

THOMSON REUTERS STREETEVENETS

# EDITED TRANSCRIPT

PDVW - Q1 2020 pdvWireless Inc Earnings Call

EVENT DATE/TIME: AUGUST 14, 2019 / 8:45PM GMT



AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdWireless Inc Earnings Call

## CORPORATE PARTICIPANTS

**Morgan E. O'Brien** *Anterix Inc. - CEO & Director*

**Natasha Vecchiarelli** *Anterix Inc. - Director of Corporate Communications*

**Robert H. Schwartz** *Anterix Inc. - President & COO*

**Timothy A. Gray** *Anterix Inc. - CFO*

## CONFERENCE CALL PARTICIPANTS

**George Frederick Sutton** *Craig-Hallum Capital Group LLC, Research Division - Partner, Co-Director of Research & Senior Research Analyst*

**Michael Roy Crawford** *B. Riley FBR, Inc., Research Division - Senior MD, Co-Head of The Discovery Group & Senior Analyst*

**Philip A. Cusick** *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

**Vikash Harlalka** *Evercore ISI Institutional Equities, Research Division - Associate*

## PRESENTATION

### Operator

Good afternoon, ladies and gentlemen, and welcome to the Anterix first quarter update conference call. (Operator Instructions)

It is now my pleasure to turn the floor over to your host, Natasha Vecchiarelli. Ma'am, the floor is yours.

### **Natasha Vecchiarelli** - *Anterix Inc. - Director of Corporate Communications*

Thank you, Catherine. Good afternoon, and thank you all for joining us. With me today are Brian McAuley, our Chairman; Morgan O'Brien, our CEO; Rob Schwartz, our President and COO; and Tim Gray, our CFO.

Before we begin, please note that our discussion may contain forward-looking statements and our actual results may differ materially from those implied. Information regarding the risk factors that could cause such differences can be found in our public filings, including our most recently filed 10-K and Form 10-Q for the quarter ended June 30, 2019.

With that, I would like to turn the call over to Morgan O'Brien.

### **Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Thank you, Natasha, and thank you, everybody, for joining us this afternoon. Our Investor Day in late May was the last time we spoke with many of you. And since then, we conducted our successful capital raise just a few weeks ago. This incremental equity funding of \$100 million sets in motion an acceleration of our retuning efforts to clear the spectrum and helps prepare us to monetize this valuable asset. Another important element of this raise was a core group of current investors who increased their position in Anterix. We appreciate this continuing sign of confidence from our longer-term shareholders and at the same time, welcome any new shareholders from this offering.

We gave a lot of thought to proceeding with the follow-on offering when we did rather than waiting for the FCC's final order. We knew that there'd be a period of some months before the FCC acted, likely followed by that first customer lease of our spectrum. In the meantime, what can we do to be most effective in converting our spectrum opportunity to revenue? That first lease will require confidence in our ability to quickly provide clear spectrum and retuning incumbents will require capital. So rather than waiting to raise these funds, we opted to make the best use of the waiting period by getting the funding in hand now, so we can proceed with retuning and begin immediately working to shorten the time to first revenue.



## AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdvWireless Inc Earnings Call

In addition, as you might expect, we think minimizing the time from first lease to the availability of clear spectrum will have a very positive impact on prospective customers in our pipeline. We're adding new professionals to our experienced team, who are actively reaching out to incumbent licensees to take the necessary steps to clear the proposed 900-megahertz broadband allocation, while prioritizing markets with their earliest commercial opportunity. We've already successfully reconfigured several large utilities and required licenses from a number of incumbents.

As to the all-important FCC proceeding, on July 2, the period for reply comments closed. Those replies were notable, not only for the growing support they indicated, but also for the absence of any unanticipated issues that they raised. Incumbent technical concerns were fully set out on the record before the NPRM was adopted. And the NPRM technical rules largely mirror the ones we had proposed.

With the closing of the reply comment round, we believe the state of the record and the FCC proceeding provides everything necessary for a final report and order, which gives us good reason for optimism.

In addition to the strong support of our well-known allies, like Southern Company and Ameren, the record now contains helpful statements from historically less-friendly quarters. For example, in its comments, Southern California Edison wrote, "Southern California Edison, one of the largest electric utilities in the United States, details the exigent circumstances that require utilities to have broadband access, including weather conditions, like hurricanes on the Gulf and Atlantic Coasts, and drought, wildfire conditions on the West Coast. Threats from cyberattacks on utilities are also increasing and must be guarded against. SCE views the current proceedings as holding nothing less than the potential to have a defining once-in-a-generation impact on the ability of utilities to continue to deliver safe and reliable power to their customers for decades to come."

