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Spok Reports 2018 Second Quarter Operating Results; First Half Software Revenue up 11 Percent from Prior Year, Company Maintains Full Year Guidance Levels

Board Declares Regular Quarterly Dividend

SPRINGFIELD, Va.--(BUSINESS WIRE)--Jul. 25, 2018-- [SPOK HOLDINGS, INC.](#) (NASDAQ: SPOK), the [GLOBAL LEADER IN HEALTHCARE COMMUNICATIONS](#), today announced operating results for the second quarter and year-to-date period ended June 30, 2018. In addition, the Company's Board of Directors declared a regular quarterly dividend of \$0.125 per share, payable on September 10, 2018 to stockholders of record on August 17, 2018.

2018 Second-Quarter Results:

Consolidated revenue for the second quarter of 2018 under Generally Accepted Accounting Principles ("GAAP") was \$40.6 million compared to \$42.3 million in the second quarter of 2017. On January 1, 2018, Spok adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Unless otherwise stated, results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted, and continue to be reported in accordance with the Company's historic accounting under ASC 605. As such, adjusted to exclude the adoption of ASC 606, consolidated revenue for the second quarter of 2018 was \$41.8 million compared to the \$42.3 million in the second quarter of 2017.

| (Dollars in thousands) | Three months ended | | | Change ⁽²⁾ (%) |
|---------------------------|--------------------|---------------------------------|------------------|------------------------------|
| | June 30, 2018 | June 30, 2018 ⁽¹⁾ | June 30, 2017 | |
| Wireless revenue | | | | |
| Paging revenue | \$ 22,824 | \$ 22,824 | \$ 24,572 | (7.1) % |
| Product and other revenue | 834 | 834 | 1,067 | (21.8) % |
| Total wireless revenue | <u>\$ 23,658</u> | <u>\$ 23,658</u> | <u>\$ 25,639</u> | (7.7) % |
| Software revenue | | | | |
| Operations revenue | \$ 7,463 | \$ 8,021 | \$ 7,041 | 13.9% |
| Maintenance revenue | 9,507 | 10,115 | 9,645 | 4.9% |
| Total software revenue | <u>16,970</u> | <u>18,136</u> | <u>16,686</u> | 8.7% |
| Total revenue | <u>\$ 40,628</u> | <u>\$ 41,794</u> | <u>\$ 42,325</u> | (1.3) % |

(1) Adjusted to exclude the adoption of ASC 606.

(2) As compared against results adjusted to exclude the adoption of ASC 606.

GAAP net loss for the second quarter of 2018 was \$1.0 million, or \$0.05 per share, compared to net income of \$1.5 million, or \$0.07 per share, in the second quarter of 2017.

| (Dollars in thousands) | Three months ended | | |
|-------------------------------------|--------------------|---------------------------------|------------------|
| | June 30, 2018 | June 30, 2018 ⁽¹⁾ | June 30, 2017 |
| Net (loss) income | \$ (976) | \$ 36 | \$ 1,498 |
| Diluted net (loss) income per share | \$ (0.05) | \$ 0.00 | \$ 0.07 |
| EBITDA | \$ 519 | \$ 1,559 | \$ 5,261 |

(1) Adjusted to exclude the adoption of ASC 606.

Other key results and highlights for the second quarter included:

- Net paging unit losses were approximately 6,000 in the second quarter of 2018, down from approximately 19,000 in the first quarter of 2018 and consistent with second quarter 2017 levels.
- The quarterly rate of wireless revenue erosion was 2.5 percent in the second quarter of 2018 versus 1.3 percent in the first quarter of 2018.
- Total paging ARPU (average revenue per unit) was \$7.41 in the second quarter of 2018, compared to \$7.47 in the first quarter of 2018.

- Software bookings for the 2018 second quarter were \$18.5 million, an increase of 2.0 percent from the first quarter of 2018. Second quarter bookings included \$9.4 million of operations bookings and \$9.1 million of maintenance renewals.
- Software backlog totaled \$36.3 million at June 30, 2018, compared to \$35.9 million in the first quarter of 2018.
- The revenue renewal rate for software maintenance in the second quarter of 2018 continued at greater than 99 percent.
- Consolidated operating expenses (excluding depreciation, amortization and accretion) totaled \$40.1 million in the second quarter of 2018, up slightly from \$39.7 million in the first quarter of 2018.
- Capital expenses were \$2.3 million in the second quarter of 2018, compared to \$1.2 million in the first quarter of 2018.
- The number of full-time equivalent employees at June 30, 2018 totaled 607, compared to 604 at June 30, 2017.
- Capital returned to stockholders in the second quarter of 2018 totaled \$10.0 million, in the form of \$2.5 million from dividends and \$7.5 million from share repurchases.
- The Company's cash balance at June 30, 2018 was \$94.1 million, down from \$107.2 million at December 31, 2017.

