



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 six months ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Revenue:				
Wireless	\$ 23,658	\$ 25,639	\$ 47,927	\$ 51,499
Software	16,970	16,686	35,815	32,270
Total revenue	40,628	42,325	83,742	83,769
Operating expenses:				
Cost of revenue	7,400	7,190	15,133	14,226
Research and development	6,177	4,662	11,912	8,767
Service, rental and maintenance	7,698	7,944	15,448	16,010
Selling and marketing	6,093	5,329	12,562	11,251
General and administrative	12,741	11,939	24,704	23,649
Depreciation, amortization and accretion	2,669	2,851	5,382	6,074
Total operating expenses	42,778	39,915	85,141	79,977
% of total revenue	105.3 %	94.3 %	101.7 %	95.5 %
Operating (loss) income	(2,150)	2,410	(1,399)	3,792
% of total revenue	(5.3)%	5.7 %	(1.7)%	4.5 %
Interest income	342	154	625	276
Other income	102	89	54	58
(Loss) income before income taxes	(1,706)	2,653	(720)	4,126
Benefit from (provision for) income taxes	730	(1,155)	255	(1,774)
Net (loss) income	\$ (976)	\$ 1,498	\$ (465)	\$ 2,352
Basic net (loss) income per common share	\$ (0.05)	\$ 0.07	\$ (0.02)	\$ 0.12
Diluted net (loss) income per common share	\$ (0.05)	\$ 0.07	\$ (0.02)	\$ 0.11
Basic weighted average common shares outstanding	19,750,941	20,353,801	19,888,606	20,441,781
Diluted weighted average common shares outstanding	19,750,941	20,366,102	19,888,606	20,508,473
Cash dividends declared per common share	\$ 0.125	\$ 0.125	\$ 0.250	\$ 0.250
Key statistics:				
Units in service	1,024	1,086	1,024	1,086
Average revenue per unit (ARPU)	\$ 7.41	\$ 7.52	\$ 7.42	\$ 7.58
Bookings	\$ 18,488	\$ 20,405	\$ 36,612	\$ 40,193
Backlog	\$ 36,295	\$ 43,455	\$ 36,295	\$ 43,455

(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>6/30/2018</u>	<u>3/31/2018</u>	<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>
Revenue:								
Wireless	\$ 23,658	\$ 24,269	\$ 24,579	\$ 25,110	\$ 25,639	\$ 25,860	\$ 26,535	\$ 27,024
Software	16,970	18,845	19,191	18,526	16,686	15,584	17,649	18,331
Total revenue	40,628	43,114	43,770	43,636	42,325	41,444	44,184	45,355
Operating expenses:								
Cost of revenue	7,400	7,712	7,122	7,069	7,190	7,036	7,482	7,639
Research and development	6,177	5,735	4,934	5,001	4,662	4,105	3,702	3,645
Service, rental and maintenance	7,698	7,750	7,617	7,875	7,944	8,066	7,989	8,253
Selling and marketing	6,093	6,490	6,039	5,533	5,329	5,922	5,855	5,955
General and administrative	12,741	11,964	11,695	12,058	11,939	11,710	11,277	10,605
Depreciation, amortization and accretion	2,669	2,713	2,774	2,775	2,851	3,223	3,176	3,229
Total operating expenses	42,778	42,364	40,181	40,311	39,915	40,062	39,481	39,326
% of total revenue	105.3 %	98.3 %	91.8 %	92.4 %	94.3 %	96.7 %	89.4 %	86.7 %
Operating (loss) income	(2,150)	750	3,589	3,325	2,410	1,382	4,703	6,029
% of total revenue	(5.3)%	1.7 %	8.2 %	7.6 %	5.7 %	3.3 %	10.6 %	13.3 %
Interest income	342	283	229	214	154	122	99	67
Other income (expense)	102	(47)	(282)	359	89	(30)	100	85
(Loss) income before income taxes	(1,706)	986	3,536	3,898	2,653	1,474	4,902	6,181
Benefit from (provision for) income taxes	730	(475)	(24,920)	(171)	(1,155)	(620)	(1,876)	(2,123)
Net (loss) income	\$ (976)	\$ 511	\$ (21,384)	\$ 3,727	\$ 1,498	\$ 854	\$ 3,026	\$ 4,058
Basic and diluted net (loss) income per common share	\$ (0.05)	\$ 0.03	\$ (1.07)	\$ 0.19	\$ 0.07	\$ 0.04	\$ 0.15	\$ 0.20
Basic weighted average common shares outstanding	19,750,941	20,027,800	19,987,763	19,977,263	20,353,801	20,530,739	20,529,958	20,541,275
Diluted weighted average common shares outstanding	19,750,941	20,153,291	19,987,763	20,008,321	20,366,102	20,585,542	20,529,958	20,541,275
Key statistics:								
Units in service	1,024	1,030	1,049	1,063	1,086	1,091	1,111	1,124
Average revenue per unit (ARPU)	\$ 7.41	\$ 7.47	\$ 7.46	\$ 7.48	\$ 7.52	\$ 7.56	\$ 7.59	\$ 7.63
Bookings	\$ 18,488	\$ 18,124	\$ 19,190	\$ 18,327	\$ 20,405	\$ 19,788	\$ 20,025	\$ 18,659
Backlog	\$ 36,295	\$ 35,930	\$ 42,305	\$ 46,900	\$ 43,455	\$ 40,555	\$ 38,295	\$ 38,812

