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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to the Anterix Investor Conference Call. At this time, all participants have been placed on a listen-only mode, and the floor will be open for your questions and comments following the presentation. It is now my pleasure to turn the call over to your host, Natasha Vecchiarelli. Ma'am, the floor is yours.

Natasha Vecchiarelli

Director-Investor Relations & Corporate Communications, Anterix, Inc.

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

Before we begin, please note that any statements we make during this call that are not based on historical facts constitute forward-looking statements, and our actual results could differ materially from those implied. Information regarding the risk factors that could cause such differences can be found in our public filings, annual report on Form 10-K filed with the SEC on May 18, 2020, and our quarterly report on Form 10-Q through quarter ended June 30, 2020 filed with the SEC on August 6, 2020. Form 10-K and Form 10-Q can be found on our Investor Relations webpage.

With that, I'll now turn the call to Morgan O'Brien.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

Thanks, Natasha. Welcome back and good afternoon to our investors. Today is my first opportunity to address this audience since in July, Anterix promoted Rob Schwartz to the role of CEO and named me as the Executive Chairman of the board. In my new role, I'll continue to pursue my highest priority of building shareholder value, but I'll do that by assisting Rob and his team to run the company. At the outset, let me say that the transition has been seamless, and I could not be happier with our progress and outlook. I want to reserve the bulk of our time this afternoon for Rob and for Ryan Gerbrandt, our Chief Operating Officer to report on the many areas of progress that they're managing.

But I can't pass up the opportunity after all these years to share one last report on the FCC report and order. As expected, the FCC rulemaking process, which included the issuance of that order came to an end on August 27, without any party asking the FCC to reconsider the rules that adopted to create the 900 megahertz broadband opportunity, or the FCC is changing its mind on its own motion. So this date's passing means finality for the rules, which are foundational to our business case and give us the unique position at 900 megahertz to bring nationwide broadband to the critical infrastructure industries.

Our analysis of the new rules, plus constructive further discussions with FCC staff, corroborate our view that this outcome could not have been better for our shareholders. We believe your patience has been rewarded amply.

A quick introduction from my chair to this afternoon's reports from Rob, Ryan and Tim includes these highlights. Our message of the availability of new wireless broadband spectrum has been promulgated extensively by immediately of all types. It would be hard to imagine the corner of our intended audience that has not become aware of what the FCC has done and what it means. Of course, awareness precedes the desired outcome of signing long-term leases, but I'm impressed by what our team has been able to do in a few short months to get our message out.

A new advisory council is up and running with the strong guidance of former FCC Commissioner and former California Public Utility Commissioner, Rachelle Chong; and former Governor of Delaware, Jack Markell and an impressive group of our employees and consultants.

Just to give a flavor of what this council is achieving, we've partnered with SmartPower, a non-profit renewable energy marketer, and with the American University's Center for Environmental Policy to pursue a federal grant from among a \$1.5 billion pool of stimulus funding in the Department of Commerce. Our objective on this initiative is to work directly with utilities in Virginia to help them win stimulus funding to pay for private LTE networks for grid management and to leverage those facilities to assist in supporting rural broadband.

As many of you know, funding in utility infrastructure has generally all been at the state level. This federal opportunity in our view is the harbinger of what may come as the federal government begins to take a much larger role in infrastructure funding.

A second council initiative of which I am very proud is the resolution we're supporting at the Southern States Energy Board. That's the SSEB. This is an interstate compact composed of governors and state legislatures from 16 Southern states plus two US territories and a presidential appointee. The important function of the SSEB is to formulate policy for the region relating to energy.

The resolution, if passed, would encourage the region's utilities to deploy private cyber-secure wireless broadband networks to support grid modernization and, where feasible, for utilities to support consumer

broadband to rural homes by making their infrastructure available. This policy guidance from as important a group as the SSEB will help Anterix penetrate to the leadership of utilities throughout the Southeast as we seek to make our spectrum available and hopefully to make that availability regional.