2018 Year-To-Date Results:

Consolidated revenue for the first six months of 2018 was \$83.7 million compared to \$83.8 million in the first six months of 2017. As discussed above, unless otherwise stated, results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted, and continue to be reported in accordance with the Company's historic accounting under ASC 605. As such, adjusted to exclude the adoption of ASC 606, consolidated revenue for the first six months of 2018 was \$84.3 million compared to the \$83.8 million in the first six months of 2017.

| (Dollars in thousands) | Six months ended | | | Change ⁽²⁾ (%) |
|---------------------------|------------------|---------------------------------|------------------|------------------------------|
| | June 30, 2018 | June 30, 2018 ⁽¹⁾ | June 30, 2017 | |
| Wireless revenue | | | | |
| Paging revenue | \$ 46,132 | \$ 46,132 | \$ 49,544 | (6.9) % |
| Product and other revenue | 1,795 | 1,795 | 1,955 | (8.2) % |
| Total wireless revenue | <u>\$ 47,927</u> | <u>\$ 47,927</u> | <u>\$ 51,499</u> | (6.9) % |
| Software revenue | | | | |
| Operations revenue | \$ 16,934 | \$ 16,210 | \$ 13,082 | 23.9% |
| Maintenance revenue | 18,881 | 20,114 | 19,188 | 4.8% |
| Total software revenue | <u>35,815</u> | <u>36,324</u> | <u>32,270</u> | 12.6% |
| Total revenue | <u>\$ 83,742</u> | <u>\$ 84,251</u> | <u>\$ 83,769</u> | 0.6% |

(1) Adjusted to exclude the adoption of ASC 606.

(2) As compared against results adjusted to exclude the adoption of ASC 606.

GAAP net loss for the first six months of 2018 was \$0.5 million, or \$0.02 per share, compared to net income of \$2.4 million, or \$0.11 per share, in the first six months of 2017.

| (Dollars in thousands) | Six months ended | | |
|-------------------------------------|------------------|---------------------------------|------------------|
| | June 30, 2018 | June 30, 2018 ⁽¹⁾ | June 30, 2017 |
| Net (loss) income | \$ (465) | \$ 368 | \$ 2,352 |
| Diluted net (loss) income per share | \$ (0.02) | \$ 0.02 | \$ 0.11 |
| EBITDA | \$ 3,983 | \$ 4,831 | \$ 9,866 |

(1) Adjusted to exclude the adoption of ASC 606.

Management Commentary:

"Our performance in the second quarter of 2018 was in line with our seasonal expectations. We believe our year-to-date results provide a solid base as we enter the typically more robust second half of the year" said Vincent D. Kelly, president and chief executive officer. "We saw strong performance in a number of key operating measures and sequential improvements in subscriber retention, sales bookings, backlog levels, and operating expense management. These improvements allowed us to return \$10.0 million of capital to our stockholders in the form of dividends and share repurchases and enhance our product offerings through our continued investments in our integrated communication platform, Spok Care Connect®."

Kelly also noted that in addition to the Company's quarterly financial performance, Spok made progress in several other areas, including product development, sales strategy and key strategic partnership agreements. "During the quarter, we announced partnerships with industry-leading organizations, including Bernoulli® Health, to enhance our clinical alarm management offering, and our participation in Zebra

Technologies' PartnerConnect channel partner program, to offer Zebra's enterprise-class mobile devices to hospitals and health systems throughout North America. Last month, we strengthened our position as an industry thought leader with the release of the results of our eighth consecutive survey of mobile strategies in healthcare. Also, during the quarter we started working with 13 new customers. Finally, we continue to make significant progress in enhancing our Care Connect platform offering, adding experienced product and development leadership, staff and consulting resources."

Michael W. Wallace, chief financial officer, said: "Continued expense management and strong financial discipline have allowed us to invest in our business for long-term growth. Our ability to align our expense base with the market demand we are seeing helped Spok to partially offset the additional expenses related to our investments in our sales and product platforms."

