659	516	511	569	580	428
Stock based compensation	(71)	43	65	55	(82)	46	48	40
Other	123	104	131	129	78	91	78	103
Total research and development	4,934	5,001	4,662	4,105	3,702	3,645	3,211	2,908
Service, rental and maintenance								
Payroll and related	2,413	2,582	2,607	2,665	2,687	2,638	2,644	2,743
Site rent	3,471	3,534	3,604	3,620	3,618	3,626	3,668	3,660
Telecommunications	979	1,060	1,001	1,081	1,096	1,162	1,127	1,222
Stock based compensation	20	20	20	20	(29)	15	15	13
Other	734	679	712	680	617	812	734	667
Total service, rental and maintenance	7,617	7,875	7,944	8,066	7,989	8,253	8,188	8,305
Selling and marketing								
Payroll and related	2,573	3,113	3,039	3,071	3,556	3,467	3,489	3,654
Commissions	1,634	1,234	1,121	1,202	1,248	1,317	1,559	1,525
Stock based compensation	93	84	99	101	(131)	75	75	48
Other	1,739	1,102	1,070	1,548	1,182	1,096	1,306	1,302
Total selling and marketing	6,039	5,533	5,329	5,922	5,855	5,955	6,429	6,529
General and administrative								
Payroll and related	3,649	4,569	4,420	4,439	4,426	4,076	4,249	4,399
Stock based compensation	774	711	755	722	(863)	507	534	488
Facility rent	858	913	869	819	817	848	810	839
Outside services	2,608	2,267	2,224	2,287	2,277	2,082	1,964	1,735
Taxes, licenses and permits	1,120	1,077	1,034	989	976	1,164	1,060	1,055
Other	2,686	2,521	2,637	2,454	3,644	1,928	1,822	1,990
Total general and administrative	11,695	12,058	11,939	11,710	11,277	10,605	10,439	10,506
Depreciation, amortization and accretion	2,774	2,775	2,851	3,223	3,176	3,229	3,235	3,323
Operating expenses	\$ 40,181	\$ 40,311	\$ 39,915	\$ 40,062	\$ 39,481	\$ 39,326	\$ 39,015	\$ 39,588
Capital expenditures	2,179	1,816	2,353	2,851	1,878	1,396	1,537	1,445