Let me finish up my remarks today by conveying my enthusiasm for where we are. Momentum throughout our target markets is palpable. Our team has been strengthened by new talents who are broadening our reach. Everything I read convinces me that regardless of the outcome of November's election, a major federal effort will be undertaken to supply huge financial resources for grid security and modernization. Anterix is working to position its unique spectrum as a key beneficiary of such funding.

The giant companies that make up our target market are aware of the challenges and opportunities they face. Our job is to convince them individually and as an industry that our unique spectrum position is crucial as the foundation for broadband connectivity. Just as our patience was rewarded with a win at the FCC, so too are we determined that our patience will be rewarded by winning leases within this industry.

Finally, on a personal note, I want to stress my day-to-day role in continuing to make Anterix everything it can be. With Rob as CEO and me as Chairman, I think our board has selected exactly the team to lead us to amazing success.

Now I'll pass the microphone to Rob.

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

Thanks, Morgan, and good afternoon, everyone. As I'm sure many of you remember, our last investor call in May marked the tremendous milestone of our FCC rulemaking, the issuance of the 900 megahertz report and order, which, just about two weeks ago, formally reached the end of the process as we passed the 40-day period on the Federal Register Publication. As Morgan said, we couldn't be much more pleased with the outcome.

So with the closing of this FCC chapter, we at Anterix are now completely focused on the next important phase, the execution of our business model, monetizing our spectrum to enable private LTE networks for utilities and other critical infrastructure entities throughout the US. And the tailwinds from this rulemaking, we've experienced considerable progress with the growth of our company, with key developments in the utility industry, and most importantly with our prospective customers. I'm going to touch on these three key items and then I'll happily pass to Ryan, with his role will take you through more detail on our customer progress.

As Morgan mentioned, we recently implemented our long-planned succession and I'm honored and humbled to be addressing you today in my new capacity as CEO. I thank Morgan O'Brien and the rest of the Anterix board for their confidence in my continued leadership.

I'm also incredibly proud of the expanded leadership team that we've put in place to execute on our commercial mission and to steward Anterix into this next exciting chapter. In addition to our COO, Ryan Gerbrandt, we've made key senior hires, including sales and HR leadership. They've also empowered our team across the organization with a renewed focus on the execution of our customer-centric mission, driving customer adoption of our 900-megahertz spectrum to enable valuable private LTE networks across the nation.

And with this conclusion of our FCC process, we've re-tooled our regulatory resources into an advisory council, as mentioned by Morgan, that's focused explicitly on helping our future customers with ground support at the state and the federal levels. This council's objective includes supporting utility efforts to embrace private LTE spending

in the rate base, pursuing federal infrastructure funding, supporting wildfire mitigation plans in California, and even helping our customers define their role in bringing broadband to rural America.

With the likelihood of bipartisan support in the US Congress for substantial infrastructure funding, we're focused on helping the utility industry make the compelling case for an investment in a secure, private communications platform to add the needed resiliency to our nation's electric grid. And recently in support of this, the GridWise Alliance, an association representing the forward-looking interests of leading utilities, has developed a draft framework for federal stimulus funding and drew the analogy to previous successful federal ARRA smart grid grants in 2009. We're looking forward to working with them on this important initiative.

And at our annual meeting a few weeks ago, we are very fortunate to have put in place a refreshed board of directors with both new and returning board members who bring us an incredible wealth of knowledge, experience and relationships. With our first board meeting now behind us, I'm certain that they will individually and collectively have a significant impact on guiding our success.

And within the utility industry, Anterix continues to be a catalyst for solving the growing need for private broadband networks and driving the increasing awareness of the necessity for reliable, resilient, and secure private broadband communications, including expanded set of valuable use cases.

In these past few months, we've seen a growing list of senior leadership from the utility industry speaking out publicly in trade media, at industry events, and to public utility commissions about the critical importance of private LTE for the growing interest of their businesses and for supporting the needs of their own customers. We've heard it from senior executives of leading utility companies including Ameren, New York Power Authority, Xcel, Southern Company. We've seen special editions of two of the leading industry publications, Public Utilities Fortnightly and Energy Central, focused specifically on private LTE and 900 megahertz with multiple articles in each publication extolling the virtues, benefits and necessity of a private LTE wireless broadband component for grid modernization.