Business Outlook:

For the full-year 2018, adjusted to exclude the adoption of ASC 606, the Company continues to expect total revenue to range from \$161 million to \$177 million, operating expenses (excluding depreciation, amortization and accretion) to range from \$158 million to \$165 million, and capital expenditures to range from \$4 million to \$8 million.

2018 Second-Quarter Call and Replay:

Spok plans to host a conference call for investors to discuss its 2018 second quarter results at 10:00 a.m. ET on Thursday, July 26, 2018. Dial-in numbers for the call are 334-323-0522 or 877-260-1479. The pass code for the call is 8594119. A replay of the call will be available from 1:00 p.m. ET on July 26, 2018 until 1:00 p.m. ET on Thursday, August 9, 2018. To listen to the replay, please register at [HTTP://TINYURL.COM/SPOK2018Q2EARNINGSREPLAY](http://tinyurl.com/spok2018q2earningsreplay). Please cut and paste this address into your browser, enter the registration information, and you will be given access to the replay.

About Spok

Spok Holdings, Inc. (NASDAQ: SPOK), headquartered in Springfield, Va., is proud to be the 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 Care Connect® platform to enhance workflows for clinicians, support administrative compliance, and provide a better experience for patients. Our customers send over 100 million messages each month through their Spok® solutions. When seconds count, count on Spok. For more information, visit spok.com or follow @spoktweets on Twitter.

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

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, declining demand for paging products and services, continued demand for our software products and services, our ability to develop additional software solutions for our customers and manage our development as a global organization, the ability to manage operating expenses, future capital needs, competitive pricing pressures, competition from both traditional paging services and other wireless communications services, competition from other software providers, government regulation, 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, 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.

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 six months ended</u> | |
|--|-----------------------------------|------------------|---------------------------------|------------------|
| | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2018</u> | <u>6/30/2017</u> |
| 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 | | | | | | | |
|---|----------------------------|---------------|--------------------|-----------------|-----------------|---------------|-----------------|-----------------|
| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | 3/31/2017 | 12/31/2016 | 9/30/2016 |
| 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 | <u>19,750,941</u> | <u>20,027,800</u> | <u>19,987,763</u> | <u>19,977,263</u> | <u>20,353,801</u> | <u>20,530,739</u> | <u>20,529,958</u> | <u>20,541,275</u> |
| Diluted weighted average common shares outstanding | <u>19,750,941</u> | <u>20,153,291</u> | <u>19,987,763</u> | <u>20,008,321</u> | <u>20,366,102</u> | <u>20,585,542</u> | <u>20,529,958</u> | <u>20,541,275</u> |
| 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 | |
|---|---------------------------------|-------------------|
| | 6/30/2018 | 6/30/2017 |
| 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)

| | For the three months ended | | | | | | | |
|-------------------------------|-----------------------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|
| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | 3/31/2017 | 12/31/2016 | 9/30/2016 |
| 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 | | | | | | | |
|---|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | 3/31/2017 | 12/31/2016 | 9/30/2016 |
| 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 |
| Depreciation, amortization and 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 | | | | | | | |
|--|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | 3/31/2017 | 12/31/2016 | 9/30/2016 |
| 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 | | | | | | | |
|---|---------------------------------|------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | 3/31/2017 | 12/31/2016 | 9/30/2016 |
| Reconciliation of net (loss) income to EBITDA (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 | (2,150) | 750 | 3,589 | 3,325 | 2,410 | 1,382 | 4,703 | 6,029 |
| 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) | \$ 519 | \$ 3,463 | \$ 6,363 | \$ 6,100 | \$ 5,261 | \$ 4,605 | \$ 7,879 | \$ 9,258 |
| | For the six months ended | | | | | | | |
| | 6/30/2018 | 6/30/2017 | | | | | | |
| Reconciliation of net (loss) income to EBITDA (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 | (1,399) | 3,792 |
| Plus: depreciation, amortization and accretion | 5,382 | 6,074 |
| EBITDA (as defined by the Company) | \$ 3,983 | \$ 9,866 |

| | | |
|--|-----------------------------------|---------------------------------|
| | For the three months ended | For the six months ended |
| | 6/30/2018 | 6/30/2018 |

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) | \$ 1,559 | \$ 4,831 |

(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.

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