



# Investor Presentation

July 2024

# Safe Harbor Statement

Statements contained herein or in prior press releases which are not historical fact, such as statements regarding our 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 our 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, our ability to manage wireless network rationalization to lower our costs without causing disruption of service to our customers; our ability to retain key management personnel and to attract and retain talent within the organization; the productivity of our sales organization and our ability to deliver effective customer support; economic conditions such as recessionary economic cycles, higher interest rates, inflation and higher levels of unemployment; risks related to our overall business strategy, including maximizing revenue and cash generation from our established businesses and returning capital to stockholders through dividends and repurchases of shares of our common stock; competition for our services and products from new technologies or those offered and/or developed from firms that are substantially larger and have much greater financial and human capital resources; continuing decline in the number of paging units we have in service with customers, commensurate with a continuing decline in our wireless revenue; our ability to address changing market conditions with new or revised software solutions; undetected defects, bugs, or security vulnerabilities in our products; our dependence on the U.S. healthcare industry; the sales cycle of our software solutions and services can run from six to eighteen months, making it difficult to plan for and meet our sales objectives and bookings on a steady basis quarter-to-quarter and year-to-year; our reliance on third-party vendors to supply us with wireless paging equipment; our ability to maintain successful relationships with our channel partners; our ability to protect our rights in intellectual property that we own and develop and the potential for litigation claiming intellectual property infringement by us; our use of open source software, third-party software and other intellectual property; the reliability of our networks and servers and our ability to prevent cyberattacks and other security issues and disruptions; our reliance on data centers and other systems and technologies provided by third parties, and technology systems and electronic networks supplied and managed by third parties; cyberattacks, data breaches or other compromises to our or our critical third parties' systems, data, products or services; our ability to realize the benefits associated with our deferred income tax assets; future impairments of our long-lived assets or goodwill; risks related to data privacy and protection-related laws and regulation; and our ability to manage changes related to regulation, including laws and regulations affecting hospitals and the healthcare industry generally, 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.



# Our Mission & Investment Highlights



# Strategic Goal: Run the business profitably and generate cash

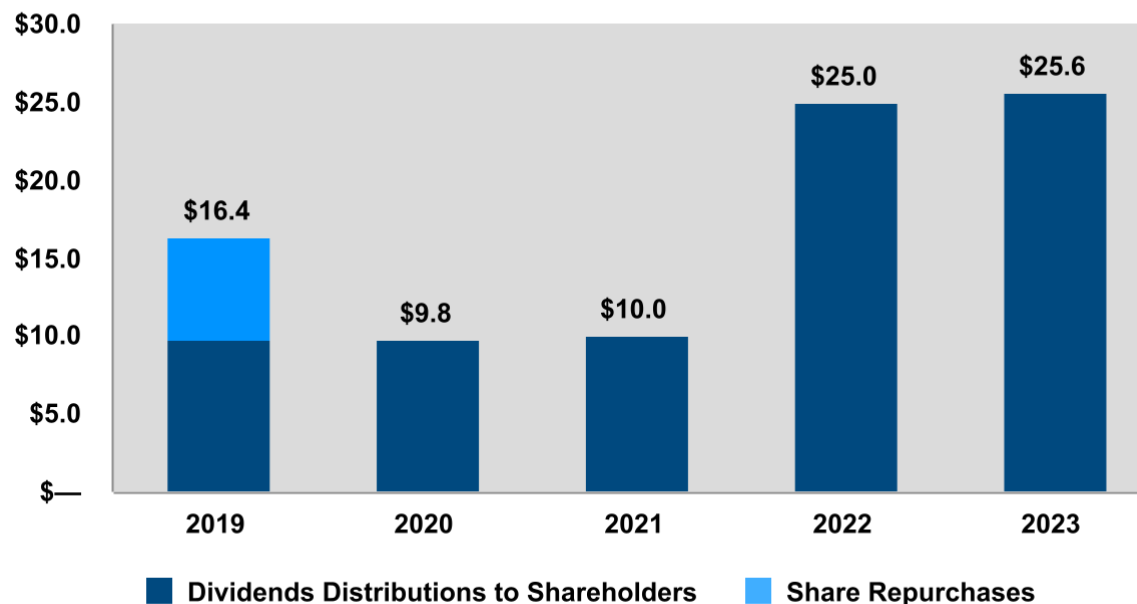
## Returning capital to stockholders is our goal as well as our legacy

- Nearly \$690 million returned to stockholders since 2004
- 2022 capital return - \$25.0 million
- 2023 capital return - \$25.6 million
- Expected 2024 capital return - \$25+ million

## Focus on maximizing cash over the long term

- Incremental investments in wireless and software solutions
- Growing our revenue base
- Efficient expense management
- Stockholder-friendly capital allocation

Cash Returned to Stockholders - Dividends and Share Repurchases  
(Dollars in Millions)





# Key Investment Highlights

1

## Long-standing Customer Relationships with the “Best Hospitals”

Seven of the Top 10 U.S. News & World Report’s Children’s Hospitals and 18 of the Top 20 Adult Hospitals are Spok customers, with an average tenure of 24 years

2

## Stable Re-occurring Software Maintenance and Wireless Segment Revenue

80+% of Spok’s revenue is re-occurring in nature due to maintenance revenue from contact center and wireless paging revenue

3

## Software Operations Bookings Momentum, Large Identified Pipeline

Expanding software pipeline converting to growth in sales

4

## Clear Roadmap Developed to Execute Strategy

Multiple avenues of organic and inorganic growth across new and existing customers and product development

5

## Significant Annual Free Cash Flow Generation and Strong Balance Sheet

Substantial cash flow being returned to shareholders through considerable quarterly dividend, no debt





# Continuing History of Service and Commitment

## Key Facts



**Leader in healthcare communications** - A clinical communications & collaboration solution provider. Significant experience integrating to **critical hospital contact centers, EHRs and many other core healthcare information systems.** We continue to invest in and enhance our solutions.