And we've participated with industry leadership at conferences on this important topic, including at NARUC, GridWise Alliance, Dentons Smart Cities Summit, Utilities Broadband Alliance, Edison Electric Institute and our own industry insights roundtables. These well attended forums continue to educate and broaden the impact on decision makers, and further reinforce the benefits of working together as an industry to seize this once in a generation opportunity for private broadband communications.

For example at NARUC, the nationwide forum of state regulators who often play a key role in approving capital spending of utilities, Morgan was joined on a panel by David Wells of the Department of Energy; Shay Bahramirad of ComEd and Elin Swanson Katz of Tilson. Central themes in their discussions were the expected substantial benefit to consumers of reducing operating costs through the consolidation of disparate networks into a single private LTE platform and that's coupled with increasing technology that enables advanced monitoring and control and new green energy capabilities.

In addition, I recently participated in a leadership panel with executives from Southern Company and Ameren at an event hosted by the Edison Electric Institute, or EEI, the trade association for investor-owned utilities. Attendees of this event heard these utilities describing with clarity their business case for deploying private LTE. They addressed numerous specific use cases, explaining why it was critical for the industry to work together to share development resources, to capture economies of scale with vendors, and to attract innovative developers of applications. Through these initiatives, we believe a collective industry vision is developing, and utilities are now

hearing it from their own leadership in their own words, which will in turn impact the strategic thinking in the war rooms and the boardrooms of utilities and the regulators throughout the nation.

We also continue to see the confluence of macro forces that magnify the importance and value of the use cases that are enabled by private broadband LTE. Increasing natural disasters like wildfires and storms continue to highlight the need for better situational awareness, control, and resilience for utility assets to enable enhanced safety and faster recovery during these tragic events.

And the impact of COVID-19 on utilities is putting a direct strain on utility workforces that remain in the field, responsible for literally keeping the lights on for the rest of us during these unprecedented times. The risks these field workers are required to take on a daily basis makes an even clearer case for increased network automation supported by a robust communications infrastructure to keep these workers out of harm's way whenever possible.

And experts predict an increasing likelihood of continued cybersecurity events targeting the US electric grid. The urgency to update legacy communication networks with secure, air-gapped private LTE networks becomes an even greater necessity. Stan Connally, Southern Company's Executive Vice President of Operations, spoke about it recently in Public Utilities Fortnightly, noting that the security of utilities data is becoming even more important. And specifically stating "having your own network to transmit over and to communicate through has just proved invaluable to serving our customers and serving our communities."

We've also seen more and more utilities stepping forward to declare their bold decarbonization plans and net zero carbon emissions goals, often in response to state mandates. Delivering on these important environmental commitments will require substantial upgrades to their infrastructure, including modernized communications networks that will allow real-time, low latency information to flow, from the increasing number of integrated distributed energy resources and effectively manage the increasing complexity of this modernized power grid.

Several utilities identified in their decarbonization plans the need for tens of thousands of new connected network elements such as electric vehicle charging stations, renewable energy sources and even battery storage. Our timely pilot with the DOE's National Renewable Energy Lab and seven leading utilities clearly demonstrated the ability of 900 megahertz private LTE to effectively handle the high volume and low latency communications required for this critical need.

All of this activity is also raising the awareness and interest in private LTE marketplace and a vendor ecosystem, including a growing list of suppliers and potential strategic partners that are keenly interested in leveraging the power of private LTE to deepen their own relationships and service offerings with the utility sector. An increasing number of companies are developing innovative infrastructure solutions and end point devices.

With the global trends of mobile network virtualization and edge computing, we're seeing significant activity from leading cloud vendors looking to host mobile networks from RAN to core, as well as host key network applications. We believe these solutions combined will simplify deployment and lower the barrier to entry for our target utility customers. And now in my new role as CEO and with our expanded leadership team, I'm committing a material portion of my time to advancing these strategic opportunities.

On the customer front, we're experiencing strong momentum as a result of the FCC rulemaking and considerable interest based on the recently concluded CBRS auctions. In fact, we're excited to share that in our expanding customer pipeline, we have potential customers at various stages representing in total over three quarters of our nationwide spectrum value.

