

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 twelve months ended	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Revenue:				
Wireless	\$ 23,091	\$ 24,579	\$ 94,277	\$ 101,188
Software	20,165	19,191	75,197	69,987
Total revenue	43,256	43,770	169,474	171,175
Operating expenses:				
Cost of revenue	8,772	7,122	32,408	28,418
Research and development	6,618	4,934	24,464	18,702
Technology operations	8,120	7,617	31,356	31,502
Selling and marketing	6,275	6,039	24,553	22,823
General and administrative	10,721	11,695	49,097	47,400
Depreciation, amortization and accretion	2,601	2,774	10,769	11,624
Total operating expenses	43,107	40,181	172,647	160,469
% of total revenue	99.7%	91.8%	101.9 %	93.7%
Operating income (loss)	149	3,589	(3,173)	10,706
% of total revenue	0.3%	8.2%	(1.9)%	6.3%
Interest income	628	229	1,638	719
Other (expense) income	(593)	(282)	(650)	134
Income (loss) before income taxes benefit (expense)	184	3,536	(2,185)	11,559
Income tax benefit (expense)	5	(24,920)	706	(26,865)
Net income (loss)	\$ 189	\$ (21,384)	\$ (1,479)	\$ (15,306)
Basic and diluted net income (loss) per common share	\$ 0.01	\$ (1.07)	\$ (0.08)	\$ (0.76)
Basic weighted average common shares outstanding	19,445,401	19,987,763	19,667,891	20,210,260
Diluted weighted average common shares outstanding	19,445,401	19,987,763	19,667,891	20,210,260
Cash dividends declared per common share	0.125	0.125	0.50	0.50
Key statistics:				
Units in service	992	1,049	992	1,049
Average revenue per unit (ARPU)	\$ 7.36	\$ 7.46	\$ 7.39	\$ 7.51
Bookings	\$ 23,076	\$ 19,190	\$ 81,268	\$ 77,709
Backlog	\$ 40,422	\$ 42,305	\$ 40,422	\$ 42,305

(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>12/31/2018</u>	<u>9/30/2018</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>
Revenue:								
Wireless	\$ 23,091	\$ 23,259	\$ 23,658	\$ 24,269	\$ 24,579	\$ 25,110	\$ 25,639	\$ 25,860
Software	20,165	19,217	16,970	18,845	19,191	18,526	16,686	15,584
Total revenue	43,256	42,476	40,628	43,114	43,770	43,636	42,325	41,444
Operating expenses:								
Cost of revenue ^(b)	8,772	8,141	7,596	7,878	7,122	7,069	7,190	7,036
Research and development	6,618	5,934	6,177	5,735	4,934	5,001	4,662	4,105
Technology operations	8,120	7,787	7,698	7,750	7,617	7,875	7,944	8,066
Selling and marketing	6,275	5,716	6,093	6,490	6,039	5,533	5,329	5,922
General and administrative	10,721	13,673	12,741	11,964	11,695	12,058	11,939	11,710
Depreciation, amortization and accretion	2,601	2,785	2,669	2,713	2,774	2,775	2,851	3,223
Total operating expenses	43,107	44,036	42,974	42,530	40,181	40,311	39,915	40,062
% of total revenue	99.7%	103.7 %	105.8 %	98.6%	91.8%	92.4%	94.3%	96.7%
Operating income (loss)	149	(1,560)	(2,346)	584	3,589	3,325	2,410	1,382
% of total revenue	0.3%	(3.7)%	(5.8)%	1.4%	8.2%	7.6%	5.7%	3.3%
Interest income	628	384	342	283	229	214	154	122
Other (expense) income	(593)	(110)	102	(47)	(282)	359	89	(30)
Income (loss) before income taxes	184	(1,286)	(1,902)	820	3,536	3,898	2,653	1,474
Income tax benefit (expense)	5	446	730	(475)	(24,920)	(171)	(1,155)	(620)
Net income (loss)	\$ 189	\$ (840)	\$ (1,172)	\$ 345	\$ (21,384)	\$ 3,727	\$ 1,498	\$ 854
Basic and diluted net (loss) income per common share	\$ 0.01	\$ (0.04)	\$ (0.06)	\$ 0.02	\$ (1.07)	\$ 0.19	\$ 0.07	\$ 0.04
Basic weighted average common shares outstanding	19,445,401	19,456,149	19,750,941	20,027,800	19,987,763	19,977,263	20,353,801	20,530,739
Diluted weighted average common shares outstanding	19,445,401	19,456,149	19,750,941	20,153,291	19,987,763	20,008,321	20,366,102	20,585,542
Key statistics:								
Units in service	992	999	1,024	1,030	1,049	1,063	1,086	1,091
Average revenue per unit (ARPU)	\$ 7.36	\$ 7.40	\$ 7.41	\$ 7.47	\$ 7.46	\$ 7.48	\$ 7.52	\$ 7.56
Bookings	\$ 23,076	\$ 21,580	\$ 18,488	\$ 18,124	\$ 19,190	\$ 18,327	\$ 20,405	\$ 19,788
Backlog	\$ 40,422	\$ 36,366	\$ 36,295	\$ 35,930	\$ 42,305	\$ 46,900	\$ 43,455	\$ 40,555