**Largest paging carrier in the U.S.** with approximately 747K pagers.



**Blue chip and sticky customer base with 2,200+ hospitals** in total.



Spok has built **intellectual property** via **decades of R&D investments.**



Operational excellence in execution, generating free cash flow while debt free and paying little in taxes.



Pioneer in healthcare communications, putting the customer first in all we do, honoring our core values and good business ethics.

## Spok By The Numbers

**\$139.0M**  
2023 Revenue

**\$112.9M**  
2023 Re-occurring Revenue<sup>(1)</sup>

**80%+**  
Percent of Revenue Is Re-occurring<sup>(1)</sup>

**~747K**  
Wireless Units in Service  
As of 6/30/24

**\$0**  
Total Debt

**2,200+**  
Hospitals use Spok Communications

## Spok's Integrated Solution Ecosystem



# Our Plan

Growth in value and return of capital

## Long-term objective

- Growing cash flow while growing our top line with growth in software revenue

## Short-term energy focus

1. **Software Bookings:** Achieve plan and show YoY growth
2. **Product Roadmap Progress:** Demonstrable benefit to the business and future sales
3. **Wireless Revenue Stabilization:** Positive UIS variance and positive ARPU
  - a) Price increases
  - b) GenA pager placements with related ARPU uplift

# Healthcare responds to fiscal challenges

## Changes in economic conditions



- Staff Shortages (Nursing, IT and others)
- High Labor Costs
- Higher Capital Cost/Reduced Capital Spending
- High Inflation
- Economic Recession
- Thinner Margins
- Tighter IT Budgets

## Fiscal alignment of healthcare IT strategy



- Reduce, eliminate or postpone new IT initiatives
- Maintain existing information systems investments
- Maintain supported versions/prevent Cyber risks
- Maximize value of current assets/investments
- Implement unutilized capabilities/Improve ROI



# Spok responds to fiscal challenges

## New product release cadence

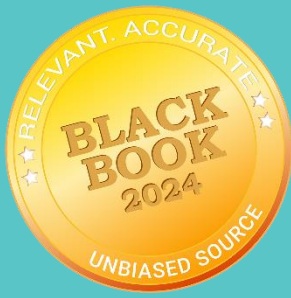


- Limit costly major upgrades to a 3- to 4-year cycle
- Deliver product enhancements releases twice/year with minor in-place upgrades



## Provide 3- or 5-year managed maintenance & services agreement

- Perform benefit realization assessment to identify unrealized ROI
- Established pre-planned upgrade roadmap, ensuring benefit realization with minimum disruption
- Ensure OS, DB and 3rd party components are supported minimizing Cyber risk and enhancing system availability
- Maximize Value and Smooth Out Expenses with level billing across contract period
- Inflation protection with no pricing increases during contract period



# Spok Earns Top Client Satisfaction Scores for Seventh Consecutive Year

Overall rank	Vendor	Total No. 1 criteria ranks
1	Spok	12
2	PerfectServe	4
3	Andor Health(Virtual Healthcare Platform)	0
4	Ascom	0
5	Mobile Heartbeat	1
6	TigerConnect	0
7	Epic Secure Chat	0
8	Oracle Health	1



# Longstanding Customer Relationships...

Top 20 adult hospitals (2024-2025)

*	Customer	Software	Wireless	Tenure
	BRIGHAM AND WOMEN'S HOSPITAL		✓	22
	Cedars Sinai	--	--	--
	Cleveland Clinic		✓	31
	DukeHealth	✓	✓	28
	Penn Medicine <small>Hospital of the University of Pennsylvania</small>	✓	✓	45
	HOUSTON Methodist <small>LEADING MEDICINE</small>		✓	30
	JOHN'S HOPKINS <small>MEDICINE</small>	✓	✓	28
	MASSACHUSETTS GENERAL HOSPITAL		✓	31
	MAYO CLINIC Arizona	✓		7
	MAYO CLINIC Rochester	✓		15

Top 10 children's hospitals (2023-2024)

Rank	Customer	Software	Wireless	Tenure
1	Cincinnati Children's		✓	14
2	Boston Children's Hospital	✓	✓	37
3	Texas Children's Hospital	✓	✓	21
4	CH Children's Hospital of Philadelphia	--	--	--
5	Children's National	✓	✓	25
6	NATIONWIDE CHILDREN'S	✓	✓	35
7	Children's Hospital LOS ANGELES	✓	✓	27
8	UPMC CHILDREN'S HOSPITAL OF PITTSBURGH	✓	✓	33
9	Rady Children's Hospital San Diego	--	--	--
10	JOHN'S HOPKINS CHILDREN'S CENTER	--	--	--