In its reply comments, the New York Power Authority said, "The proposal to pdvWireless Inc. and the Enterprise Wireless Alliance and the commission's notice of proposed rulemaking, if implemented, would provide New York Power Authority with the secure license spectrum to support its efforts to help modernize the electric grid in New York State. Specifically, such a realignment would support New York Power Authority's efforts to enhance its operational and programmatic capabilities and leverage the benefits of the evolving innovation in wireless equipment."

Another example, the National Rural Electric Cooperative Association wrote in its reply comments, "Broadband spectrum is necessary to support deployment of smart grid technologies in rural areas, such as digital supervisory control and data acquisition systems, called SCADA, to remotely monitor and control substation and field devices, teleprotection to guard against potentially hazardous faults, distribution automation to intelligently route power through the grid, metering, video, security and other applications."

Importantly, from an FCC advocacy perspective, it isn't just the utilities that has supported the proposal. In its reply, United Parcel Service wrote, "UPS generally supports the commission's tentative proposal to reconfigure the 900-megahertz band to add a broadband service, provided that narrowband operators are adequately accommodated and protected from harmful interference. There is broad consensus that realigning the 900-megahertz band into 2 segments serves the competing needs of narrowband incumbents and prospective broadband entrants, assuming certain additional safeguards protecting narrowband operations are set forth in the rules."

In another set of comments, General Electric stated, "GE renewables supports the FCC's proposal to create a 900-megahertz private enterprise broadband segment that will target the communications needs of industrial operations in a band with high favorable propagation and penetration characteristics. It will provide our customers with the private broadband option for a system that is not tied to the Internet, and therefore, is less susceptible to cybersecurity problems."

And also from the reply comment round, the Wireless Infrastructure Association wrote, "As the record reflects, realignment of the 900-megahertz band will facilitate the intersection of wireless broadband and the utility and critical infrastructure sector. New investments, new infrastructure, new jobs and increased innovation will flow from a quick decision."

Now even outside the FCC proceeding, we're seeing support. For example, in its Wildfire Mitigation Plan, submitted to the California Public Utilities Commission, San Diego Gas & Electric wrote, "San Diego Gas & Electric plans to deploy long-term evolution, or LTE, using a dedicated radio frequency spectrum. This will improve the overall reliability of San Diego Gas & Electric's communications network, which is critical for fire prevention and public safety."



AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdWireless Inc Earnings Call

Now I also want to make sure that I mention the progress that we're making with the railroads. As you know, Anterix has always recognized the railroads' unique nationwide 900-megahertz license that includes frequencies that are within the proposed broadband sector. And we have worked with the railroads from the offset to craft an appropriate solution that would meet their current and future requirements. The goal was to incentivize the railroads to vacate their narrowband operations in the proposed broadband allocation in exchange for better spectrum, lower in the band. Both in its comments and on the record and its related ex parte communications with the FCC, the Association of American Railroads has made a strong showing as to its need to retain its current 900-megahertz geographic footprint and the need for wideband, or 125-kilohertz bandwidth, that would be capable of supporting advanced train safety applications.

So AAR, the Association of American Railroads, and Anterix have reported to the FCC a proposed frequency exchange agreement that would address both of these requirements. And we're optimistic that the FCC will adopt an AAR-specific provision consistent with the operational needs in the nation's rail carriers.

So you can see the major players. Above and beyond, our principal advocates are supportive of core elements of the NPRM and have filed comments explaining why they need private LTE capability and why that need is urgent, all of which provides additional incentive for the FCC to move promptly. Now to be sure, many of these same parties have disagreements with Anterix over how best to make broadband available at 900 megahertz. But at this late stage in the proceeding, it's up to the FCC to craft resolutions of these remaining issues. Based on our outreach and on what we're hearing from others, including publicly filed notices to ex parte communications, we believe the commission's staff already is in substantive discussions with parties to the proceeding and appears to be working towards the final outcome. We remain optimistic that the commission will adopt the final order before the end of the year.

Certainly, we believe the opportunity is ripe for the kind of win-win that Washington politics thrives on, but seldom sees these days, enabling a government agency to point to an action that is taken that will reduce the risk of damage, for example, from the cyberattack and wildfires, with virtually no countervailing increase in risk to a competing interest.

Now just last month, in a speech in Argentina, FCC Chairman, Pai, again, asserted a key component of his spectrum policy. Quoting chairman Pai, he said, "We are pursuing an all-of-the-above approach to spectrum policy. That includes freeing up low- and mid-band spectrum for next-generation wireless services as well." Now as our investors understand, the 900-megahertz proceeding is the only low band spectrum currently under consideration in the FCC's FAST Plan for next-generation wireless services.

