

Investor Relations -Press Release

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Spok Reports 2021 Third Quarter Results

Company affirms its financial outlook for full year 2021

ALEXANDRIA, Va.--(BUSINESS WIRE)--Nov. 3, 2021-- Spok Holdings, Inc. (NASDAQ: SPOK), a global leader in healthcare communications, today announced results for the third quarter ended September 30, 2021. In addition, the Company's Board of Directors declared a regular quarterly dividend of \$0.125 per share, payable on December 10, 2021, to stockholders of record on November 16, 2021.

Third Quarter 2021 Highlights:

- Received record-level software maintenance renewal bookings of \$12.1 million
- Continued improvement in year-over-year pager unit erosion on a trailing twelve-month basis
- Added further development enhancements to the Spok Go® platform
- Introduced the ReadyCall® Text pager
- For nine consecutive years, has partnered with all of the adult Best Hospitals, and in eight of the past nine years, provided solutions to all of the children's Best Hospitals named to U.S. News & World Report's 2021-22 Best Hospitals Honor Roll
- Completed Eleventh Annual State of Healthcare Communications Survey
- Subsequent to the end of the third quarter 2021, hosted annual Connect 21 Conference for customers in a virtual format

Management Commentary:

"We welcomed four new customers to the Spok family during the quarter of which three were software and one was wireless," said Vincent D. Kelly, president and chief executive officer. "Additionally, we successfully closed 12 six-figure deals from our pipeline. Software bookings were driven by strength in maintenance renewals, supporting our strong recurring revenue base. We added an additional Spok Go win during the quarter and remain encouraged by the size and quality of our pipeline, with the signing of three more Spok Go deals so far in the fourth quarter. We had continued improvement in year-over-year pager unit erosion on a trailing twelve-month basis, and software revenue was up in the third quarter of 2021 compared to the second quarter of 2021.

"During the third quarter 2021, we made several key product announcements, such as the newest version of Spok Go and the ReadyCall® Text pager to improve the patient experience. We also received recognition as a solutions provider to all 20 adult hospitals named to U.S. News & World Report's 2021-22 Best Hospitals Honor Roll and conducted our eleventh annual survey on the state of healthcare communications to more thoroughly understand the unique challenges facing clinicians, particularly in the current environment. Finally, subsequent to the end of the third quarter 2021, the Company held its annual Connect 21 Conference for customers on October 11-12, 2021, in a virtual format, which was well received by both current and prospective customers. Tim Tindle, Spok's Chief Information Officer, led a session on implementing a secure HIPAA-compliant messaging solution, using our new GenA™ pager, resulting in several new leads and orders. The success of the conference should create additional opportunities for 2022 and beyond," concluded Kelly.

2021 Third Quarter and Year-to-Date Results:

Consolidated revenue for the third quarter of 2021 under Generally Accepted Accounting Principles ("GAAP") was \$35.9 million, compared to \$37.7 million in the third quarter of 2020. For the first nine months of 2021, consolidated revenue totaled \$107.6 million, compared to \$110.7 million in the prior year period.

| | For the Three Months Ended | | | For the Nine Months Ended | | |
|---------------------------|----------------------------|-----------|------------|---------------------------|-----------|------------|
| | September 30, | | | September 30, | | |
| (Dollars in thousands) | 2021 | 2020 | Change (%) | 2021 | 2020 | Change (%) |
| Wireless revenue | | | | | | |
| Paging revenue | \$ 18,844 | \$ 19,961 | (5.6)% | \$ 57,332 | \$ 60,403 | (5.1)% |
| Product and other revenue | 800 | 867 | (7.7)% | 2,291 | 2,890 | (20.7)% |
| Total wireless revenue | \$ 19,644 | \$ 20,828 | (5.7)% | \$ 59,623 | \$ 63,293 | (5.8)% |
| Software revenue | | | | | | |
| License | \$ 1,674 | \$ 1,988 | (15.8)% | \$ 3,999 | \$ 3,692 | 8.3% |
| Services | \$ 4,159 | \$ 4,772 | (12.8)% | \$ 13,378 | \$ 13,132 | 1.9% |
| Equipment | \$ 596 | \$ 554 | 7.6% | \$ 1,694 | \$ 1,880 | (9.9)% |
| Subscription | \$ 133 | \$ 24 | 454.2% | \$ 268 | \$ 24 | 1,016.7% |
| Maintenance | 9,645 | 9,527 | 1.2% | 28,648 | 28,678 | (0.1)% |
| Total software revenue | 16,207 | 16,865 | (3.9)% | 47,987 | 47,406 | 1.2% |
| Total revenue | | | | | | |

\$35,851 \$37,693 (4.9)% \$107,610 \$110,699 (2.8)%

Operating expenses in the third quarter of 2021 totaled \$39.4 million and included approximately \$0.9 million of costs related to the Company's previously announced strategic alternatives review process and \$2.0 million in additional payroll and related costs as the Company-wide plan that reduced work schedules was terminated at the end of the second quarter of 2021. Adjusted operating expenses (which excludes depreciation, amortization and accretion charges, and includes capitalized software development costs) totaled \$39.5 million in the third quarter of 2021, driven by the items noted above.