Spok has an average relationship tenure of 25 years with the U.S. News & World Report's "Best Hospitals"



# Spok Leadership Team



**Vince Kelly**  
Chief Executive  
Officer



**Mike Wallace**  
President and Chief  
Operating Officer



**Sharon Woods**  
**Keisling**  
Corporate Secretary  
and Treasurer



**Tim Tindle**  
Chief Information  
Officer



**Jonathan Wax**  
EVP of  
Global Sales



**Renee Hall**  
Chief Compliance  
Officer  
VP of Human  
Resources



**Calvin Rice**  
Chief Financial  
Officer



**Mick Ling**  
Vice President of  
Maintenance  
Revenue



# Business Strategy



# Overall Strategy

## Critical Communications Purpose Built Over Time

1

Grow software revenue and bookings through effective delivery of existing solutions

- Acquiring new customers by further penetrating the hospitals domestically with significant opportunity outside the U.S.
- Continuing to expand relationships within the existing customer base with additional R&D spend in Spok Care Connect to tackle technical debt and development of enhanced features

2

Minimize churn and revenue erosion in wireless products

- Valuable wireless presence in the healthcare market, particularly in larger hospitals
  - Comprehensive suite of wireless messaging products and services focused on healthcare
- Network reliability and customer service minimizes the rate of revenue attrition
- Decreasing wireless cost structure and consolidated operations ensures the lowest cost operational platform for the business
- Development of the GenA pager to increase functionality, drive retention, and increase ARPU.

3

Maximize Free Cash Flow

- Maximize existing revenue sources in both our Software and Wireless businesses
- Eliminated all expenses related to the discontinued Spok Go product
- At current, reduce all costs associated with scaling of the business





# Software Strategy

## Spok Care Connect...

- With Spok Care Connect, the contact center is the base, with products like Messenger and Spok Mobile® sold as accessories to our contact center solution, which are all on-premise solutions
- The core services such as the directory, on-call scheduling, and message routing are embedded within all the contact center solutions
- Spok has been successful in selling upgrades and multi-year engagements to lock in our Blue Chip customer base for the long haul

## ...Product Direction

- With the pivot from Spok Go, renewed work on enhancements of the Product suite to drive meaningful value for customers while taking advantage of the valuable franchise built with large hospitals
- Development of a hosted version of Spok Care Connect Suite to better serve the smaller sized hospitals
  - Over time, development of more efficient architecture for our Spok Care Connect solutions to drive efficiency across the entire organization, including Product & Development, Professional Services and Customer Support

## Wireless Integration

- Wireless is compatible with Spok Care Connect, providing a comprehensive communication strategy for hospitals
- Use smartphone, Wi-Fi phone, or tablet to access the organization's directory and send secure messages to any staff member, including the right on-call clinicians
- Support a wide variety of smartphones, pagers, and other devices for maximum flexibility





# Wireless Strategy

## Maximize Margins Through Cost Savings

### Network Rationalization Plan

The Company has ongoing efforts to manage network capacity and to improve overall network efficiency by consolidating subscribers onto fewer, higher capacity networks with increased transmission speeds

### Overhead

Cost management effort focused on rightsizing and headcount reduction

## Maximize Margins Through Rate Increases

### Nominal Rate Increases

Balance risk of returns, inflation, margin erosion with periodic small rate increases

## Release New Products

- To mitigate wireless subscriber erosion and provide uplift to ARPU, the Company launched a new pager (GenA™ Pager)
  - New user interface is intuitive to users with smartphone UI
- Development started mid-2020 of a next generation one-way pager to replace the current T5 and a very modest investment