In August 2019, we're 5 years into a regulatory process we started in 2014. We're seemingly on the verge of positive FCC action. Everything happening on the grid that is crying out for our solution, you may recall Southern California Edison's line about existing circumstances that required utilities to have broadband access, ranging from cyberattacks, wildfires to natural disasters and the growth of data-centric smart devices, all of which heightens an awareness that action must be taken. Today, Anterix has the capital in hand to make the spectrum available by aggressively pursuing the retuning process.

Now I'll turn it over to Rob.

---

**Robert H. Schwartz** - *Anterix Inc. - President & COO*

Thanks, Morgan, and good afternoon, everyone. Within this past quarter's book ends, our Investor Day and our capital raise, we continue to [empower] to make solid progress on our key areas of focus. Morgan just provided an overview of our strong positioning for success with the FCC proceeding, so I'll cover the further commercial progress of our broadband business and the continued development of our organization to be operationally ready to support this growth.

As you know, we recently renamed our company, repositioning ourselves in the marketplace and reinvigorating our image as we continue to evolve and define the intrinsic value of our offering to our targeted customer. Our new name, Anterix, is derived from a Latin word for architectural elements that provide foundational support and strength. Leveraging our 900-megahertz spectrum, Anterix is focused on serving the needs of critical infrastructure through advance private broadband solutions, made possible by dedicated and foundational spectrum. And our vision is clear, to enable the transformative broadband capabilities needed to modernize critical infrastructure for energy, transportation logistics and more.



## AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdWireless Inc Earnings Call

As the FCC's 900-megahertz NPRM process progresses towards its final stages, we felt that now is the ideal time to announce this new identity to carry our commercial offering into the future. And to support the continued growing demand for our initiatives, we recently raised \$100 million through a follow-on equity offering. We are well funded to move forward now with our retuning plan, providing us with the ability to prioritize customer opportunities, negotiate spectrum leases and onboard these customers as soon as possible, once we receive clearance from the FCC via the report and order. We are now well positioned to be able to retune a significant majority of the country, and we'll work to accelerate the time to revenue.

Turning to our customer pipeline and pilot opportunities. We continue to work with the growing number of potential customers interested in deploying private LTE networks. Since we last spoke in May, we've made further progress in developing our customer pipeline, and we see a building interest for private broadband networks, not only from electric utilities, but also from water, oil and gas, transportation, government and enterprise sectors as well. Our pilot with Ameren continues to make progress. As you may recall, in its \$5 billion smart energy plan, Ameren stated its intention to develop, "a wireless footprint statewide, including private LTE." This pilot is allowing Ameren to demonstrate select use cases that show the value of utilizing private broadband network as a platform for their operational efficiency and resiliency. To date, Ameren has demonstrated 14 different use cases on our spectrum, varying from switching between public and private networks, SCADA and cap bank controllers, to name just a few.

We, along with Ameren, are very pleased with the results achieved during this phase, and we look forward to Ameren's conclusion of the private LTE pilot on 900-megahertz spectrum later this month. We're also working on pilot designs with several other customers that have similar needs to Ameren, where a private LTE system on 900 megahertz is a foundational element that brings greater benefit to the organization and the communities that they serve, including valuable cases of cybersecurity, resiliency after disasters and multiple other use cases leveraging a large ecosystem of devices and infrastructure that exist within our 900-megahertz band. Our team continues to work with these entities to define their initial deployments. We hope to share more details in the near future on these and other additional experimental licenses for both the critical infrastructure and enterprise customers that we are working with.

And as shared in the past, we launched and are founding members of the Utilities Broadband Alliance, known as UBBA, which is comprised of both utilities and vendor partners dedicated to championing the advancement and development of private broadband networks for America's critical infrastructure industries. Since launching in February, the Alliance has made a lot of progress in both attracting members as well as building a platform of information sharing, collaboration planning to advance dedicated wireless connectivity for an increasingly connected grid. UBBA hosted a successful event at the UTC show in San Antonio in June, with over 60 attendees. And as part of this UBBA forum, utility members and vendors assembled in working groups to identify and collaborate on solving key business, cybersecurity, technical and use case issues and UBBA's first member summit is planned for this October and is being hosted by Southern Company's Southern Linc in their Birmingham, Alabama facility. This is an important location because it's the network operation center for their private LTE deployment, the first of its kind by a utility in the U.S. This event will be a gathering of industry thought leaders and experts to explore the challenges and opportunities that lie ahead for utilities and to discuss the role of private broadband as a strategic asset for the utility of the future. We expect to have participation across the utility industry, including C-level executives as well as representation from key industry trade groups, including the Edison Electric Institute.