And as another indication of increasing demand, you may have seen that a seventh 900 megahertz broadband experimental license was recently granted by the FCC to Xcel Energy, a utility company based in Minneapolis, serving approximately 3.7 million electric customers in eight states. And of these seven experimental licenses granted to-date, five are directly with utilities, including Southern Company, NYPA, Ameren and Exelon and Xcel. And in total these five cover about 20% of our national spectrum value.

Now let me address a couple of key customer trends. With this recent conclusion of the FCC's CBRS spectrum auction, we're witnessing another very positive indicator for Anterix of the utility sector's focus on broadband spectrum and private LTE. Results of the FCC auction showed several utilities significantly investing in broadband licenses. In our ongoing discussions with most of these entities, they clearly understand the complementary aspect of CBRS and 900. And in fact have shared with us that they believe 900 megahertz can be an important foundation for their private LTE network strategy.

As we've discussed before, the 3.5 gigahertz mid-band CBRS spectrum is very useful and is more complementary than competitive with our low-band 900 megahertz spectrum. As wireless carriers around the globe have demonstrated, low-band spectrum serves as the foundational coverage layer for wide area deployments like utility service territories, as the laws of physics allow it to carry signals further and better penetrate walls and foliage. These low-band characteristics equate to considerably fewer cell sites to cover a given area, which importantly translates to a material advantage in both economics and performance, truly the best of both worlds if you're designing a new network.

In a conversation with one of the utilities, they shared with us that on average they found a four times differential between mid-band versus low-band spectrum build-out costs. Overall, the CBRS auction seems to have further focused attention on 900 megahertz as the optimum foundational layer.

Mid-band CBRS is very effective for in-building and campus applications and also for adding a useful capacity layer on top of low-band spectrum when needed. And the LTE technology, the global standard, is specifically designed to utilize multiple bands for different requirements. And bands can be incrementally added, especially during deployment, at low marginal costs. It's worth noting that almost all major commercial LTE networks were built this way, starting with low-band for coverage and penetration, eventually adding mid-band spectrum and high-band for needed incremental capacity.

CBRS uses an innovative spectrum sharing scheme with a spectrum access system, or SAS, that has three tiers of users. Top tier, the federal government; then comes the recent priority access licenses, or PAL auction winners, with up to 7 of those 10 megahertz licenses; and last but not least, there remains a significant amount of unlicensed spectrum available under General Authorized Access, or GAA. We see this unlicensed spectrum is very useful for a low-cost overlay on licensed 900 megahertz to provide this added capacity and functionality when needed.

We're also continuing to work closely with key OEM infrastructure providers to help customers find their best solutions for private LTE. As many of you know, Motorola recently announced their innovative approach to LTE with a high-powered 900 megahertz solution that can cost-efficiently be overlaid on a footprint of an existing two-way radio LMR system.

With the growing confidence in mission-critical push-to-talk over LTE, thanks to all the development efforts around FirstNet, we see more interest in using LTE as an evolutionary path from LMR. In this segment, where Motorola has always been a powerhouse, we expect this solution will bring in new demand. In fact, we're working with Motorola and a potential customer on a pilot showcasing this new technology.

And importantly, to address a question I know is on many investors' minds, I wanted to provide an update on our Ameren contract process. As you know, we announced our letter of intent in April and have been working actively to conclude our agreement and support Ameren's network deployment planning. At this time, all material terms have been agreed upon, including the long-term lease of spectrum at fair market value, and the contract is working its way through Ameren's corporate execution process. The contract will be subject to customary closing conditions, including board approvals. While there is always uncertainty in these corporate processes, we are optimistic that we will see this contract executed over the coming weeks, and we will then be able to share more details.

With that, I'll turn it over to Ryan.

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

Thank you, Rob, and good afternoon, everyone. It's my pleasure to be able to join you all for the first time on the Anterix investor call and I look forward to the ongoing opportunity to share my perspectives with you based on nearly 20 years of working with and providing technology solutions and services for critical infrastructure industries, namely, utilities.