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



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

	<u>6/30/2018</u>	<u>12/31/2017</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 94,068	\$ 107,157
Accounts receivable, net	35,574	32,279
Prepaid expenses and other	7,050	5,752
Inventory	1,505	1,672
Total current assets	138,197	146,860
Non-current assets:		
Property and equipment, net	13,035	13,399
Goodwill	133,031	133,031
Intangible assets, net	6,667	7,917
Deferred income tax assets	46,344	47,679
Other non-current assets	1,431	1,675
Total non-current assets	200,508	203,701
Total assets	\$ 338,705	\$ 350,561
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	310	1,305
Accrued compensation and benefits	9,261	11,018
Accrued taxes	2,055	2,547
Deferred revenue	32,449	31,414
Other current liabilities	4,010	4,610
Total current liabilities	48,085	50,894
Non-current liabilities:		
Deferred revenue	961	1,063
Other long-term liabilities	8,393	8,075
Total non-current liabilities	9,354	9,138
Total liabilities	57,439	60,032
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock	2	2
Additional paid-in capital	92,102	99,819
Accumulated other comprehensive loss	(1,850)	(1,088)
Retained earnings	191,012	191,796
Total stockholders' equity	281,266	290,529
Total liabilities and stockholders' equity	\$ 338,705	\$ 350,561

(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 six months ended	
	<u>6/30/2018</u>	<u>6/30/2017</u>
Cash flows provided by operating activities:		
Net (loss) income	\$ (465)	\$ 2,352
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	5,382	6,074
Deferred income tax (benefit) expense	(472)	1,069
Stock based compensation	2,501	1,953
Provisions for doubtful accounts, service credits and other	1,016	458
Adjustments of non-cash transaction taxes	(104)	(700)
Changes in assets and liabilities:		
Accounts receivable	(2,986)	(1,242)
Prepaid expenses, inventory and other assets	(277)	(2,684)
Accounts payable, accrued liabilities and other	(3,394)	(3,261)
Deferred revenue	5,191	2,561
Net cash provided by operating activities	6,392	6,580
Cash flows from investing activities:		
Purchases of property and equipment	(3,464)	(5,198)
Net cash used in investing activities	(3,464)	(5,198)
Cash flows from financing activities:		
Cash distributions to stockholders	(5,201)	(10,239)
Purchase of common stock for tax withholding on vested equity awards	(894)	—
Purchase of common stock (including commissions)	(9,467)	(10,024)
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	143	130
Net cash used in financing activities	(15,419)	(20,133)
Effect of exchange rate on cash	(598)	86
Net decrease in cash and cash equivalents	(13,089)	(18,665)
Cash and cash equivalents, beginning of period	107,157	125,816
Cash and cash equivalents, end of period	\$ 94,068	\$ 107,151
Supplemental disclosure:		
Income taxes paid	\$ 457	\$ 1,964

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



SPOK HOLDINGS, INC.
CONSOLIDATED REVENUE
SUPPLEMENTAL INFORMATION (a)
(Unaudited and in thousands)

	<u>For the three months ended</u>							
	<u>6/30/2018</u>	<u>3/31/2018</u>	<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>
Revenue								
Paging	\$ 22,824	\$ 23,308	\$ 23,624	\$ 24,128	\$ 24,572	\$ 24,972	\$ 25,441	\$ 25,944
Non-paging	834	961	955	982	1,067	888	1,094	1,080
Total wireless revenue	\$ 23,658	\$ 24,269	\$ 24,579	\$ 25,110	\$ 25,639	\$ 25,860	\$ 26,535	\$ 27,024
Subscription	441	420	559	577	623	543	551	560
License	1,552	3,956	2,431	1,995	1,641	1,171	1,594	1,842
Services	4,363	4,071	5,437	5,189	3,650	3,354	4,500	5,578
Equipment	1,107	1,024	945	1,102	1,127	973	1,402	1,091
Operations revenue	\$ 7,463	\$ 9,471	\$ 9,372	\$ 8,863	\$ 7,041	\$ 6,041	\$ 8,047	\$ 9,071
Maintenance revenue	\$ 9,507	\$ 9,374	\$ 9,819	\$ 9,663	\$ 9,645	\$ 9,543	\$ 9,602	\$ 9,260
Total software revenue	\$ 16,970	\$ 18,845	\$ 19,191	\$ 18,526	\$ 16,686	\$ 15,584	\$ 17,649	\$ 18,331
Total revenue	\$ 40,628	\$ 43,114	\$ 43,770	\$ 43,636	\$ 42,325	\$ 41,444	\$ 44,184	\$ 45,355