We continue to work with the Department of Energy's National Renewable Energy Lab, or NREL, where we are leveraging their energy system integration facility to conduct an evaluation of the performance of private LTE as the communication systems for active grid controls. The goal of the project is to provide a deeper understanding of why a robust telecommunications plan must be an integral part of the modernized grid strategy. By developing a private LTE wireless communication capability at 900 megahertz, integrated with an advanced distribution management system, known as ADMS, for the evaluation of secure, cost-effective and resilient grid operations, we believe this project will produce results that show 900 megahertz private LTE systems provide the performance and reliability utility applications require. The initial results were presented in mid-September by NREL to the Department of Energy. We look forward to sharing more with this on -- more on this with you soon.

Turning to our organization. Our commercial readiness continues to evolve as we work to prepare our resources for commercialization of our broadband operations. We're focusing even more of our resources on driving the development of our growing broadband customer pipeline and simultaneously building the organizational platform, products and operations to support our broadband commercial service offering. That includes adding new strong team players that are bringing with them deep expertise, but also a can-do attitude that's important for our culture and the industries that we serve.

AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdWireless Inc Earnings Call

The critical infrastructure industry continues to step forward in further defining their needs for and benefits from a private LTE network to their internal organizations and to the industry overall. And we are well positioned to help address those needs. 900 megahertz, when combined with the global standard of LTE technology, provides a proven, long-awaited option for implementing private broadband for these market segments. With many investor-owned utilities growing through acquisition, they're consolidating their operations to sustain their grid resilience and therefore, having a unified telecommunications strategy is emphasized more and more in our discussions. We believe a communications platform, grounded with 900 megahertz private LTE, is a forward-looking solution that helps address this convergence, efficiency and growth and it's also an important factor in supporting new business model paradigms. We've seen interest from many utilities that are looking towards enabling smart communities and an evolution to 5G. Our discussions and platform provide the foundational elements to help utility executives build on these visions.

We are on a mission to enable the much-needed strengthening of our nation's electric grid and critical infrastructure to support our economy, help prevent cyber risks and minimize the impacts of future natural and man-made events. And to further drive this industry-wide benefit, we continue through our top-down initiatives to work with industry associations, federal and state regulators and industry-leading utilities to further develop an understanding of the value in creating and adopting an industry-wide network of networks. We're seeing growing support for this concept. Our spectrum is economically efficient and can be the core of making these advanced capabilities possible by powering private broadband networks.

And with that, I'll turn it over to Tim.

---

**Timothy A. Gray** - *Anterix Inc. - CFO*

Thanks, Rob. Good afternoon, everyone. During our Investor Day in May, I outlined 4 key components of our initiatives that we're aiming to achieve this fiscal year. I'd like to remind you all of those again. One, obtaining the report and order; two, formalizing and starting to execute on our retuning plan; three, exploring options to fund our retuning plan; and four, signing at least 1 commercial agreement for the use of our spectrum. As Morgan and Rob just shared, we've made good progress in all 4 of these areas and I'd like to take a few moments to further expand upon 2 specifically.

The proceeds from our July equity raise provide us with a proper funding needed to move forward on our base business plan. The net proceeds of \$94 million raised have provided additional strength to our balance sheet and supplied us with the funds needed to opportunistically retune in advance of the FCC's final order. As a result of this raise, we've also established relationships with strong new partners, represented by our active book runners of the deal, Morgan Stanley, JPMorgan and Evercore, while also strengthening our relationships with B. Riley and Craig-Hallum, who also participated in the deal. We look forward to building upon these relationships and inherently increasing investor awareness of our company and initiatives.

We've also made advancements in planning for the execution of our retuning. With our capital raise now complete, we are well positioned to accelerate our market-clearing activities beginning this current quarter ending September 30. We plan to prioritize our activities in markets where we believe we have near-term customer opportunities, thereby shortening the time to revenue post an FCC Report and Order.

As a reminder, we expect the full cost of the retuning process to total \$90 million to \$120 million over the next 3 years. Going forward, we'll provide further details on our retune spending in our quarterly updates.

As of June 30, 2019, the company has \$69 million in available cash and is debt free. As shared during our Investor Day, we expect to spend approximately \$30 million annually before retuning related spend in each of the next 2 quarters. As such, the past quarter spend is where we expected it to be. Our cash position decreased by \$7.7 million from the previous quarter. Keep in mind that the June 30 cash number does not include the \$94 million in net proceeds raised in July.

Based on our confidence in the progress we have made at the FCC, our customer pipeline and in completing our capital raise, I'd like to reiterate some additional items from our May Investor Day. By fiscal year-end 2024, we target to have a portfolio of escalating contractual lease commitments, with typical initial terms of around 20 years plus renewals, producing an annual run rate of revenues in the neighborhood of \$125 million to \$150 million. We also expect to exit fiscal '24 with an EBITDA margin run rate approaching 80%.