As Rob and Morgan have previously noted, I had the privilege of joining the Anterix team in March of this year, and we've been extremely active since then, preparing to unleash our capability to capture this growing market. Organizationally, we've been extending our sales and commercial support resources and are on track to more than double this capacity before the end of the calendar year to meet this growing demand.

Let me start by providing a high level view of how we see the market response and our substantial progress in commercial readiness post report and order. Overall, by our last count, Anterix, plus the broader industry, has facilitated no fewer than 50 panels, publications, webinars, and sessions that have been geared toward driving awareness of the FCC decision and how utilities, with this new broadband spectrum tool, could leverage its foundational, mission critical qualities to build and deploy private LTE.

The word is out. 900 megahertz broadband spectrum deployed with the global standard of LTE is a unique opportunity for laying the foundation of the modernized grid. As a result of these conversations and publicity, our customer engagements and ecosystem opportunities continue to grow. The pace is increasing. Customers are initiating contact, and we've seen a growing number of customer engagements proceed toward the selection of private LTE networks for their operations.

With the breadth of this growing demand, our primary focus remains on the larger investor-owned utilities, as they are at the forefront of tackling grid modernization and have the resources available to implement these plans. We capture and measure the results of this customer interaction with Anterix in the form of our customer pipeline. Of those customers in our sales pipeline from those in initial discussions to those in negotiations, we have more than 40 potential customers whose service territories combined represent over 75% of our nationwide spectrum value.

The estimated potential spectrum lease contract value for such customers is in excess of \$5 billion based on fair market value over an assumed 20-year term. While this is a large market opportunity for Anterix, it's also important to note the typically long multiyear sales cycle for these types of entities. To that end, patience is an essential element in our pursuit of these valuable longstanding relationships.

It is impossible to ignore the impact that COVID-19 has had across many aspects of our lives, yet I can say positively that the utility sector is well-prepared for these types of crises and continues to demonstrate its robust ability to respond. As the terms essential and critical were redefined during COVID, utilities were at the intersection and continue to work through it all. Accordingly, despite COVID, the utility sector remained strong. In fact, this crisis is further emphasizing the importance of our electric grid as the lifeblood of our nation's economy.

A positive sign across the sector is the driving force of awareness and critical necessity that is the US electric power grid and its potential once again to play a considerable role on the path towards economic recovery. One example is the Minnesota Public Utilities Commission and the Department of Commerce, encouraging acceleration of a nearly \$3 billion energy investment project, and Xcel Energy is responding to that request with a shovel-ready project. If approved, it will be a great project to stimulate recovery and a beneficial outcome for the power grid in Minnesota.

The US electric power grid will benefit on many levels as utilities embrace new technology underpinned by private LTE broadband networks. Use cases and the value derived from them remain at the core of our engagement strategy. And while they'll differ from utility to utility, they could offer the tangible benefits that each utility seeks to deliver upon, supporting their broader ambitions described as grid modernization.

There is a common thread amongst these use cases, that being secure, reliable, standards-based connectivity. While this list is not comprehensive, these use cases can include: the insertion of renewables such as solar and wind and the role when integrated into the grid to reduce carbon emissions to net zero; the incorporation of micro grids and new advanced technologies such as falling line conductor which can provide a proactive wildfire mitigation capability that support what is again turning out to be a record-setting fire season in the West; the distribution of sensors that can support countless other fault and outage scenarios caused as a result of hurricanes, tornadoes, and snow and ice as well.

We're also working with other utilities who are validating the benefits they expect to achieve related to advancements in sensor baseline inspections, incorporation of electric vehicles and the associated charging infrastructure, and mobility applications such as voice, data devices and alarms and grid topology information, all of which empower the modern utility workforce. Private broadband LTE networks uniquely fit these needs.

One final note on LTE is the advantage of leveraging a global standard and the level of support afforded by a broad ecosystem. To facilitate bringing the full value of this for utilities, we have launched a technology and ecosystem program for entities such as Qualcomm, Sierra Wireless, Telit, Motorola, Nokia, Schweitzer Engineering Laboratories, and GE, just to name a few of the key participants in the utility solution value chain.