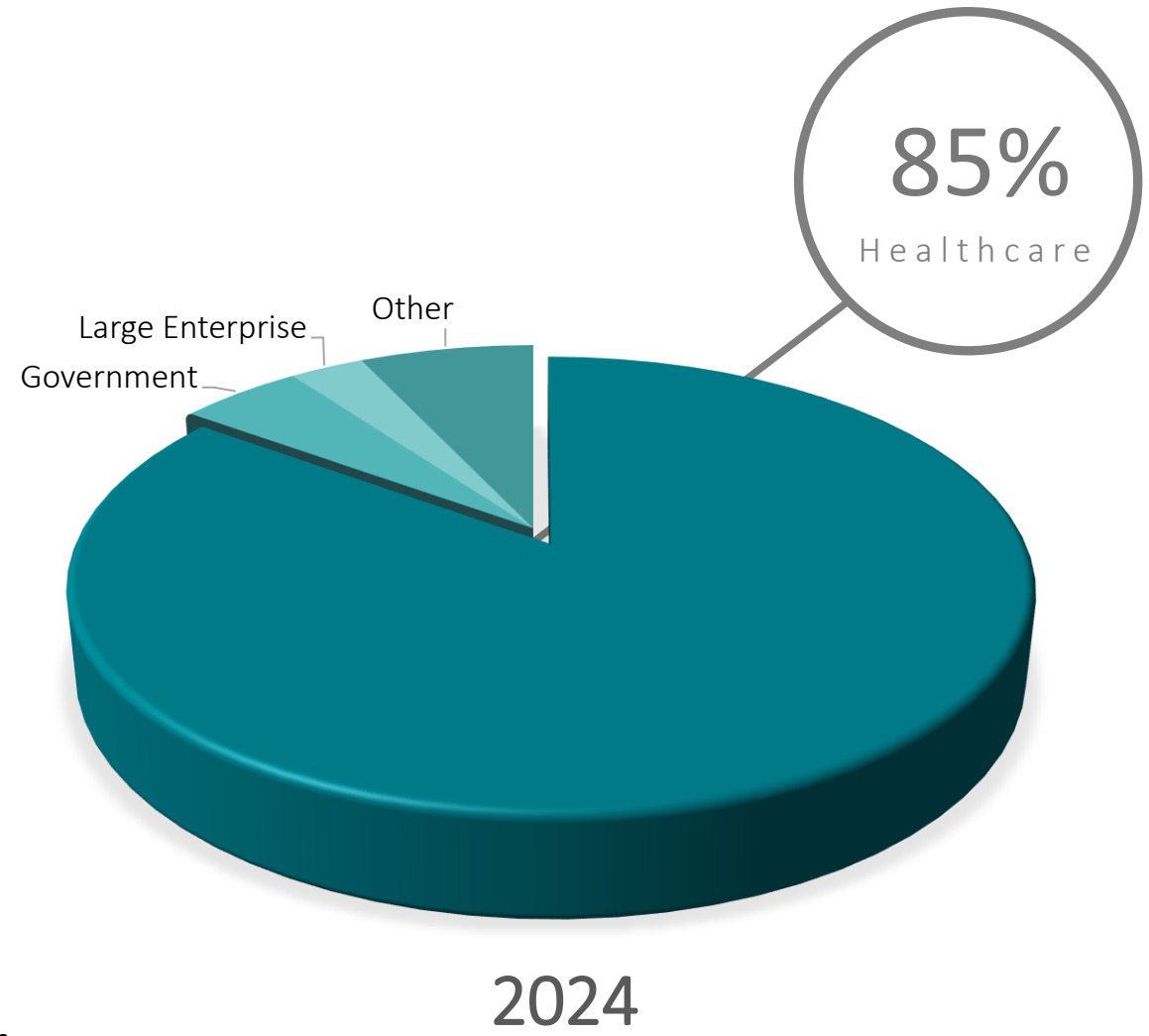
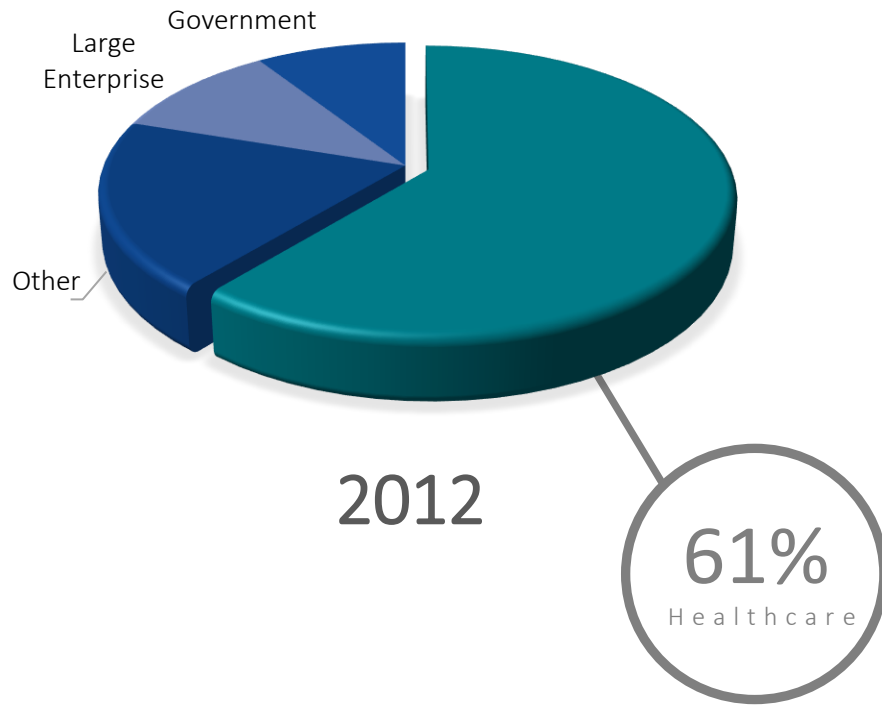
GenA Pager

Spok continues to maximize Wireless cash flow by pursuing a strategy of simultaneously minimizing churn and revenue erosion while maximizing margins through network cost reduction efforts





# Focus on Healthcare



Percentage of revenue

# Spok Care Connect Market Size

**Total Addressable Market**

**\$4.2 billion**

By 2030 (2023 \$1.9B)