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

^(b) An adjustment of \$771 to cost of revenue, identified in the fourth quarter of 2018, has been reflected in this table as an increase to cost of revenue of \$166, \$196 and \$359 in the first, second and third quarters of 2018, respectively. Total operating expenses, operating (loss) income, (loss) income before income taxes, Net (loss) income and net (loss) income per share have been adjusted accordingly to reflect these changes.

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

	<u>12/31/2018</u>	<u>12/31/2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 83,343	\$ 103,179
Short term investments	3,963	3,978
Accounts receivable, net	32,386	29,722 ^(b)
Prepaid expenses and other	9,578	5,752
Inventory	1,708	1,672
Total current assets	130,978	144,303
Non-current assets:		
Property and equipment, net	10,354	13,399
Goodwill	133,031	133,031
Intangible assets, net	5,417	7,917
Deferred income tax assets	46,484	47,679
Other non-current assets	1,448	1,675
Total non-current assets	196,734	203,701
Total assets	\$ 327,712	\$ 348,004
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,010	\$ 1,305
Accrued compensation and benefits	11,348	11,018
Accrued taxes	1,822	2,547
Deferred revenue	26,285	28,857 ^(b)
Other current liabilities	3,483	4,610
Total current liabilities	44,948	48,337
Non-current liabilities:		
Deferred revenue	476	1,063
Other long-term liabilities	7,734	8,075
Total non-current liabilities	8,210	9,138
Total liabilities	53,158	57,475
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	\$ —	\$ —
Common stock	2	2
Additional paid-in capital	90,559	99,819
Accumulated other comprehensive loss	(1,301)	(1,088)
Retained earnings	185,294	191,796
Total stockholders' equity	274,554	290,529
Total liabilities and stockholders' equity	\$ 327,712	\$ 348,004

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

(b) The company reclassified certain balances between unbilled accounts receivable (presented in Accounts receivable, net) and deferred revenue of approximately \$2.6 million in its 2017 Consolidated Balance Sheet.

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

(Unaudited and in thousands)

	For the twelve months ended	
	12/31/2018	12/31/2017
Cash flows provided by operating activities:		
Net loss	\$ (1,479)	\$ (15,306)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and accretion	10,769	11,624
Deferred income tax (benefit) expense	(1,692)	25,390
Stock based compensation	4,954	3,688
Provisions for doubtful accounts, service credits and other	2,125	1,029
Adjustments of non-cash transaction taxes	(203)	(807)
Changes in assets and liabilities:		
Accounts receivable	(915)	(9,648)
Prepaid expenses, inventory and other assets	(646)	244
Accounts payable, accrued liabilities and other	(1,553)	(3,278)
Deferred revenue	(1,045)	2,579
Net cash provided by operating activities	10,315	15,515
Cash flows from investing activities:		
Purchases of property and equipment	(5,915)	(9,214)
Purchase of short-term investments	(3,911)	(3,957)
Maturities of short-term investments	4,000	4,000
Net cash used in investing activities	(5,826)	(9,171)
Cash flows from financing activities:		
Cash distributions to stockholders	(10,064)	(15,234)
Purchase of common stock for tax withholding on vested equity awards	(976)	—
Purchase of common stock (including commissions)	(13,483)	(10,023)
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	247	256
Net cash used in financing activities	(24,276)	(25,001)
Effect of exchange rate on cash	(49)	11
Net decrease in cash and cash equivalents	(19,836)	(18,646)
Cash and cash equivalents, beginning of period	103,179	121,825
Cash and cash equivalents, end of period	\$ 83,343	\$ 103,179
Supplemental disclosure:		
Income taxes paid	\$ 1,061	\$ 2,620