That concludes our prepared remarks. I'd now like to turn it over to the operator for questions.



AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdWireless Inc Earnings Call

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question is coming from George Sutton.

**George Frederick Sutton** - *Craig-Hallum Capital Group LLC, Research Division - Partner, Co-Director of Research & Senior Research Analyst*

Curious when we think of Southern and Ameren and folks you're working with that are clearly thought leaders in this space, is there a nonobvious incentive for someone like that to be the first mover here? And beyond that first signing, I'm curious how you envision others to respond, particularly if it's a thought leader that's the first customer?

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

George, it's Morgan. Let me take a crack at that and then I'm going to turn it over to Rob. I would say that the first-mover advantage is not a position that the utility industry naturally seeks. That's something we have discovered by talking to them. It's kind of the reverse of their conservative nature. On the other hand, when we're talking about negotiating lease terms for the kind of dollars that are involved in some of these transactions, there are ways to incentivize early adopters, and we're certainly aware of those, and we put those kinds of things on the table. Early on, in talking with Southern, in particular, we made the point to them that we thought that they were legitimate pioneers because of Southern Linc and that we would be only too happy to help the industry follow behind them in their pioneering. At this point, I see some signs that they're willing to do that, but again, it's sort of counter to the culture of that industry. I'm sure Rob has some stuff to add to that.

**Robert H. Schwartz** - *Anterix Inc. - President & COO*

Yes. Sure. George, I think -- the good news, I think, as you mentioned, with Southern, is they are the first mover and clearly, they've already built a robust private LTE network covering their footprint. So we're not looking really for the icebreaker here. We're looking for those that are following in that model. And as I mentioned, with Southern's leadership in the Utility Broadband Alliance and hosting this upcoming event, it's really in their interest to share their learnings as they are already through UBBA and other ways, and this forum will really be a way for all these other folks that are coming in at all levels of knowledge. There are folks like Ameren that are, as I mentioned, are completing their pilot shortly. You saw from the comments, there's plenty of other entities that are showing strong interest and more importantly, strong need for the spectrum. On the record, folks like Southern California Edison, as Morgan mentioned, even Duke and a lot of the names you've seen as members of UBBA, like Evergy, National Grid, Xcel Energy, they're all at varying stages of awareness of the need and now just trying to develop their plans on how to do it, but they don't have to do it alone because the collective now really through the broadband alliance and with our facilitation is something that there doesn't need to be a stand-alone outlier. Instead, it's the group moving forward together now that Southern has really demonstrated the capabilities and Ameren is completing their pilot.

**George Frederick Sutton** - *Craig-Hallum Capital Group LLC, Research Division - Partner, Co-Director of Research & Senior Research Analyst*

We noticed recently Eversource and also Florida Power & Light surprisingly have both filed to move some of their spectrum off of 9 -- off of where they would be on top of your 900. That looks like very good progress from our perspective. Are we reading that correctly?

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Well, we saw the same thing you saw, which is that, as to Florida Power & Light, they filed pretty extensive 800-megahertz footprint, mirroring what they have 900, which would suggest that they might be considering the advantages of moving to 800 and off of 900, as 900 becomes more home



AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdWireless Inc Earnings Call

for broadband. So we took it as a positive sign, without going into any more details about discussions we might be having with Ameren or any of the other parties.

**George Frederick Sutton** - *Craig-Hallum Capital Group LLC, Research Division - Partner, Co-Director of Research & Senior Research Analyst*

All right. Last question, if I can. Your stock got oddly weak over the last few days, mark -- outside of just the market weakness. And I'm just curious, Morgan, if you think about the history here of NPRMs and going through this whole process and moving towards a final ruling, I mean, our belief is -- because there were some numbers being thrown out percentage-wise, our belief is this is a 99% likelihood of getting through a final ruling. Can you just kind of talk about sort of what's the historic percentage that we would see once something has reached this level?

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Right. So let me -- I'm glad you brought it up. Let me just start with this. Of course, until I hold that Report and Order in my hand, I don't consider it done. And I know you feel the same way. So anything short of having it in our hands and the time for reconsideration to have elapsed, there's a lesser degree of certainty. But having said that, if you look at various mileposts along the way towards an FCC decision, and I think the one that's not getting enough attention is that, based with essentially all the arguments against creating 900-megahertz broadband, unanimously, the notice of proposed rulemaking, which was voted on by every commissioner, proposed to do that. And since the commission unanimously proposed to do that, nothing has been put on the record by any means, by any stretch of imagination, to weaken it, far from it, there is many more voices to support, and support in urgency. So I may not go all the way with you to 99%, but I'm a lot closer to you than some of the other numbers that might have been bandied around.

**Operator**

Your next question is coming from James Ratcliffe.