More broadly than just devices and infrastructure vendors, our other large enterprise partners are working with us to leverage, not only our low-band spectrum assets as a foundational layer, but also recognizing our penetration in this space as telecom experts in the utility sector. We also find a unique synergy from some of the potential partners that ties together innovative 5G architectures and solution components that consider advancements in public, private cloud, virtualization and distributed software and services. Participation with these industry leaders will remain an important strategic aspect of accelerating the adoption cycle and driving innovation on behalf of the entire industry.

I have been selling into this industry for nearly 20 years. Here's what I've learned about the buying cycle, which is quite systematic and predictably linear. First, there is education. Initially in these engagements, we start with broadening the understanding and educating the utility team about the transformative value of private broadband LTE. Utility executives and their public regulators have become increasingly aware of the close link between

optimizing asset operations and communications. As deployment of intelligent devices has expanded on the grid, the connectivity for these devices, both back to the central office as well as between devices deployed in the field, has become critical to achieving the awareness, visibility and control that is required to realize the enhanced grid stability, reliability and flexibility. This and the customer benefits they can support is at the heart of grid modernization.

While executives clearly acknowledge the need to invest in enhanced communications and, in most cases, the need for integrated broadband implementations, they are sifting their way through options, establishing what a multi-tiered enterprise network architecture might look like and where 900 megahertz fits into the overall solution. Expanded education on this front is aggressively under way, both from Anterix directly as well as via the ever-increasing echo chamber across industries. These education efforts are producing real results, so much so that we see these principles making their way into the technical and commercial planning documents of many US utilities, even at this early stage.

Only after education comes the selection process. Utility technology and vendor selection is extremely diligent, particularly pertaining to large capital investments for which utilities seek approval for a return on investment from regulators. To address this regulatory environment, we work closely with utilities but also with consultants, partners, and trade and industry organizations to inform and support the development of RFPs, business cases, cost models, and supporting stakeholder education that spans well beyond just the utility.

Pilots and demonstrations have been part of the utility industry's traditional evaluation and business case development process. Utilities use pilots as a method to deepen their understanding of available solutions, their partners, and to confirm business case assumptions. It's important to note that not all utilities will go down this path and we further anticipate as the industry gathers and shares its learnings, the dependency on independent pilots will diminish. But for now, it proves to be a valuable engagement for our teams to capture the customer at a level beyond spectrum.

We have been building a top-class utility expertise to enhance our deep bench of telecom, spectrum, and transaction experts. When applied at the intersection of traditional telecommunications and utility applications, this creates an even more positive experience for utilities working with us on this journey. I'm very encouraged that in addition to those who already have experimental license granted, we are working with a number of others who are planning pilots.

As these enterprise architectures are clarified, and the overall investments are considered, utilities need to complete diligent justification exercise to ensure prudent investments because spectrum leasing in LTE often represents a new technology and a new business approach, there is not a lot of precedent to support assumptions in building a rate case. We are working with our consulting partners to help on this issue and have developed a strong total cost of ownership model to assist this process and show the economic benefits that utilities will achieve.

And last but certainly not least is the utility corporate review and contracting step. In many cases, utilities under leadership are establishing new levels of operations and seeking to integrate disparate silos on a new technology vision. Our engagement and support, especially in this space, goes much broader than our direct consultative support for the customer. This is what we describe as our bottoms-up approach.

In addition, our top-down approach, while applied to many aspects of the customer journey, is especially important and can be very impactful during this time as coordinated through our advisory council. This approach seasons the market starting at the state regulatory level, C-suite executives and other influencers. The capability

is of tremendous support to customers who are facing a plethora of new challenges in making final decisions across broad topical areas related to technology, regulation, accounting, personnel and ecosystem. To that end, we believe Anterix is offering an unmatched depth and capability, which may be at this stage, as valuable to our customers as the underlying 900 megahertz spectrum itself.

While the journey in its entirety can be lengthy, it's in fact quite systematic and well tested through the years of technology procurement, which in its own right is not new to this industry. Many utilities are well down the path of grid modernization, supportive in several cases with commission filings already. We're seeing developing with our work with Ameren and others, opportunity to forge a lasting trusted partnership that can create long-term value for them as well as for us.