(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>6/30/2018</u>	<u>3/31/2018</u>	<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>
Cost of revenue								
Payroll and related	\$ 4,853	\$ 4,874	\$ 4,374	\$ 4,330	\$ 4,613	\$ 4,490	\$ 4,611	\$ 4,469
Cost of sales	1,923	2,309	1,990	2,228	1,904	1,995	2,415	2,587
Stock based compensation	75	55	58	4	60	58	(108)	57
Other	549	474	700	507	613	493	564	526
Total cost of revenue	7,400	7,712	7,122	7,069	7,190	7,036	7,482	7,639
Research and development								
Payroll and related	4,506	4,002	3,521	4,005	3,807	3,405	3,195	2,939
Outside services	1,481	1,513	1,361	849	659	516	511	569
Stock based compensation	90	71	(71)	43	65	55	(82)	46
Other	100	149	123	104	131	129	78	91
Total research and development	6,177	5,735	4,934	5,001	4,662	4,105	3,702	3,645
Service, rental and maintenance								
Payroll and related	2,618	2,693	2,413	2,582	2,607	2,665	2,687	2,638
Site rent	3,538	3,496	3,471	3,534	3,604	3,620	3,618	3,626
Telecommunications	935	898	979	1,060	1,001	1,081	1,096	1,162
Stock based compensation	24	24	20	20	20	20	(29)	15
Other	583	639	734	679	712	680	617	812
Total service, rental and maintenance	7,698	7,750	7,617	7,875	7,944	8,066	7,989	8,253
Selling and marketing								
Payroll and related	3,311	3,294	2,573	3,113	3,039	3,071	3,556	3,467
Commissions	1,397	1,774	1,634	1,234	1,121	1,202	1,248	1,317
Stock based compensation	135	135	93	84	99	101	(131)	75
Advertising and events	996	1,158	1,481	952	840	1,281	889	866
Other	254	129	258	150	230	267	293	230
Total selling and marketing	6,093	6,490	6,039	5,533	5,329	5,922	5,855	5,955
General and administrative								
Payroll and related	4,340	4,416	3,649	4,569	4,420	4,439	4,426	4,076
Stock based compensation	943	949	774	711	755	722	(863)	507
Bad debt	279	528	143	184	107	94	137	97
Facility rent and related costs	1,743	1,941	1,865	2,013	1,995	1,838	1,694	1,673
Outside services	3,023	2,122	2,924	2,351	2,507	2,627	2,430	2,247
Taxes, licenses and permits	1,024	1,080	1,120	1,077	1,034	989	976	1,164
Other	1,389	928	1,220	1,153	1,121	1,001	2,477	841
Total general and administrative	12,741	11,964	11,695	12,058	11,939	11,710	11,277	10,605
accretion	2,669	2,713	2,774	2,775	2,851	3,223	3,176	3,229
Operating expenses	\$ 42,778	\$ 42,364	\$ 40,181	\$ 40,311	\$ 39,915	\$ 40,062	\$ 39,481	\$ 39,326
Capital expenditures	\$ 2,299	\$ 1,164	\$ 2,179	\$ 1,816	\$ 2,353	\$ 2,851	\$ 1,878	\$ 1,396