(technical difficulty)

**Vikash Harlalka** - *Evercore ISI Institutional Equities, Research Division - Associate*

Hello, can you hear me?

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Yes, now we hear. There was some static.

**Vikash Harlalka** - *Evercore ISI Institutional Equities, Research Division - Associate*

Yes, there's some static. This is Vikash Harlalka for James. Two questions. Firstly, do you see the progress in the 900-megahertz process as linked to the progress on any of the other FCC spectrum matters, for example, the C-band or CBRS? And secondly, when we think about the retuning process, what are the bottlenecks other than financing? Are there limits based on the resources your team has or other resources really at the groups that are being retuned?

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Okay. Let's start -- this is Morgan. Let's start by saying that, explicit linkages, in my view, there are none between our proceeding and those others. However, to the extent that all proceedings at the FCC clamor for attention to get to the final and there's the relationship there that the prioritization

AUGUST 14, 2019 / 8:45PM, PDW - Q1 2020 pdWireless Inc Earnings Call

of ours has to win out to get that precious time and attention. So I guess, to that extent, you could say so. But other than that, it's just in a basket of a very few things that the chairman can do to demonstrate actual new broadband opportunities, create jobs, promote new technology, serve other public interest purposes. So I think it shares that in common with other spectrum proceedings, and has the advantage that it's basically locked and loaded and ready to go, in terms of opposition having been reduced to virtually none. So that's that side.

The second aspect had to do with the retuning process. And I would say that, as a result of the recent capitalization, we're 100% equipped to take care of any retuning that could conceivably be necessary to get us the kind of results that we talked about previously in the years ahead. We can retune everything that needs to be retuned within the numbers that we put out there, that \$90 million to \$120 million, recognizing that as we get into this, the likelihood is that large incumbents, because we're seeing this already, large incumbents who might have been candidates for retuning, are becoming candidates for moving to broadband, and so it shrinks the size of the task. We can't predict with accuracy how that's going to work out, but we have an awful lot of experience in rebanding. We've done thousands of them. And I keep saying this is a smaller task even than it appears, because of the way the larger systems -- it just makes more and more sense for the larger systems to consider evolving the broadband, and not simply spending the time and resources, even though the resources are ours, to go to another set of narrowband channels. I actually think that's the exception, but we'll see as we get into it.

---

#### Operator

Your next question is coming from Philip Cusick.

---

**Philip A. Cusick** - *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

I wonder if you could dig into, for us, the actual retuning process. Like are there people that need to be hired to do this? When do you need to start to ramp that up and how should we think about the cost scaling once you do get that order?

---

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Okay. Let me give you my stab at that. The process has started. We have hired people. The environment, because of the extensive rebanding and retuning that was done at 800 megahertz, has quite a few experts that we can lay our hands on and that we're familiar with. So some relatively modest internal staffing up is involved. And I would say, you could take the \$90 million to \$120 million and our roughly 3-year process and say, in equal increments, we're probably going to be trying to push through that. I'll be honest and say, I'm the one that says, go faster, go faster, because the sooner it is inevitable that broadband is coming to 900 megahertz, the less sense it makes for any large systems to stay in narrowband. So I just think, the sooner the game is over, the better off everybody is. But Tim may want to...

---

**Timothy A. Gray** - *Anterix Inc. - CFO*

Yes. Phil, so the way Morgan laid it out is probably a good way to look at it. We'll have more guidance as we get deeper in the weeds in the process, which we're starting now. So probably by our next call, we'll give a little more guidance on that roll out, but I think the way Morgan did, that works for now.

---

**Philip A. Cusick** - *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

Okay. And then to follow up on an earlier question, any update you can help us with on discussions with your early potential customer list and their acceptance of your revenue model?

AUGUST 14, 2019 / 8:45PM, PDW - Q1 2020 pdWireless Inc Earnings Call

**Robert H. Schwartz** - *Anterix Inc. - President & COO*

Sure, Phil. So at our Investor Day, we gave a lot of color about, sort of, the size of the pipeline being close to 40 customers, and we continue to see expansion of those relationships and greater interest. The facilitation of the utilities' broadband lines has brought new parties to the table, as has the project at NREL we talked about, where there is an industry oversight group. So these are large customers and these are long decision cycles, which they -- so there's shades of gray between when they first enter the process and when they get to the end of the pipeline. But without sort of violating any of the NDAs that we have with really all of these parties through the discussion, it's a process that typically starts either with them piloting, trialing, looking at services, or participating in someone else's effort in doing so. So the advantage of having some of these group efforts where multiple parties were able to see it, that gets them through a lot of the first stage.