And just to wrap up, I'd like to reflect on how important the early adopters are to this industry and to Anterix. It goes without saying in any industry, the first mover tends to carry an inordinate burden that mostly benefits the follower. Ameren and Southern Linc before them are blazing that trail and are advocates of industry. These highly respected companies are a crystal ball to the future. And in an industry of partnership, shared learning and cooperation, they could provide a tremendous opportunity for other utilities to share in the learning and accelerate their plans across the nation. We will believe they will continue to provide the innovative courage for the rest of the industry to follow. Our mission is clear. Convert these indicators of demand and interest into long-term revenues.

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

Timothy Gray

Chief Financial Officer, Anterix, Inc.

Thanks. Thanks, Ryan, and good afternoon, everyone. How does our current pipeline relate to our previously stated revenue projections? Even without the assumption of additional customers coming into the pipeline, based on our current pipeline, we believe we will meet the fiscal year 2024 revenue goals that we have previously laid out. Note that our focus on fiscal 2024 factors in spectrum clearing and the fact that we have always understood that the decision making and approval processes at utilities, as Ryan just explained, are time consuming and we built these into our model.

Turning to our cash position. We ended June 2020 with approximately \$125 million of cash and are debt free. As a reminder, during our last update call in May, I stated that we expect to spend a total of \$50 million to \$60 million during our current fiscal year, which is inclusive of \$20 million to \$30 million in spectrum clearing investments and approximately \$30 million of operating expenses. We remain on track to spend within this forecasted range. And as I've discussed previously, we do expect our expenses to continue to gradually rise over this fiscal year as we add resources to enhance our organizational capabilities.

The funding of our business plan would be assisted by the initial demand that we are seeing for prepaid leases. Based on our current discussions with our potential investor-owned utility customers, we now believe some of these customers will opt to prepay their spectrum lease either upfront or over the first two years of the lease. Prepayments of IOU spectrum leases appear to be an easier path forward for them, providing them the ability to capitalize their spectrum investment. It is still too early to tell if this will be a trend for a majority of our utility customers going forward but as we've discussed, utilities have a strong preference to capitalize these leases.

To be clear the IOUs' decision to prepay their leases is not intended to reduce the cost of their spectrum lease. Therefore, we expect that the discount rate for these prepayments will be based closer to the IOUs' cost of capital than to ours. No matter how the customer chooses to pay their lease, even if we receive upfront payments

representing the entire term of the lease, we will use the GAAP straight-line method of accounting to recognize revenues over the full term of the lease.

Again, I'll repeat that it's too early to tell if this early indication will continue for every utility customer, but it does potentially mean that we could get to free cash flow faster and provide us with additional strategic options. Having a significant cash balance would provide us with the ability to invest in the growth of our business without tapping the financial markets and could even give us an opportunity to return cash to shareholders, including share buybacks earlier than anticipated. We will provide more updates on the emergence of this trend as we sign customer contracts.

I'd also like to provide a detailed update on our 900 megahertz spectrum clearing process and the investments we made both in the past quarter and in the current quarter to bring broadband to the market. In our fiscal first quarter, that ended on June 30, we spent \$6 million, with the spending representative of initial deposits and final payments for channel acquisitions and spectrum swaps to relocate or what we refer to as retune incumbents out of the broadband allocation.

In addition, in our current fiscal quarter, through August 31, we've spent \$1.4 million on incumbent transactions and have an additional \$2.2 million committed to complete these transactions. Through August, we have agreements with approximately 20% of the nationwide 900 megahertz incumbents.

While much of our spectrum clearing work is focused on targeted territories with potential near-term customer opportunities, we continue to clear incumbents opportunistically around the country. Our clearing costs to-date continue to run in line with those of our total clearing cost estimates of \$130 million to \$160 million, which will mostly be spent over the next five years. As mentioned in the past, following the FCC's issuance of the report and order, we are now capitalizing all spectrum clearing investments, which will increase the value of our intangible asset over time.