GAAP net loss for the third quarter of 2021 was \$2.5 million, or a loss of \$0.13 per diluted share, compared to net income of \$3.2 million, or \$0.16 per diluted share, in the third quarter of 2020. GAAP net loss for the first nine months of 2021 was \$5.5 million, or a loss of \$0.28 per diluted share, compared to net income of \$2.4 million, or \$0.12 per diluted share, in the prior year period.

In the third quarter of 2021, adjusted EBITDA loss totaled \$1.6 million compared to adjusted EBITDA of \$3.8 million in the third quarter of 2020. In the first nine months of 2021, adjusted EBITDA loss totaled \$1.4 million, compared to adjusted EBITDA of \$4.3 million in the prior year period.

| (Dollars in thousands) | For the Three Months Ended September 30, | | | For the Nine Months Ended September 30, | | |
|--|---|----------|------------|--|----------|------------|
| | 2021 | 2020 | Change (%) | 2021 | 2020 | Change (%) |
| Net (loss) income | \$ (2,494) | \$ 3,165 | 178.8% | \$ (5,510) | \$ 2,384 | 331.1% |
| Basic net (loss) income per common share | \$ (0.13) | \$ 0.17 | 176.5% | \$ (0.28) | \$ 0.13 | 315.4% |
| Diluted net income (loss) per share | \$ (0.13) | \$ 0.16 | 181.3% | \$ (0.28) | \$ 0.12 | 333.3% |
| Adjusted EBITDA | \$ (1,594) | \$ 3,777 | 142.2% | \$ (1,357) | \$ 4,291 | 131.6% |

Financial Outlook:

The Company is affirming the financial outlook previously provided for full year 2021 as follows:

| (Unaudited and in millions) | Current Guidance Full Year 2021 | |
|------------------------------------|------------------------------------|-----------------|
| Revenue | | |
| Wireless | \$ 77.0 to | \$ 81.0 |
| Software | \$ 61.0 | \$ 70.0 |
| Total Revenue | \$ 138.0 | \$ 151.0 |
| Adjusted Operating Expenses | \$ 151.0 | \$ 157.0 |
| Capital Expenditures | \$ 3.5 | \$ 5.5 |

"We are on track to achieve our financial targets for 2021, supported by our performance in the first nine months of the year," said Michael W. Wallace, chief operating officer and chief financial officer. "Spok's balance sheet remains strong, with a cash, cash equivalents and short-term investments balance of \$67.5 million on September 30, 2021, and no debt."

2021 Third Quarter Call:

Due to the Company's strategic alternatives review process, which was announced on September 3, 2021, Spok will not be hosting a conference call to discuss the third quarter 2021 results. The Company will keep all stakeholders apprised of the status of the process as and when it is appropriate.

About Spok

Spok, Inc., a wholly owned subsidiary of Spok Holdings, Inc. (NASDAQ: SPOK), headquartered in Alexandria, Virginia, is proud to be a global leader in healthcare communications. We deliver clinical information to care teams when and where it matters most to improve patient outcomes. Top hospitals rely on the Spok Go® and Spok Care Connect® platforms to enhance workflows for clinicians and support administrative compliance. Our customers send over 100 million messages each month through their Spok® solutions. When seconds count and patients' lives are at stake, Spok enables smarter, faster clinical communication. For more information, [VISIT SPOK.COM](https://www.spok.com) or follow [@SPOKTWEETS](https://twitter.com/SPOKTWEETS) on Twitter.

Spok is a trademark of Spok Holdings, Inc. Spok Go and Spok Care Connect are trademarks of Spok, Inc.

Non-GAAP Financial Measures

This press release contains the following non-GAAP financial measures: adjusted operating expenses and adjusted EBITDA. Adjusted operating expenses excludes depreciation, amortization and accretion and includes capitalized software development costs. Adjusted EBITDA represents net income/(loss) before interest income/expense, income tax expense/benefit, depreciation, amortization and accretion expense and stock-based compensation expense and includes capitalized software development costs.