(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>12/31/2017</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>
Paging units in service								
Beginning units in service (000's)	1,063	1,086	1,091	1,111	1,124	1,144	1,153	1,173
Gross placements	26	30	42	28	36	34	39	28
Gross disconnects	(40)	(53)	(47)	(48)	(49)	(54)	(48)	(48)
Net change	<u>(14)</u>	<u>(23)</u>	<u>(5)</u>	<u>(20)</u>	<u>(13)</u>	<u>(20)</u>	<u>(9)</u>	<u>(20)</u>
Ending units in service	<u>1,049</u>	<u>1,063</u>	<u>1,086</u>	<u>1,091</u>	<u>1,111</u>	<u>1,124</u>	<u>1,144</u>	<u>1,153</u>
End of period units in service % of total (b)								
Healthcare	80.7 %	80.4 %	80.4 %	79.7 %	79.3 %	78.6 %	78.2 %	77.5 %
Government	6.0 %	6.1 %	6.3 %	6.4 %	6.5 %	6.7 %	6.8 %	6.9 %
Large enterprise	6.0 %	6.0 %	6.1 %	6.1 %	6.2 %	6.5 %	6.6 %	6.9 %
Other(b)	7.2 %	7.4 %	7.3 %	7.7 %	8.0 %	8.2 %	8.3 %	8.7 %
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	92	95	98	102	106	110	114	118
101 to 1,000 units	198	201	204	214	217	222	228	238
>1,000 units	759	767	784	775	788	792	802	797
Total	<u>1,049</u>	<u>1,063</u>	<u>1,086</u>	<u>1,091</u>	<u>1,111</u>	<u>1,124</u>	<u>1,144</u>	<u>1,153</u>
Account size net loss rate(c)								
1 to 100 units	(3.6)%	(2.8)%	(3.7)%	(3.4)%	(3.9)%	(3.5)%	(4.0)%	(4.3)%
101 to 1,000 units	(1.1)%	(1.8)%	(4.5)%	(1.3)%	(2.3)%	(2.6)%	(4.0)%	(2.0)%
>1,000 units	(1.1)%	(2.2)%	1.1 %	(1.7)%	(0.5)%	(1.2)%	0.6 %	(1.2)%
Total	<u>(1.3)%</u>	<u>(2.2)%</u>	<u>(0.4)%</u>	<u>(1.8)%</u>	<u>(1.2)%</u>	<u>(1.7)%</u>	<u>(0.8)%</u>	<u>(1.7)%</u>
Account size ARPU								
1 to 100 units	\$ 12.11	\$ 12.23	\$ 12.16	\$ 12.22	\$ 12.25	\$ 12.34	\$ 12.48	\$ 12.57
101 to 1,000 units	8.58	8.62	8.61	8.66	8.63	8.64	8.65	8.70
>1,000 units	6.59	6.59	6.64	6.64	6.67	6.68	6.75	6.77
Total	<u>\$ 7.46</u>	<u>\$ 7.48</u>	<u>\$ 7.52</u>	<u>\$ 7.56</u>	<u>\$ 7.59</u>	<u>\$ 7.63</u>	<u>\$ 7.71</u>	<u>\$ 7.77</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>12/31/2017</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>
Reconciliation of net income to EBITDA (b) (c):								
Net (loss) income	\$ (21,384)	\$ 3,727	\$ 1,498	\$ 854	\$ 3,026	\$ 4,058	\$ 3,451	\$ 3,444
Plus (less): Income tax expense	24,920	171	1,155	620	1,876	2,123	2,334	2,659
Plus (less): Other expense (income)	282	(359)	(89)	30	(100)	(85)	(104)	(254)
Less: Interest income	(229)	(214)	(154)	(122)	(99)	(67)	(61)	(49)
Operating income	3,589	3,325	2,410	1,382	4,703	6,029	5,620	5,800
Plus: depreciation, amortization and accretion	2,774	2,775	2,851	3,223	3,176	3,229	3,235	3,323
EBITDA (as defined by the Company)	6,363	6,100	5,261	4,605	7,879	9,258	8,855	9,123
Less: Purchases of property and equipment	(2,179)	(1,816)	(2,353)	(2,851)	(1,878)	(1,396)	(1,537)	(1,445)
Plus: Severance	53	51	—	—	1,438	12	—	(4)
Adjusted OCF (as defined by the Company)	\$ 4,237	\$ 4,335	\$ 2,908	\$ 1,754	\$ 7,439	\$ 7,874	\$ 7,318	\$ 7,674

Twelve months ended

	<u>12/31/2017</u>	<u>12/31/2016</u>
Reconciliation of net income to EBITDA (b) (c):		
Net (loss) income	\$ (15,306)	\$ 13,979
Plus: Income tax expense	26,865	8,992
Less: Other income	(134)	(543)
Less: Interest income	(719)	(275)
Operating income	10,706	22,153
Plus: depreciation, amortization and accretion	11,624	12,963
EBITDA (as defined by the Company)	22,330	35,116
Less: Purchases of property and equipment	(9,200)	(6,256)
Plus: Severance	104	1,446
Adjusted OCF (as defined by the Company)	\$ 13,234	\$ 30,306

(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. We define OCF as EBITDA less purchases of tangible assets and severance expense in determining whether management has achieved certain performance objectives for the year as set by our Board of Directors in awarding annual and long term incentive compensation to senior executives.



SPOK HOLDINGS, INC.
2018 FINANCIAL GUIDANCE
(Unaudited and in millions)

	Guidance Range	
	From	To
Revenues		
Wireless	\$ 86.5	\$ 94.5
Software	<u>74.5</u>	<u>82.5</u>
	<u>\$ 161.0</u>	<u>\$ 177.0</u>
Operating Expenses (a)	<u>\$ 165.0</u>	<u>\$ 158.0</u>
Capital Expenses	<u>\$ 8.0</u>	<u>\$ 4.0</u>

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

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