(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>12/31/2018</u>	<u>9/30/2018</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>
Revenue								
Paging	\$ 21,997	\$ 22,442	\$ 22,824	\$ 23,308	\$ 23,624	\$ 24,128	\$ 24,572	\$ 24,972
Non-paging	1,094	817	834	961	955	982	1,067	888
Total wireless revenue	\$ 23,091	\$ 23,259	\$ 23,658	\$ 24,269	\$ 24,579	\$ 25,110	\$ 25,639	\$ 25,860
License	3,496	3,175	1,993	4,376	2,990	2,572	2,264	1,714
Services	5,103	4,555	4,363	4,071	5,437	5,189	3,650	3,354
Equipment	1,568	1,296	1,107	1,024	945	1,102	1,127	973
Operations revenue	\$ 10,167	\$ 9,026	\$ 7,463	\$ 9,471	\$ 9,372	\$ 8,863	\$ 7,041	\$ 6,041
Maintenance revenue	\$ 9,998	\$ 10,191	\$ 9,507	\$ 9,374	\$ 9,819	\$ 9,663	\$ 9,645	\$ 9,543
Total software revenue	\$ 20,165	\$ 19,217	\$ 16,970	\$ 18,845	\$ 19,191	\$ 18,526	\$ 16,686	\$ 15,584
Total revenue	\$ 43,256	\$ 42,476	\$ 40,628	\$ 43,114	\$ 43,770	\$ 43,636	\$ 42,325	\$ 41,444

(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>12/31/2018</u>	<u>9/30/2018</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>
Cost of revenue								
Payroll and related	\$ 4,868	\$ 4,923	\$ 4,853	\$ 4,874	\$ 4,374	\$ 4,330	\$ 4,613	\$ 4,490
Cost of sales	3,349	2,623	2,119	2,475	1,990	2,228	1,904	1,995
Stock based compensation	44	75	75	55	58	4	60	58
Other	511	520	549	474	700	507	613	493
Total cost of revenue (b)	8,772	8,141	7,596	7,878	7,122	7,069	7,190	7,036
Research and development								
Payroll and related	4,350	4,709	4,506	4,002	3,521	4,005	3,807	3,405
Outside services	2,115	1,040	1,481	1,513	1,361	849	659	516
Stock based compensation	5	71	90	71	(71)	43	65	55
Other	148	114	100	149	123	104	131	129
Total research and development	6,618	5,934	6,177	5,735	4,934	5,001	4,662	4,105
Technology operations								
Payroll and related	2,616	2,866	2,618	2,693	2,413	2,582	2,607	2,665
Site rent	3,432	3,482	3,538	3,496	3,471	3,534	3,604	3,620
Telecommunications	1,021	950	935	898	979	1,060	1,001	1,081
Stock based compensation	24	24	24	24	20	20	20	20
Other	1,027	465	583	639	734	679	712	680
Total technology operations	8,120	7,787	7,698	7,750	7,617	7,875	7,944	8,066
Selling and marketing								
Payroll and related	3,047	3,401	3,311	3,294	2,573	3,113	3,039	3,071
Commissions	1,759	1,225	1,397	1,774	1,634	1,234	1,121	1,202
Stock based compensation	99	135	135	135	93	84	99	101
Advertising and events	1,236	857	996	1,158	1,481	952	840	1,281
Other	134	98	254	129	258	150	230	267
Total selling and marketing	6,275	5,716	6,093	6,490	6,039	5,533	5,329	5,922
General and administrative								
Payroll and related	4,087	4,834	4,340	4,416	3,649	4,569	4,420	4,439
Stock based compensation	860	1,118	943	949	774	711	755	722
Bad debt	303	513	279	528	143	184	107	94
Facility rent and office costs	1,573	1,235	1,743	1,941	1,865	2,013	1,995	1,838
Outside services	2,561	3,554	3,023	2,122	2,924	2,351	2,507	2,627
Taxes, licenses and permits	111	1,081	1,024	1,080	1,120	1,077	1,034	989
Other	1,226	1,338	1,389	928	1,220	1,153	1,121	1,001
Total general and administrative	10,721	13,673	12,741	11,964	11,695	12,058	11,939	11,710
Depreciation, amortization and accretion	2,601	2,785	2,669	2,713	2,774	2,775	2,851	3,223
Operating expenses	\$ 43,107	\$ 44,036	\$ 42,974	\$ 42,530	\$ 40,181	\$ 40,311	\$ 39,915	\$ 40,062
Capital expenditures	\$ 830	\$ 1,630	\$ 2,299	\$ 1,164	\$ 2,179	\$ 1,816	\$ 2,353	\$ 2,851

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

(b) An adjustment of \$771 to cost of sales, identified in the fourth quarter of 2018, has been reflected in this table as an increase to cost of sales of \$166, \$196 and \$359 in the first, second and third quarters of 2018, respectively. Total cost of revenue and operating expenses have been adjusted accordingly to reflect these changes.