We believe that these non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends relating to Spok's financial condition and results of operations. We use these non-GAAP measures for financial, operational, and budgetary decision-making purposes, to understand and evaluate our core operating performance and trends, and to generate future operating plans. We believe that these non-GAAP financial measures permit us to more thoroughly analyze key financial metrics used to make operational decisions and allow us to assess our core operating results. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with other software companies who present similar non-GAAP financial measures. We adjust for certain items because we do not regard these costs as reflective of normal costs related to the ongoing operation of the business in the ordinary course. In general, these items possess one or more of the following characteristics: non-cash expenses, factors outside of our control, items that are non-operational in nature, and unusual items not expected to occur in the normal course of business.

We do not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in the Company's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, management presents non-GAAP financial measures in connection with GAAP results. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures, which are included in this press release, and not to rely on any single financial measure to evaluate our business.

Safe Harbor Statement under the Private Securities Litigation Reform Act

Statements contained herein or in prior press releases which are not historical fact, such as statements regarding Spok's future operating and financial performance, are forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that may cause Spok's actual results to be materially different from the future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those expectations include, but are not limited to, risks related to the COVID-19 pandemic and its effect on our business and the economy, other economic conditions such as recessionary economic cycles, higher interest rates, inflation and higher levels of unemployment, our ability to effectively develop, introduce and deploy our integrated communications platform and collaboration platform, Spok Go, declining demand for paging products and services, continued demand for our software products and services, our dependence on the U.S. healthcare industry, our ability to develop additional software solutions for our customers and manage our development as a global organization, the ability to manage operating expenses, particularly third-party consulting services and research and development costs, future capital needs, competitive pricing pressures, competition from traditional paging services, other wireless communications services and other software providers, many of which are substantially larger and have much greater financial and human capital resources, changes in customer purchasing priorities or capital expenditures, government regulation of our products and services and the healthcare and health insurance industries, reliance upon third-party providers for certain equipment and services, unauthorized breaches or failures in cybersecurity measures adopted by us and/or included in our products and services, the effects of changes in accounting policies or practices, our ability to realize the benefits associated with our deferred tax assets, future impairments of our long-lived assets, amortizable intangible assets and goodwill, the effects of our limited-duration shareholder rights plan, and the outcome of Spok's strategic alternatives review, as well as other risks described from time to time in our periodic reports and other filings with the Securities and Exchange Commission. Although Spok believes the expectations reflected in the forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. Spok disclaims any intent or obligation to update any forward-looking statements.

Tables to Follow

SPOK HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (a)

(Unaudited and in thousands except share, per share amounts and ARPU)

| | For the three months ended | | For the nine months ended | |
|--|----------------------------|---------------|---------------------------|----------------|
| | 9/30/2021 | 9/30/2020 | 9/30/2021 | 9/30/2020 |
| Revenue: | | | | |
| Wireless | \$ 19,644 | \$ 20,828 | \$ 59,623 | \$ 63,293 |
| Software | 16,207 | 16,865 | 47,987 | 47,406 |
| Total revenue | 35,851 | 37,693 | 107,610 | 110,699 |
| Operating expenses: | | | | |
| Cost of revenue | 7,520 | 6,544 | 21,734 | 20,709 |
| Research and development | 4,178 | 3,459 | 12,962 | 11,662 |
| Technology operations | 7,439 | 7,357 | 21,778 | 22,472 |
| Selling and marketing | 5,165 | 4,272 | 15,045 | 14,463 |
| General and administrative | 12,538 | 10,994 | 35,245 | 33,056 |
| Depreciation, amortization and accretion | 2,568 | 2,335 | 7,752 | 6,553 |
| Total operating expenses | 39,408 | 34,961 | 114,516 | 108,915 |
| % of total revenue | 109.9% | 92.8% | 106.4% | 98.4% |
| Operating (loss) income | (3,557) | 2,732 | (6,906) | 1,784 |
| % of total revenue | (9.9)% | 7.2% | (6.4)% | 1.6% |
| Interest income | 141 | 127 | 263 | 636 |