What's happening also is that the demand set, as you saw on some of the -- both the recent press, with some of the blackouts and the wildfires and some of the issues about cybersecurity, are all driving not just the telecom level interest within these big organizations, but the C-level interest to really deal with the mitigation of these growing risks. And so that's also putting greater speed on some of the decision-making process as well, and we're seeing that with some of the entities that are coming.

So as far as your question on the model itself, the long-term leasing model, we're seeing good traction. It's a new model for these utilities that historically, over the years, on all the private networks they deployed, this is going back decades, have gotten their spectrum for free. So it's an education process, honestly, not different than what you do at the marketplace, which is educating them about what spectrum costs. There's a lot of good comparables out there to explain spectrum values and so as we get through that process, there's a greater understanding. Our early customers were seeing traction with leasing. We're actually seeing customers that want to figure out if they can pay more of an upfront versus over time, and we're having those kind of conversations. We're somewhat economically neutral as long as we can obviously capture the -- what we see as the value for the spectrum. So these are large big-game hunting conversations where there are going to be one-off negotiations for their -- under their form of customer contracts very often, but the good news is we're seeing good traction from numerous parties in the way in which we're proposing to move forward.

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Let me -- can I just -- this is Morgan. Let me just emphasize something, which Rob just said. Historically, utilities say, spectrum is for free, deliver it to us and we'll deploy private systems and go about our business and so, that's the mindset. To move off that mindset of no, spectrum is not free, spectrum has to be acquired and it has to be acquired in some form of marketplace transaction, that's big step number one. Big step number two is, okay, if it has to be paid, who pays for it? Is it the shareholder of the investor-owned utility or is it the ratepayer of the investor-owned utility? Our answer all along has been, yes, you have to pay for it, but if you pay for it through the ratepayer, through a ratemaking process in which it is determined to be a prudent and necessary investment for the safety, security, better performance of the grid, the only question is, what's the fair market price to pay? And once we get a couple of these established -- and yes, we're talking specifics with serious players. Once we get past that for a few, my theory is, the rest -- I mean, why would -- if we sell at a fair market value for the first 4, why would we sell the fifth one for less? I mean, it's -- there's a fair market value of this spectrum in the marketplace, established by lots of transactions.

**Operator**

Your next question is coming from Mike Crawford.

**Michael Roy Crawford** - *B. Riley FBR, Inc., Research Division - Senior MD, Co-Head of The Discovery Group & Senior Analyst*

Mike Crawford from B. Riley FBR. I was hoping you could just go into any more detail, if possible, on the experience that Southern and Ameren are seeing with their CBRS overlay test, along with the 900-megahertz broadband.

AUGUST 14, 2019 / 8:45PM, PDW - Q1 2020 pdWireless Inc Earnings Call

**Robert H. Schwartz** - *Anterix Inc. - President & COO*

Mike, just to clarify, question specifically the interaction between CBRS you're saying, in 900?

**Michael Roy Crawford** - *B. Riley FBR, Inc., Research Division - Senior MD, Co-Head of The Discovery Group & Senior Analyst*

Yes, and how they're potential satisfaction or dissatisfaction with the system that enables densification and overall performance, and what benefits they're seeing and what else they might find lacking, if anything.

**Robert H. Schwartz** - *Anterix Inc. - President & COO*

Yes. Obviously -- also as a member of the CBRS Alliance, we're learning a lot through all of the development efforts going on. I know you're following closely. We see CBRS, as I think the industry does, as a great solution for campus in-building, really what they describe as sort of a super Wi-Fi capability, right? So the areas where you used to put Wi-Fi, but now isn't as robust because of all the users and the lack of available channels is going to be evolution to this -- to CBRS for a lot of those solutions. But it's not -- and it's clearly -- the vendors have said this, it's not a wide area technology. So, it's a natural complement from our view to using 900 megahertz for utilities, as we've talked about, that need to cover big state-wide territories, cover rural areas, places where they need long throw of spectrum without any kind of additional capital to be able to cover those areas. And so the early view of overlay, specifically, no significant issues. I think, for us, the first iterations of it is overlay physically of CBRS gear, which, as you know, is still early stage and hasn't been fully approved yet by the FCC and isn't done from a rule standpoint.

So what we're looking forward to, and as vendors have told us, is the integration of that equipment to be as cost-efficient and physically as efficient in deploying on a site and a site lease as possible, because that's going to make it a lot more valuable. And so we see that natural evolution happening because CBRS has a great ecosystem of vendors, like the 900-megahertz does. It's the same vendors and there's a belief, from their standpoint, that, that should happen. And so I think as the CBRS ecosystem continues to develop, and we see the final rules and the auctions occurring, I think we're just continuing to see that being an integrated part of the solution. We've always said that in order for utilities to solve all of their needs, it's going to be a hybrid network that they're going to deploy. They already have a lot of fiber. They utilize copper. They even utilize existing carrier networks for what we see as lower value use cases and so we think CBRS will be part of that toolkit when they go to solve their full solution. But an essential underlay of the technology or the foundation, as we like to say, is going to be the 900 megahertz that's going to allow them that broad coverage.