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							
	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017	3/31/2017
Paging units in service								
Beginning units in service (000's)	999	1,024	1,030	1,049	1,063	1,086	1,091	1,111
Gross placements	30	31	35	25	26	30	42	28
Gross disconnects	(37)	(56)	(41)	(44)	(40)	(53)	(47)	(48)
Net change	(7)	(25)	(6)	(19)	(14)	(23)	(5)	(20)
Ending units in service	992	999	1,024	1,030	1,049	1,063	1,086	1,091
End of period units in service % of total (b)								
Healthcare	81.4 %	81.7 %	81.5 %	81.1 %	80.7 %	80.4 %	80.4 %	79.7 %
Government	5.8 %	5.8 %	5.7 %	5.9 %	6.0 %	6.1 %	6.3 %	6.4 %
Large enterprise	5.9 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.1 %	6.1 %
Other(b)	6.9 %	6.5 %	6.8 %	7.0 %	7.2 %	7.4 %	7.3 %	7.7 %
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	78	81	85	88	92	95	98	102
101 to 1,000 units	190	192	197	198	198	201	204	214
>1,000 units	724	726	742	744	759	767	784	775
Total	992	999	1,024	1,030	1,049	1,063	1,086	1,091
Account size net loss rate(c)								
1 to 100 units	(1.7)%	(4.3)%	(3.8)%	(4.7)%	(3.6)%	(2.8)%	(3.7)%	(3.4)%
101 to 1,000 units	— %	(2.7)%	(0.6)%	(10.0)%	(1.1)%	(1.8)%	(4.5)%	(1.3)%
>1,000 units	(0.1)%	(2.2)%	(0.2)%	(1.9)%	(1.1)%	(2.2)%	1.1 %	(1.7)%
Total	(0.2)%	(2.5)%	(0.6)%	(1.8)%	(1.3)%	(2.2)%	(0.4)%	(1.8)%
Account size ARPU								
1 to 100 units	\$ 11.61	\$ 11.33	\$ 12.04	\$ 12.13	\$ 12.11	\$ 12.23	\$ 12.16	\$ 12.22
101 to 1,000 units	8.28	8.19	8.34	8.47	8.58	8.62	8.61	8.66
>1,000 units	6.69	6.74	6.62	6.65	6.59	6.59	6.64	6.64
Total	\$ 7.38	\$ 7.40	\$ 7.41	\$ 7.47	\$ 7.46	\$ 7.48	\$ 7.52	\$ 7.56

(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>12/31/2018</u>	<u>9/30/2018</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>
Reconciliation of net (loss) income to EBITDA (b):								
Net income (loss) (d)	\$ 189	\$ (840)	\$ (1,172)	\$ 345	\$ (21,384)	\$ 3,727	\$ 1,498	\$ 854
(Less) plus: (Benefit from) provision for income taxes	(5)	(446)	(730)	475	24,920	171	1,155	620
Plus (less): Other expense (income)	593	110	(102)	47	282	(359)	(89)	30
Less: Interest income	(628)	(384)	(342)	(283)	(229)	(214)	(154)	(122)
Operating income (loss)	149	(1,560)	(2,346)	584	3,589	3,325	2,410	1,382
Plus: depreciation, amortization and accretion	2,601	2,785	2,669	2,713	2,774	2,775	2,851	3,223
EBITDA (as defined by the Company)	\$ 2,750	\$ 1,225	\$ 323	\$ 3,297	\$ 6,363	\$ 6,100	\$ 5,261	\$ 4,605

For the twelve months ended

	<u>12/31/2018</u>	<u>12/31/2017</u>
Reconciliation of net loss to EBITDA (b):		
Net loss	\$ (1,479)	\$ (15,306)
(Less) plus: (Benefit from) provision for income taxes	(706)	26,865
Plus (less): Other income (expense)	650	(134)
Less: Interest income	(1,638)	(719)
Operating (loss) income	(3,173)	10,706
Plus: depreciation, amortization and accretion	10,769	11,624
EBITDA (as defined by the Company)	\$ 7,596	\$ 22,330

For the three months ended

	<u>12/31/2018</u>	<u>12/31/2018</u>
Reconciliation of EBITDA to EBITDA adjusted to exclude the adoption of ASC 606 (b):		
EBITDA (as defined by the Company)	\$ 2,750	\$ 7,596
(Less) plus: Software revenue	(1,000)	(1,932)
(Less) plus: Selling and marketing	178	303
Adjusted EBITDA (c)	\$ 1,928	\$ 5,967

(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.

(d) An adjustment to cost of revenue identified in the fourth quarter of 2018 of \$771 has been reflected in this table as a reduction of Net income (loss) of \$166, \$196 and \$359 in the first, second and third quarters, respectively.

SPOK HOLDINGS, INC.
2019 FINANCIAL GUIDANCE

(Unaudited and in millions)

	Guidance Range	
	From	To
Revenues		
Wireless	81	89
Software	75	85
	<u>156.0</u>	<u>174.0</u>
Operating Expenses (a)	<u>155.0</u>	<u>165.0</u>
Capital Expenses	<u>3.0</u>	<u>7.0</u>

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