| | | | | |
|--|-------------------|-----------------|-------------------|-----------------|
| Other income | 10 | 151 | 13 | 113 |
| (Loss) income before income taxes | (3,406) | 3,010 | (6,630) | 2,533 |
| Benefit from (provision for) income taxes | 912 | 155 | 1,120 | (149) |
| Net (loss) income | \$ (2,494) | \$ 3,165 | \$ (5,510) | \$ 2,384 |
| Basic net (loss) income per common share | \$ (0.13) | \$ 0.17 | \$ (0.28) | \$ 0.13 |
| Diluted net (loss) income per common share | (0.13) | 0.16 | (0.28) | 0.12 |
| Basic weighted average common shares outstanding | 19,464,893 | 19,051,502 | 19,378,543 | 19,008,969 |
| Diluted weighted average common shares outstanding | 19,464,893 | 19,208,452 | 19,378,543 | 19,273,243 |
| Cash dividends declared per common share | 0.125 | 0.125 | 0.375 | 0.375 |
| Key statistics: | | | | |
| Units in service | 853 | 898 | 853 | 898 |
| Average revenue per unit (ARPU) | \$ 7.29 | \$ 7.34 | \$ 7.33 | \$ 7.31 |
| Bookings | \$ 17,116 | \$ 21,414 | \$ 44,750 | \$ 52,465 |
| Backlog | \$ 45,584 | \$ 51,708 | \$ 45,584 | \$ 51,708 |

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

SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (a)
(Unaudited and in thousands except share, per share amounts and ARPU)

| | For the three months ended | | | | | | | |
|--|----------------------------|-----------------|-------------------|--------------------|-----------------|-----------------|-------------------|-------------------|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 |
| Revenue: | | | | | | | | |
| Wireless | \$ 19,644 | \$ 19,859 | \$ 20,120 | \$ 20,300 | \$ 20,828 | \$ 21,078 | \$ 21,386 | \$ 21,615 |
| Software | 16,207 | 15,864 | 15,916 | 17,180 | 16,865 | 14,661 | 15,881 | 17,933 |
| Total revenue | 35,851 | 35,723 | 36,036 | 37,480 | 37,693 | 35,739 | 37,267 | 39,548 |
| Operating expenses: | | | | | | | | |
| Cost of revenue | 7,520 | 6,973 | 7,241 | 7,833 | 6,544 | 5,901 | 8,264 | 8,051 |
| Research and development | 4,178 | 4,278 | 4,506 | 4,166 | 3,459 | 2,754 | 5,449 | 7,132 |
| Technology operations | 7,439 | 7,087 | 7,252 | 7,371 | 7,357 | 7,212 | 7,904 | 8,083 |
| Selling and marketing | 5,165 | 4,980 | 4,900 | 5,004 | 4,272 | 3,831 | 6,361 | 5,891 |
| General and administrative | 12,538 | 11,557 | 11,150 | 10,046 | 10,994 | 10,810 | 11,251 | 11,531 |
| Depreciation, amortization and accretion | 2,568 | 2,457 | 2,727 | 2,503 | 2,335 | 2,072 | 2,146 | 2,250 |
| Goodwill impairment | — | — | — | 25,007 | — | — | — | 8,849 |
| Total operating expenses | 39,408 | 37,332 | 37,776 | 61,930 | 34,961 | 32,580 | 41,375 | 51,787 |
| % of total revenue | 109.9% | 104.5% | 104.8% | 165.2% | 92.8% | 91.2% | 111.0% | 130.9% |
| Operating (loss) income | (3,557) | (1,609) | (1,740) | (24,450) | 2,732 | 3,159 | (4,108) | (12,239) |
| % of total revenue | (9.9)% | (4.5)% | (4.8)% | (65.2)% | 7.2% | 8.8% | (11.0)% | (30.9)% |
| Interest income | 141 | 61 | 61 | 51 | 127 | 146 | 363 | 350 |
| Other income (expense) | 10 | 29 | (27) | 95 | 151 | 101 | (137) | 206 |
| (Loss) income before income taxes | (3,406) | (1,519) | (1,706) | (24,304) | 3,010 | 3,406 | (3,882) | (11,683) |
| Benefit from (provision for) income taxes | 912 | 800 | (591) | (22,306) | 155 | 353 | (657) | 2,172 |
| Net (loss) income | \$ (2,494) | \$ (719) | \$ (2,297) | \$ (46,610) | \$ 3,165 | \$ 3,759 | \$ (4,539) | \$ (9,511) |
| Basic net (loss) income per common share | \$ (0.13) | \$ (0.04) | \$ (0.12) | \$ (2.44) | \$ 0.17 | \$ 0.20 | \$ (0.24) | \$ (0.50) |
| Diluted net (loss) income per common share | (0.13) | (0.04) | (0.12) | (2.44) | 0.16 | 0.20 | (0.24) | (0.50) |
| Basic weighted average common shares outstanding | 19,464,893 | 19,395,364 | 19,272,786 | 19,088,329 | 19,051,502 | 19,016,853 | 18,958,716 | 18,860,020 |
| Diluted weighted average common shares outstanding | 19,464,893 | 19,395,364 | 19,272,786 | 19,088,329 | 19,208,452 | 19,115,148 | 18,958,716 | 18,860,020 |
| Key statistics: | | | | | | | | |
| Units in service | 853 | 869 | 874 | 885 | 898 | 915 | 926 | 938 |
| Average revenue per unit (ARPU) | \$ 7.29 | \$ 7.32 | \$ 7.34 | \$ 7.30 | \$ 7.34 | \$ 7.24 | \$ 7.31 | \$ 7.33 |
| Bookings | \$ 17,116 | \$ 13,037 | \$ 14,597 | \$ 16,528 | \$ 21,414 | \$ 15,411 | \$ 15,639 | \$ 21,932 |
| Backlog | \$ 45,584 | \$ 45,632 | \$ 48,849 | \$ 50,504 | \$ 51,708 | \$ 48,441 | \$ 49,052 | \$ 50,553 |