**Growth Rate**

**11.6%**

CAGR from 2023 to 2030

**Largest Market**

**30%**

**North America Market Size**

**\$570 million**

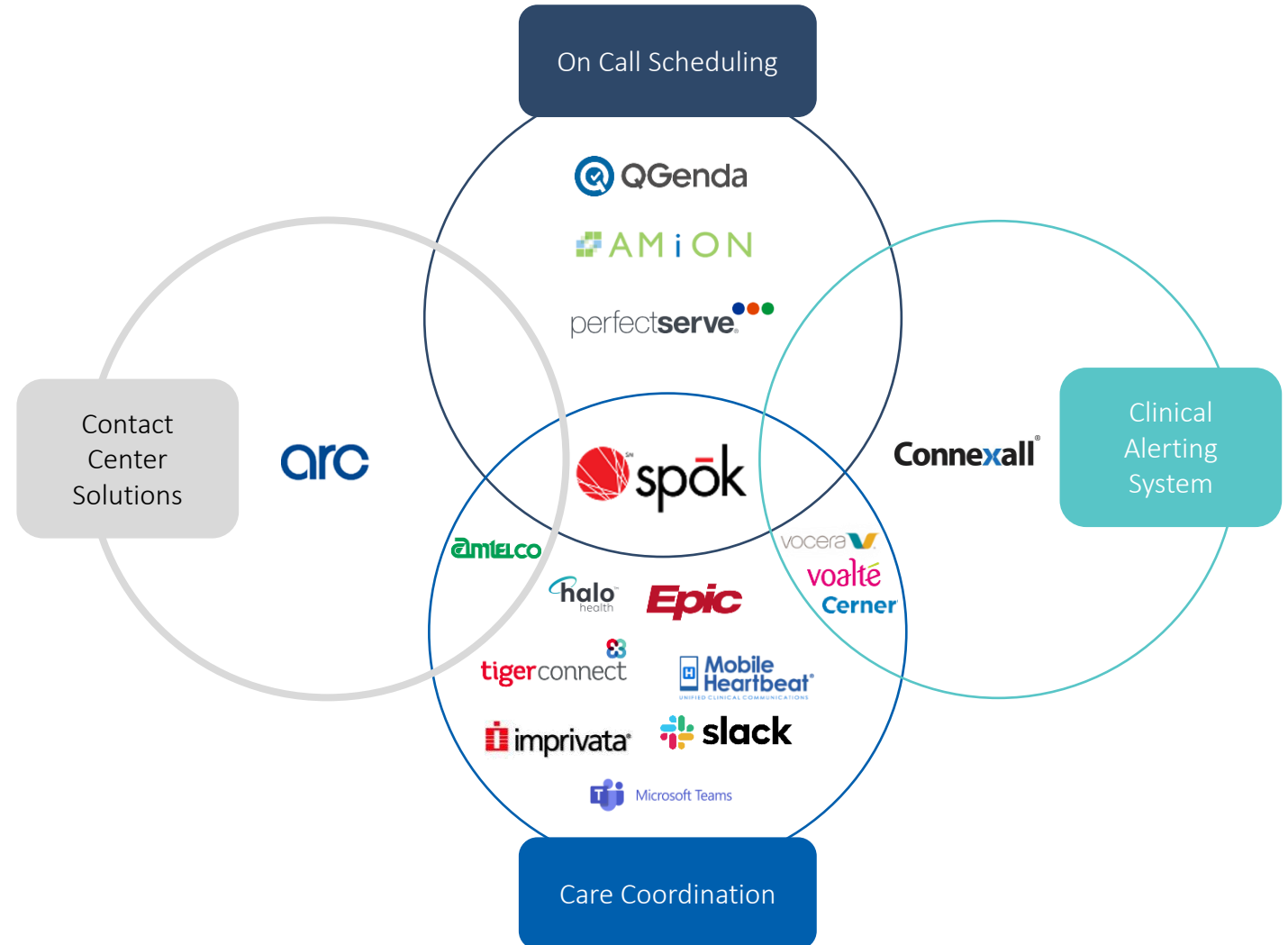
In 2023



# Spok Care Connect Competitive Positioning

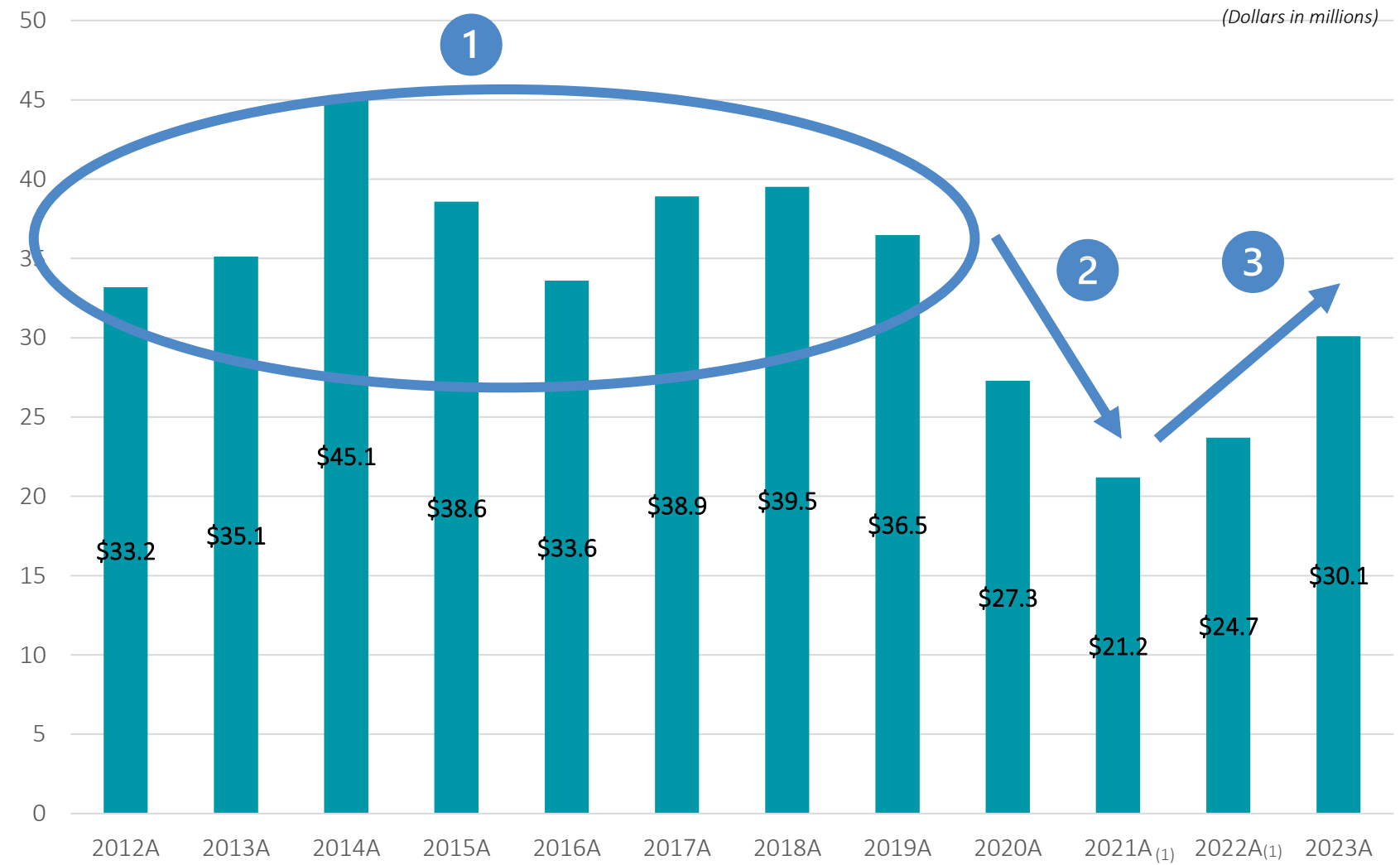
## KEY VALUE PROPOSITIONS

- ✓ Strategic partner that solves enterprise challenges from one platform allowing the right message to get to the right person on the right device
- ✓ Source of truth, especially in complex IDNs, for the directory and on-call schedules
- ✓ Interoperability is at the core of Spok's mission to connect many systems to the required endpoints



# Spok Care Connect Operations Bookings

- 1 Historical Bookings performance highlights potential
- 2 Company places focus on Spok Go Selling and Marketing efforts
- 3 Strategic Pivot reorients focus on Core Product offerings and future growth