**Michael Roy Crawford** - *B. Riley FBR, Inc., Research Division - Senior MD, Co-Head of The Discovery Group & Senior Analyst*

All right. Rob, and then final question is, if you could just clarify if there was any change in the company's prior position, as outlined in this discussion you had with the FCC and filed on the docket for this July 18 meeting, where you talked about support for the FCC proposal, exempting incumbents with complex systems from mandatory reallocation, if that's any change from prior stance?

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

No. We've -- from the outset of that idea being floated by the FCC, we supported it because our experience is there is a relative handful of very complex systems. And to try to use the concept of mandatory retuning on those is just not realistic, and so the issue is how big is it, how many systems. So is it 6 markets, is it 11 markets, is it 25 -- whatever the number is. I think our position is, yes, there is a category of systems so complex that they should be in a bucket by themselves, but I think the only thing to be decided -- I would assume the thing to be decided by the FCC is how many to put in there.



AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdWireless Inc Earnings Call

**Robert H. Schwartz** - *Anterix Inc. - President & COO*

I might just add to what Morgan said, I think, we really applauded the concept of the FCC in saying, it's creating this exclusion for those most-complex systems because while it takes longer and more complicated and those do include what we think are really the only opposition, it doesn't prevent the rest of the country from moving forward on a timely manner. So being able to put those in a box that they address and saying, let's make sure we look at those independently and give them more time, more capabilities to address the complexity of their systems, we can move forward with the rest of the demand set within the rest of the country.

**Michael Roy Crawford** - *B. Riley FBR, Inc., Research Division - Senior MD, Co-Head of The Discovery Group & Senior Analyst*

Right. And of course, some of those might voluntarily want to get broadband.

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Exactly. So you took the words out of my mouth. My point is, once you are not pointing a gun at somebody, they can relax and think about what is the best use of this spectrum and why would I be different from any other utility in wanting access to broadband capabilities. So just -- if you diffuse the emotions and in some handful of these markets, we said -- when the FCC proposed it, we said that's a good idea.

**Operator**

Your next question is coming from [Bill Monness].

**Unidentified Analyst**

I was just hoping you guys could comment on, I guess, there was a ruling out of the district court in D.C. last week that potentially could slow down the rollout of 5G. Just curious how do you guys see that, if it has any potential affect to your business plan and your financial projections, et cetera.

**Robert H. Schwartz** - *Anterix Inc. - President & COO*

Bill, I don't -- from our standpoint, I don't think it has any impact on our business model. The utilities are looking to roll out this infrastructure on a lot of their own assets. In fact, they're on the other side of that 5G issue very often because that matter, as I understood, was about the carriers trying to get access to a lot of existing poles and other infrastructure the utilities own. So their advantage is that they're actually already there and have a lot of those rights of way, and between that and commercial systems, they've got all the sites they likely need to deploy.

**Morgan E. O'Brien** - *Anterix Inc. - CEO & Director*

Let me just make a point, I think, it's useful maybe for clarification as between 4G, LTE, the deployment we're anticipating for critical infrastructure near term, and then 5G, and our answer always has been, basically, the universe of broadband systems are on LTE and will be moving one way or another to 5G over some period of time in some aspects, not all aspects, because in some aspects where coverage and penetration is everything, 5G may never be viable or necessary, but they're much more complementary than anything else, in our view. I completely agree with Rob, if 5G is slowed down for one reason or another really has no impact on what we see to be the current necessity and opportunity for utilities to deploy LTE 4G.

**Robert H. Schwartz** - *Anterix Inc. - President & COO*

Yes. Actually, as Morgan said, I'd just point out one other important issue and that's -- the rationale for building these private networks in the first place by utilities is so that they have that control of their networks. So they're not relying on what the carriers are doing relative to their deployment



AUGUST 14, 2019 / 8:45PM, PDVW - Q1 2020 pdWireless Inc Earnings Call

and having to both build and also operate those systems. So by building their own systems, they're not relying on third parties that are worried about these deployment issues.

---

**Morgan E. O'Brien** - Anterix Inc. - CEO & Director

I think we may wrap it up at this point, and thank everybody and wish everybody a happy remainder of this summer. We're assuming that many of you are going to be going off to points that are less filled with tension than your normal lives, and we hope to talk you again in September. Thanks very much.

---

**Operator**

Thank you. Ladies and gentlemen, this does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.

---

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019, Thomson Reuters. All Rights Reserved.