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

SPOK HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (a)

(In thousands)

| | <u>9/30/2021</u> | <u>12/31/2020</u> |
|---------------------------------------|-------------------|-------------------|
| ASSETS | (Unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | \$ 37,461 | \$ 48,729 |
| Short term investments | 29,998 | 29,995 |
| Accounts receivable, net | 26,979 | 29,934 |
| Prepaid expenses | 9,169 | 8,958 |
| Other current assets | 896 | 1,269 |
| Total current assets | 104,503 | 118,885 |
| Non-current assets: | | |
| Property and equipment, net | 7,834 | 7,815 |
| Operating lease right-of-use assets | 16,113 | 14,016 |
| Capitalized software development, net | 14,638 | 10,179 |
| Goodwill | 99,175 | 99,175 |
| Intangible assets, net | — | 417 |
| Deferred income tax assets, net | 26,739 | 25,826 |
| Other non-current assets | 750 | 978 |
| Total non-current assets | 165,249 | 158,406 |
| Total assets | \$ 269,752 | \$ 277,291 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|-------------------|-------------------|
| Current liabilities: | | |
| Accounts payable | \$ 4,521 | \$ 6,685 |
| Accrued compensation and benefits | 15,190 | 14,103 |
| Deferred revenue | 26,767 | 27,686 |
| Operating lease liabilities | 5,643 | 5,264 |
| Other current liabilities | 5,239 | 3,702 |
| Total current liabilities | 57,360 | 57,440 |
| Non-current liabilities: | | |
| Asset retirement obligations | 7,450 | 7,289 |
| Operating lease liabilities | 11,951 | 9,456 |
| Other non-current liabilities | 1,377 | 2,493 |
| Total non-current liabilities | 20,778 | 19,238 |
| Total liabilities | 78,138 | 76,678 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock | \$ — | \$ — |
| Common stock | 2 | 2 |
| Additional paid-in capital | 96,088 | 91,780 |
| Accumulated other comprehensive loss | (1,598) | (1,452) |
| Retained earnings | 97,122 | 110,283 |
| Total stockholders' equity | 191,614 | 200,613 |
| Total liabilities and stockholders' equity | \$ 269,752 | \$ 277,291 |

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

SPOK HOLDINGS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (a)**

(Unaudited and in thousands)

| | <u>For the nine months ended</u> | |
|--|----------------------------------|------------------|
| | <u>9/30/2021</u> | <u>9/30/2020</u> |
| Operating activities: | | |
| Net (loss) income | \$ (5,510) | \$ 2,384 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 7,752 | 6,553 |
| Deferred income tax (benefit) expense | (907) | 15 |
| Stock-based compensation | 6,036 | 4,160 |