(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>6/30/2018</u>	<u>3/31/2018</u>	<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>
Paging units in service								
Beginning units in service (000's)								
	1,030	1,049	1,063	1,086	1,091	1,111	1,124	1,144
Gross placements	35	25	26	30	42	28	36	34
Gross disconnects	(41)	(44)	(40)	(53)	(47)	(48)	(49)	(54)
Net change	(6)	(19)	(14)	(23)	(5)	(20)	(13)	(20)
Ending units in service	1,024	1,030	1,049	1,063	1,086	1,091	1,111	1,124
End of period units in service % of total (b)								
Healthcare	81.5 %	81.1 %	80.7 %	80.4 %	80.4 %	79.7 %	79.3 %	78.6 %
Government	5.7 %	5.9 %	6.0 %	6.1 %	6.3 %	6.4 %	6.5 %	6.7 %
Large enterprise	6.0 %	6.0 %	6.0 %	6.0 %	6.1 %	6.1 %	6.2 %	6.5 %
Other(b)	6.8 %	7.0 %	7.2 %	7.4 %	7.3 %	7.7 %	8.0 %	8.2 %
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	85	88	92	95	98	102	106	110
101 to 1,000 units	197	198	198	201	204	214	217	222
>1,000 units	742	744	759	767	784	775	788	792
Total	1,024	1,030	1,049	1,063	1,086	1,091	1,111	1,124
Account size net loss rate(c)								
1 to 100 units	(3.8)%	(4.7)%	(3.6)%	(2.8)%	(3.7)%	(3.4)%	(3.9)%	(3.5)%
101 to 1,000 units	(0.6)%	(10.0)%	(1.1)%	(1.8)%	(4.5)%	(1.3)%	(2.3)%	(2.6)%
>1,000 units	(0.2)%	(1.9)%	(1.1)%	(2.2)%	1.1 %	(1.7)%	(0.5)%	(1.2)%
Total	(0.6)%	(1.8)%	(1.3)%	(2.2)%	(0.4)%	(1.8)%	(1.2)%	(1.7)%
Account size ARPU								
1 to 100 units	\$ 12.04	\$ 12.13	\$ 12.11	\$ 12.23	\$ 12.16	\$ 12.22	\$ 12.25	\$ 12.34
101 to 1,000 units	8.34	8.47	8.58	8.62	8.61	8.66	8.63	8.64
>1,000 units	6.62	6.65	6.59	6.59	6.64	6.64	6.67	6.68
Total	\$ 7.41	\$ 7.47	\$ 7.46	\$ 7.48	\$ 7.52	\$ 7.56	\$ 7.59	\$ 7.63

(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 (LOSS) INCOME TO EBITDA (a)
(Unaudited and in thousands)

	For the three months ended							
	<u>6/30/2018</u>	<u>3/31/2018</u>	<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>
(b):								
Net (loss) income	\$ (976)	\$ 511	\$ (21,384)	\$ 3,727	\$ 1,498	\$ 854	\$ 3,026	\$ 4,058
Less (plus): Benefit from (provision for) income taxes	(730)	475	24,920	171	1,155	620	1,876	2,123
Plus (less): Other income (expense)	(102)	47	282	(359)	(89)	30	(100)	(85)
Less: Interest income	(342)	(283)	(229)	(214)	(154)	(122)	(99)	(67)
Operating (loss) income	<u>(2,150)</u>	<u>750</u>	<u>3,589</u>	<u>3,325</u>	<u>2,410</u>	<u>1,382</u>	<u>4,703</u>	<u>6,029</u>
Plus: depreciation, amortization and accretion	2,669	2,713	2,774	2,775	2,851	3,223	3,176	3,229
EBITDA (as defined by the Company)	<u>\$ 519</u>	<u>\$ 3,463</u>	<u>\$ 6,363</u>	<u>\$ 6,100</u>	<u>\$ 5,261</u>	<u>\$ 4,605</u>	<u>\$ 7,879</u>	<u>\$ 9,258</u>

	For the six months ended	
	<u>6/30/2018</u>	<u>6/30/2017</u>
(b):		
Net (loss) income	\$ (465)	\$ 2,352
Less (plus): Benefit from (provision for) income taxes	(255)	1,774
Less: Other income	(54)	(58)
Less: Interest income	(625)	(276)
Operating (loss) income	<u>(1,399)</u>	<u>3,792</u>
Plus: depreciation, amortization and accretion	5,382	6,074
EBITDA (as defined by the Company)	<u>\$ 3,983</u>	<u>\$ 9,866</u>

	For the three months ended	For the six months ended
	<u>6/30/2018</u>	<u>6/30/2018</u>
Reconciliation of EBITDA to EBITDA adjusted to exclude the adoption of ASC 606 (b):		
EBITDA (as defined by the Company)	\$ 519	\$ 3,983
Plus: Software revenue	1,166	509
(Less) plus: Cost of revenue	(21)	5
(Less) plus: Selling and marketing	(105)	334
Adjusted EBITDA (c)	<u>\$ 1,559</u>	<u>\$ 4,831</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. Management and the Board of Directors rely on EBITDA for purposes of determining the Company's capital allocation policies. EBITDA is also the starting point for the calculation of operating cash flow for purposes of determining whether management has achieved certain performance objectives in the Company's short term and long term incentive plans.

(c) Adjusted EBITDA represents EBITDA adjusted to exclude the adoption of ASC 606. Adjusted EBITDA is used by the Company for purposes of comparison to prior period results during its year of transition (2018) under the modified retrospective approach.



###