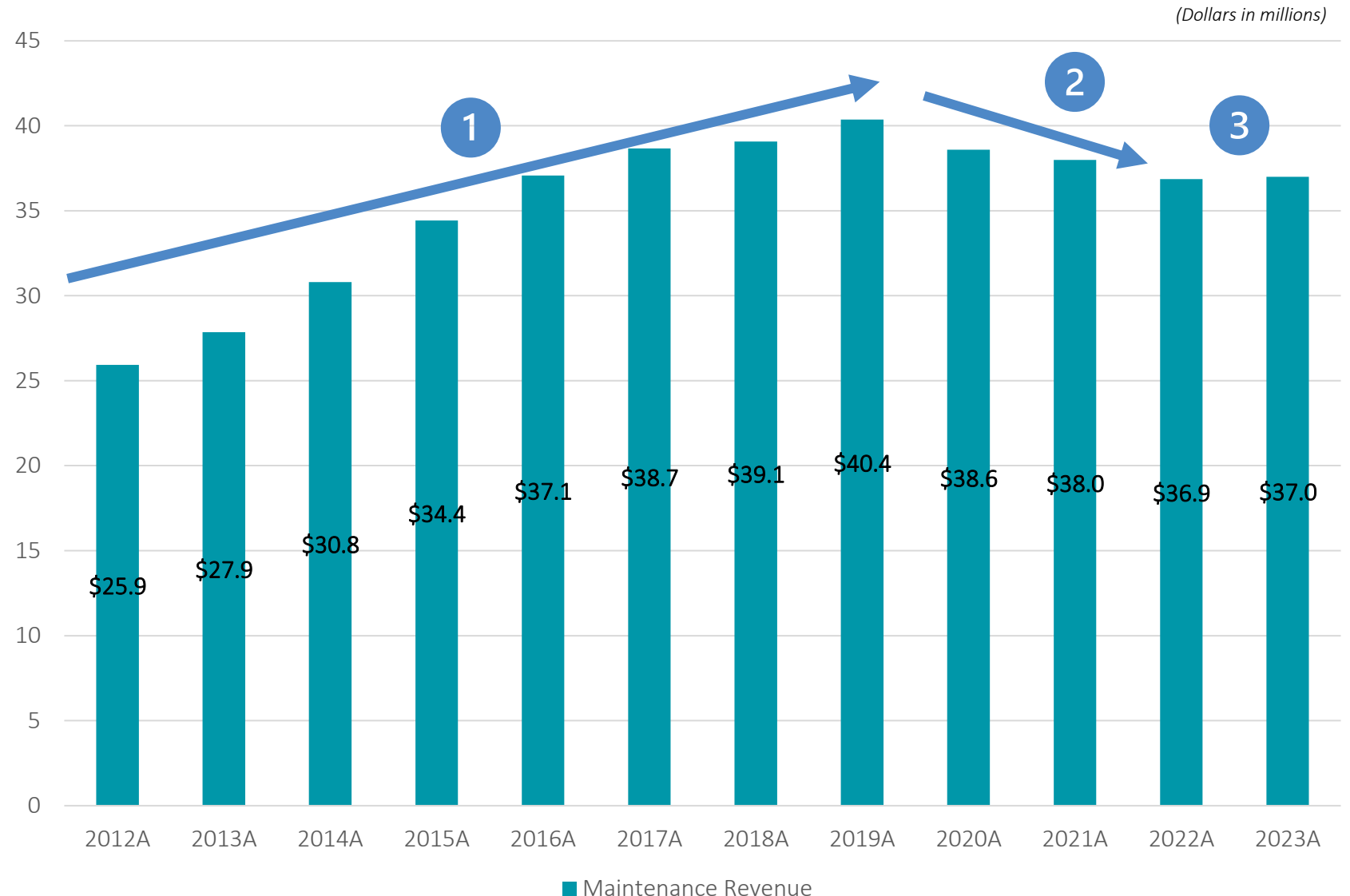


■ Operations Bookings

<sup>(1)</sup>Excludes \$1.1 and \$2.5 million of Spok Go Bookings in 2020 and 2021, respectively

# Spok Care Connect Highly Profitable Reoccurring Maintenance Revenue

- 1 Post acquisition of Amcom, expansion of reoccurring maintenance attributable to growth in license sales and focus on Spok Care Connect
- 2 Company places focus on Spok Go Selling and Marketing efforts
- 3 While revenue is flat in the near term, expectation is for growth based on performance of Operations Bookings (previous slide)



 **Financials**

# Second Quarter 2024 Financial Results

Company executing on strategic business plan generating \$7.7 million of YTD GAAP net income, and \$14.6 million of YTD adjusted EBITDA

*(Dollars in millions)*

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	2024	2023	2024	2023
Total Revenue	\$34.0	\$36.5	\$68.9	\$69.6
<i>Wireless</i>	\$18.3	\$18.9	\$36.9	\$37.9
<i>Software</i>	\$15.7	\$17.6	\$32.0	\$31.7
Adjusted EBITDA <sup>(1)</sup>	\$7.0	\$8.5	\$14.6	\$15.4

- Wireless average revenue per unit continues upward trends, up to \$7.84, a 4% year-over-year increase
- Wireless quarterly net churn improves to 0.8%, down from 1.6% in the prior quarter
- Cash and equivalents balance of \$23.9 million at June 30, 2024
- Spok reiterates 2024 financial guidance provided on February 21, 2024



<sup>(1)</sup> Adjusted EBITDA represents net income/(loss) before interest income/expense, income tax benefit/expense, depreciation, amortization and accretion expense, stock-based compensation expense, impairment of intangible assets, effects of capitalized software development costs, capital expenditures, and severance and restructuring costs.

## 2024 Second Quarter Sales Highlights

- Software operations bookings increased over 10% from the first quarter of 2024
- Bookings included 18 six-figure and 1 seven-figure customer agreements as well as 14 multi-year engagements
- Average software operations bookings contract size up 14% from prior quarter







# Balance Sheet

- Exceptionally clean and simple balance sheet
- No debt
- Common stock only
- \$23.9 million of cash and equivalents
- Significant deferred tax assets to shield income from taxes for many years





# 2024 Financial Outlook



## Current Guidance

	<u>From</u>	<u>To</u>
<b><u>Total Revenue:</u></b>	<b>\$136.0</b>	<b>\$144.0</b>
Wireless Revenue	\$72.0	\$75.0
Software Revenue	\$64.0	\$69.0
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$27.5</b>	<b>\$32.5</b>



<sup>(1)</sup> Adjusted EBITDA represents net income/(loss) before interest income/expense, income tax benefit/expense, depreciation, amortization and accretion expense, stock-based compensation expense, impairment of intangible assets, effects of capitalized software development costs, capital expenditures, and severance and restructuring costs.



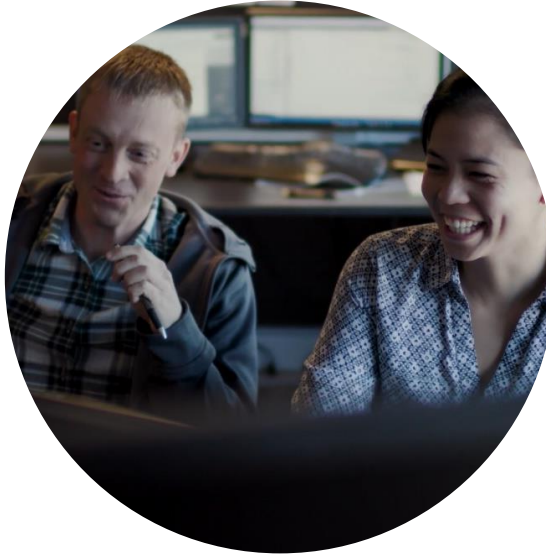
# Capital Allocation

# Capital Allocation



## Return of Capital

- Higher \$1.25 annual dividend since February 2022
- Opportunistic capital deployment for shareholder value via share repurchase authorization – current basket of \$10.0 million