| | | |
|---|------------------|------------------|
| Provisions for doubtful accounts, service credits and other | 765 | 914 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 2,165 | (1,019) |
| Prepaid expenses and other assets | 202 | 1,726 |
| Net operating lease liabilities | 778 | (50) |
| Accounts payable, accrued liabilities and other | 300 | 3,591 |
| Deferred revenue | (2,053) | 2,680 |
| Net cash provided by operating activities | 9,528 | 20,954 |
| Investing activities: | | |
| Purchases of property and equipment | (3,103) | (2,824) |
| Capitalized software development | (8,239) | (8,206) |
| Purchase of short-term investments | (44,990) | (44,870) |
| Maturity of short-term investments | 45,000 | 45,000 |
| Net cash used in investing activities | (11,332) | (10,900) |
| Financing activities: | | |
| Cash distributions to stockholders | (7,590) | (7,388) |
| Proceeds from issuance of common stock under the Employee Stock Purchase Plan | 132 | 166 |
| Purchase of common stock for tax withholding on vested equity awards | (1,860) | (903) |
| Net cash used in financing activities | (9,318) | (8,125) |
| Effect of exchange rate on cash and cash equivalents | (146) | (55) |
| Net (decrease) increase in cash and cash equivalents | (11,268) | 1,874 |
| Cash and cash equivalents, beginning of period | 48,729 | 47,361 |
| Cash and cash equivalents, end of period | \$ 37,461 | \$ 49,235 |
| Supplemental disclosure: | | |
| Income taxes (refunds received) paid | \$ (165) | \$ 148 |

(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 | | | | | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 |
| Revenue | | | | | | | | |
| Paging | \$ 18,844 | \$ 19,135 | \$ 19,353 | \$ 19,513 | \$ 19,961 | \$ 19,990 | \$ 20,451 | \$ 20,826 |
| Non-paging | \$ 800 | \$ 724 | \$ 767 | \$ 787 | \$ 867 | \$ 1,088 | \$ 935 | \$ 789 |
| Total wireless revenue | \$ 19,644 | \$ 19,859 | \$ 20,120 | \$ 20,300 | \$ 20,828 | \$ 21,078 | \$ 21,386 | \$ 21,615 |
| License | \$ 1,674 | \$ 818 | \$ 1,507 | \$ 1,486 | \$ 1,988 | \$ 749 | \$ 955 | \$ 1,711 |
| Services | \$ 4,159 | \$ 4,865 | \$ 4,354 | \$ 4,778 | \$ 4,772 | \$ 3,812 | \$ 4,549 | \$ 4,947 |
| Equipment | \$ 596 | \$ 482 | \$ 616 | \$ 961 | \$ 554 | \$ 601 | \$ 725 | \$ 1,125 |
| Subscription | \$ 133 | \$ 90 | \$ 45 | \$ 42 | \$ 24 | \$ — | \$ — | \$ — |
| Operations revenue | \$ 6,562 | \$ 6,255 | \$ 6,522 | \$ 7,267 | \$ 7,338 | \$ 5,162 | \$ 6,229 | \$ 7,783 |
| Maintenance revenue | \$ 9,645 | \$ 9,609 | \$ 9,394 | \$ 9,913 | \$ 9,527 | \$ 9,499 | \$ 9,652 | \$ 10,150 |
| Total software revenue | \$ 16,207 | \$ 15,864 | \$ 15,916 | \$ 17,180 | \$ 16,865 | \$ 14,661 | \$ 15,881 | \$ 17,933 |
| Total revenue | \$ 35,851 | \$ 35,723 | \$ 36,036 | \$ 37,480 | \$ 37,693 | \$ 35,739 | \$ 37,267 | \$ 39,548 |

(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 | | | | | | | | | |
|----------------------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|------------|--|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 | |
| Cost of revenue | | | | | | | | | |
| Payroll and related | \$ 5,435 | \$ 4,920 | \$ 5,369 | \$ 5,447 | \$ 4,941 | \$ 4,350 | \$ 5,785 | \$ 5,222 | |
| Cost of sales | 1,414 | 1,427 | 1,251 | 1,740 | 1,064 | 1,098 | 1,940 | 2,278 | |
| Stock-based compensation | 250 | 285 | 322 | 136 | 148 | 134 | 119 | 42 | |

| | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Other | 421 | 341 | 299 | 510 | 391 | 319 | 420 | 509 |
| Total cost of revenue | 7,520 | 6,973 | 7,241 | 7,833 | 6,544 | 5,901 | 8,264 | 8,051 |
| Research and development | | | | | | | | |
| Payroll and related | 4,291 | 4,333 | 4,475 | 4,358 | 4,147 | 4,115 | 4,761 | 5,056 |
| Outside services | 1,759 | 2,060 | 2,277 | 2,358 | 2,113 | 1,803 | 1,584 | 1,742 |
| Capitalized software development | (2,621) | (2,698) | (2,920) | (3,046) | (2,906) | (3,596) | (1,705) | — |
| Stock-based compensation | 435 | 305 | 475 | 246 | 240 | 243 | 236 | 113 |
| Other | 314 | 278 | 199 | 250 | (135) | 189 | 573 | 221 |
| Total research and development | 4,178 | 4,278 | 4,506 | 4,166 | 3,459 | 2,754 | 5,449 | 7,132 |
| Technology operations | | | | | | | | |
| Payroll and related | 2,585 | 2,323 | 2,467 | 2,467 | 2,246 | 2,213 | 2,712 | 2,656 |
| Site rent | 3,122 | 3,143 | 3,196 | 3,313 | 3,467 | 3,399 | 3,398 | 3,669 |
| Telecommunications | 828 | 825 | 837 | 857 | 949 | 961 | 1,001 | 1,026 |
| Stock-based compensation | 139 | 131 | 137 | 48 | 52 | 47 | 43 | 32 |
| Other | 765 | 665 | 615 | 686 | 643 | 592 | 750 | 700 |
| Total technology operations | 7,439 | 7,087 | 7,252 | 7,371 | 7,357 | 7,212 | 7,904 | 8,083 |
| Selling and marketing | | | | | | | | |
| Payroll and related | 3,365 | 3,161 | 3,135 | 2,912 | 2,773 | 2,538 | 3,583 | 3,382 |
| Commissions | 924 | 1,244 | 1,105 | 1,178 | 1,059 | 852 | 1,212 | 1,158 |
| Stock-based compensation | 234 | 254 | 319 | 192 | 208 | 194 | 172 | 164 |
| Advertising and events | 527 | 247 | 161 | 539 | 151 | 160 | 784 | 1,034 |
| Other | 115 | 74 | 180 | 183 | 81 | 87 | 610 | 153 |
| Total selling and marketing | 5,165 | 4,980 | 4,900 | 5,004 | 4,272 | 3,831 | 6,361 | 5,891 |
| General and administrative | | | | | | | | |
| Payroll and related | 3,911 | 3,564 | 3,818 | 3,373 | 3,476 | 3,355 | 4,134 | 3,974 |
| Stock-based compensation | 958 | 806 | 986 | 726 | 968 | 744 | 612 | 770 |
| Facility rent, office, and technology costs | 2,692 | 2,484 | 2,480 | 2,412 | 178 | 628 | 43 | 56 |
| Outside services | 3,078 | 2,219 | 1,825 | 1,584 | 2,259 | 2,276 | 2,068 | 1,952 |
| Taxes, licenses and permits | 1,003 | 1,117 | 1,081 | 484 | 2,148 | 2,043 | 2,036 | 2,350 |
| Bad debt | (29) | 328 | 106 | 202 | 994 | 804 | 859 | 1,000 |
| Other | 925 | 1,039 | 854 | 1,265 | 971 | 960 | 1,499 | 1,429 |
| Total general and administrative | 12,538 | 11,557 | 11,150 | 10,046 | 10,994 | 10,810 | 11,251 | 11,531 |
| Depreciation, amortization and accretion | 2,568 | 2,457 | 2,727 | 2,503 | 2,335 | 2,072 | 2,146 | 2,250 |
| Goodwill impairment | — | — | — | 25,007 | — | — | — | 8,849 |
| Operating expenses | \$ 39,408 | \$ 37,332 | \$ 37,776 | \$ 61,930 | \$ 34,961 | \$ 32,580 | \$ 41,375 | \$ 51,787 |
| Capital expenditures | \$ 905 | \$ 1,480 | \$ 727 | \$ 638 | \$ 934 | \$ 846 | \$ 1,063 | \$ 679 |

(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 | | | | | | | |
|--|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 |
| Paging units in service | | | | | | | | |
| Beginning units in service (000's) | 869 | 874 | 885 | 898 | 915 | 926 | 938 | 955 |
| Gross placements | 23 | 31 | 20 | 20 | 25 | 35 | 24 | 22 |
| Gross disconnects | (39) | (36) | (31) | (33) | (42) | (46) | (36) | (39) |
| Net change | (16) | (5) | (11) | (13) | (17) | (11) | (12) | (17) |
| Ending units in service | 853 | 869 | 874 | 885 | 898 | 915 | 926 | 938 |
| End of period units in service % of total (b) | | | | | | | | |
| Healthcare | 84.6% | 84.5% | 84.1% | 83.6% | 83.7% | 83.6% | 82.6% | 82.4% |
| Government | 4.8% | 4.9% | 4.8% | 5.3% | 5.3% | 5.5% | 5.4% | 5.4% |
| Large enterprise | 4.1% | 4.1% | 4.3% | 4.3% | 4.3% | 4.4% | 5.5% | 5.5% |
| Other(b) | 6.4% | 6.4% | 6.8% | 6.8% | 6.6% | 6.6% | 6.5% | 6.6% |
| 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 | 57 | 58 | 59 | 61 | 63 | 65 | 67 | 69 |
| 101 to 1,000 units | 154 | 155 | 163 | 167 | 167 | 165 | 171 | 173 |
| >1,000 units | 642 | 656 | 652 | 657 | 668 | 685 | 688 | 696 |
| Total | | | | | | | | |

| | 853 | 869 | 874 | 885 | 898 | 915 | 926 | 938 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Account size net loss rate(c) | | | | | | | | |
| 1 to 100 units | (1.7)% | (1.7)% | (3.3)% | (3.2)% | (2.9)% | (3.1)% | (3.0)% | (3.8)% |
| 101 to 1,000 units | (0.6)% | (4.9)% | (2.4)% | —% | 1.5% | (4.2)% | (1.0)% | (1.0)% |
| >1,000 units | (2.1)% | 0.6% | (0.8)% | (1.6)% | (2.5)% | (0.4)% | (1.2)% | (1.8)% |
| Total | (1.8)% | (0.6)% | (1.2)% | (1.4)% | (1.9)% | (1.3)% | (1.3)% | (1.8)% |
| Account size ARPU | | | | | | | | |
| 1 to 100 units | \$ 11.67 | \$ 11.69 | \$ 11.72 | \$ 11.62 | \$ 11.80 | \$ 11.65 | \$ 12.01 | \$ 11.99 |
| 101 to 1,000 units | 8.38 | 8.35 | 8.33 | 8.35 | 8.37 | 8.24 | 8.34 | 8.31 |
| >1,000 units | 6.65 | 6.68 | 6.68 | 6.62 | 6.67 | 6.57 | 6.59 | 6.62 |
| Total | \$ 7.29 | \$ 7.32 | \$ 7.34 | \$ 7.30 | \$ 7.34 | \$ 7.24 | \$ 7.31 | \$ 7.33 |

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

| | For the three months ended | | For the nine months ended | |
|---|-----------------------------------|------------------|----------------------------------|------------------|
| | 9/30/2021 | 9/30/2020 | 9/30/2021 | 9/30/2020 |
| Net (loss) income | \$ (2,494) | \$ 3,165 | \$ (5,510) | \$ 2,384 |
| Add back: | | | | |
| (Benefit from) provision for income taxes | (912) | (155) | (1,120) | 149 |
| Other income | (10) | (151) | (13) | (113) |
| Interest income | (141) | (127) | (263) | (636) |
| Operating (loss) income | (3,557) | 2,732 | (6,906) | 1,784 |
| Depreciation, amortization and accretion | 2,568 | 2,335 | 7,752 | 6,553 |
| EBITDA | \$ (989) | \$ 5,067 | \$ 846 | \$ 8,337 |
| Capitalized software development costs | (2,621) | (2,906) | (8,239) | (8,206) |
| Stock-based compensation | 2,016 | 1,616 | 6,036 | 4,160 |
| Adjusted EBITDA | \$ (1,594) | \$ 3,777 | \$ (1,357) | \$ 4,291 |

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

RECONCILIATION OF OPERATING EXPENSES TO ADJUSTED OPERATING EXPENSES (a)
(Unaudited and in thousands)

| | For the three months ended | | For the nine months ended | |
|--|-----------------------------------|------------------|----------------------------------|-------------------|
| | 9/30/2021 | 9/30/2020 | 9/30/2021 | 9/30/2020 |
| Operating expenses | \$ 39,408 | \$ 34,961 | \$ 114,516 | \$ 108,915 |
| Add back: | | | | |
| Depreciation, amortization and accretion | (2,568) | (2,335) | (7,752) | (6,553) |
| Capitalized software development costs | 2,621 | 2,906 | 8,239 | 8,206 |
| Adjusted operating expenses | \$ 39,461 | \$ 35,532 | \$ 115,003 | \$ 110,568 |

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

(Unaudited and in millions)

| | Current Guidance | |
|--|-----------------------------|-----------------|
| | Full Year 2021 | |
| Operating expenses | \$ 149.7 to \$ 155.7 | |
| Add back: | | |
| Depreciation, amortization and accretion | (10.2) | (10.2) |
| Capitalized software development costs | 11.5 | 11.5 |
| Adjusted operating expenses | \$ 151.0 | \$ 157.0 |

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Spok Reports 2021 Third Quarter Results | Spok Holdings Inc

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Source: Spok Holdings, Inc.