## Internal Investment

- Product innovation and technology expansion with our Spok Care Connect Suite to grow software revenue
- Automation and efficiency initiatives



## M&A

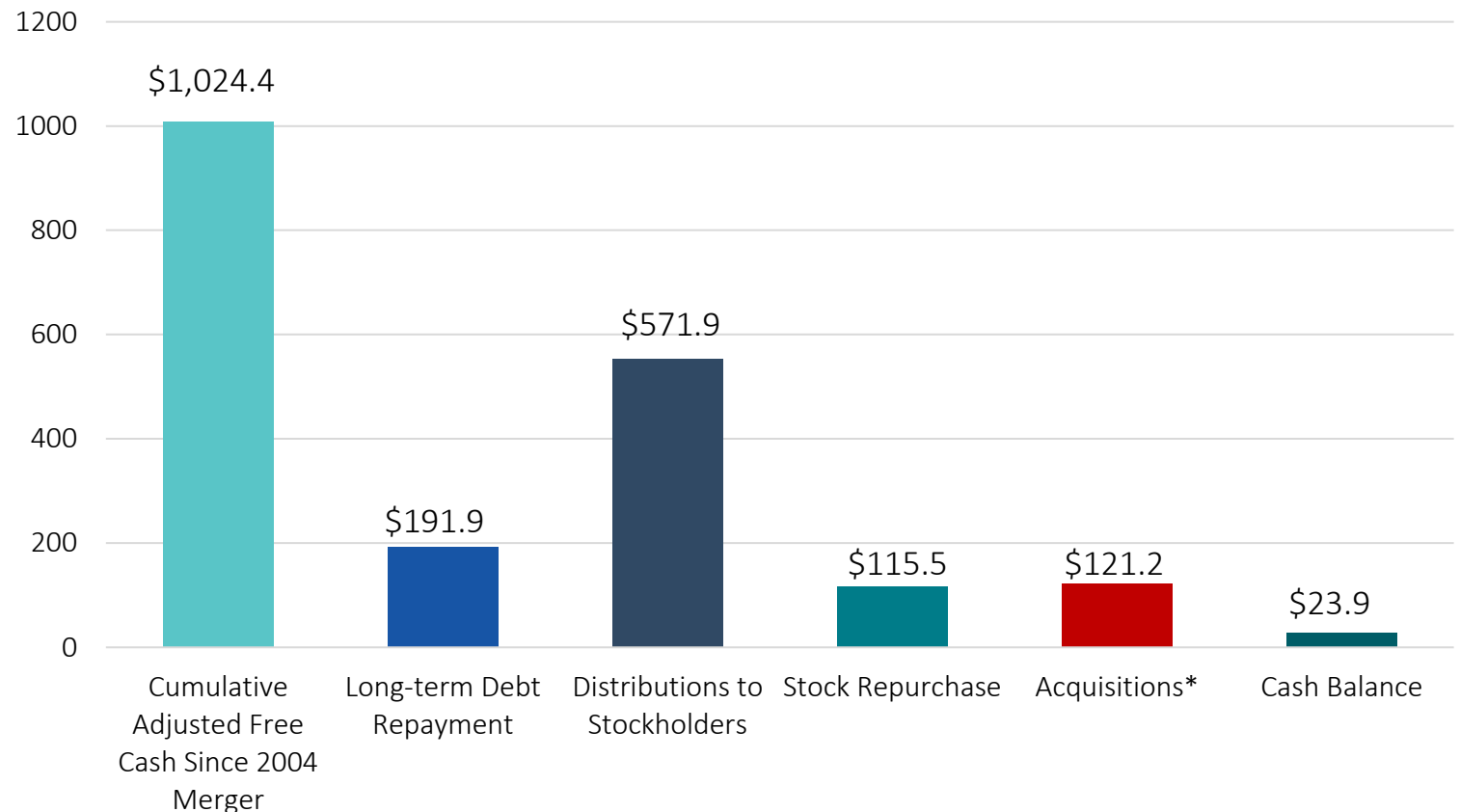
- Not a current focus/priority
- Will be opportunistic for potential to leverage our cash flow prioritization strategy



# History of Adjusted FCF generation and return of capital

- Since the 2004 merger, Spok has generated over \$1 billion in cumulative free cash flow.
- Both our Wireless and Software businesses drive significant FCF and allow for the continued investment in our software business.

Spok Holdings, Inc.  
Cumulative Adjusted Free Cash Generated  
Since 2004 Merger as of 6/30/2024  
(in millions)



\*Amcom Software = \$118.2 million actual cash invested exclusive of debt; IMCO CTRM application = \$3.0 million.



# Wrap-Up



Enormous customer base and strong relationships with leading healthcare providers



Largest wireless paging network in the country with 747,000 units in service



Stable re-occurring wireless and software maintenance revenue with opportunities to grow total revenue



No debt, \$23.9 million cash balance, significant deferred tax assets, substantial dividend yield at current

 **Thank you**