Finally, I want to mention that the FCC's final rules allow us to get a credit for license exchanges with the American Association of Railroads, or AAR. And in June, we began that transaction resulting in a \$4.7 million loss we recorded in the quarter ending June 30, 2020. Post report and order, we moved forward with canceling the channel licenses necessary for the relocation of AAR existing operations so that the AAR is now able to move their operations outside of the 900 megahertz broadband segment.

Due to this cancellation, we recorded the loss. However, going forward, we do expect to record gains as we turn in our narrowband channels to the FCC to receive a broadband license. These gains will vary in size based on several factors, including the value of the licenses we are turning in, the value of the respective county, and the amount of any anti-windfall payments associated with the license.

That concludes our prepared remarks, I'll now turn it back over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Your first question is coming from George Sutton. Your line is live.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Thank you. There was more discussion on rate cases and infrastructure funding and sort of the help that I think you'll provide the utilities in moving forward and I'm just curious, if was that an expected part of the process or has that been added as you're finding that to be part of the friction towards getting deals done?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey, George it's Morgan. Let me give a brief answer and then turn it perhaps to Rob. I would say, we knew from the outset what a complex environment the investor-owned utilities operate within. So, on the one hand, you have their great advantage that they can invest huge amounts of capital if they prove that it's a prudent investment, and they can actually earn a return on it. So that put them solidly in our sights from the beginning. So, we knew the complexity of the process, but of course we're getting more and more savvy as we bring in all these experts. Rob, how do you want to amplify that?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah, I think that's spot on, George. No, I would not say it's anything new, it's just the opposite. We've been talking about our top-down and our bottom-up strategy approach to the segment from really when we started in that, we always saw that having top-down is our regulatory team which was spread between the FCC and the industry. Now with the completion of the FCC process, we're really laser focused on the industry regulatory.

And on this advisory council, I talked about, we have former commissioners from California as we mentioned but also Texas and Illinois, and experts from different areas of the utility industry that really helping what I think consider grease the skids and prepare the element, so that the rate cases get approve quicker, so that regulators understand this.

And the last piece you asked about sort of the federal funding, obviously you're reading, as everyone else is about all of the potential for stimulus funding that's going to come through on a bipartisan basis potentially. And we definitely see, just like history, I talked about it in 2009, the way money came through and flowed to a lot of the smart grid deployment, the smart meters that got deployed throughout the industry. We see another opportunity to be able to capitalize on this important need with the potential for more funding. And so, we're also helping in focusing those resources on driving to make sure they get their fair share of that for being able to put out broadband private network.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Yeah. And I would say that partly, we're now in response mode because we're getting more and more awareness as a result of the education coming from PUCs. They're now asking us. We used to feel like fish out of water there at the NARUC meetings. Now, we're right in the thick of things with the high quality advisors we've brought on.

But it's a complex process to bring in a whole new category of capital investment into this space and demonstrate that it's prudent in an industry in which following is a lot more prevalent than leading. So nothing new but we're now – this is part of the sign of momentum. We're now in it. We're in that big dimension of getting these things to real term contracts.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Got you. I'm curious on the timing of the CBRS auction and the decisions. Do you think that that had some complicating factor, while it's simply complementary to what you're doing, it may have held up some moves forward by some of the utilities until they knew what their position would be?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Oh, I think absolutely yes. What do you think, Rob?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah. I think, as we mentioned, the ones that we're working with, which is most of those who have received – who got winning bids through the auction process, as everyone's seen, have had really multi-band approaches. And really when you look at the broader telecom landscape of utilities, they're using fiber, they're using leased lines, they're using commercial systems as well. And so private LTE is going to be a critical important element, but they're going to continue to use other bands, other technologies in filling out the full gamut of what they require.

CBRS is a piece of that. And so, yeah, absolutely, I think there were utilities who were watching to see what happened in an auction. Again, our view that there was real capital put down in that auction by utilities that shows, for the first time publicly, about the – beyond Southern Company that there's lots of other utilities that are interested in building private LTE and CBRS has a very specific use case that I talked about. But if you really want to do service territory-wide coverage, you have to have low-band and really 900 MHz as the ultimate solution right now in the marketplace, we think it puts us in a really great position.

And again, the CBRS auction has not just increased awareness with the utility sector, which it has, the ecosystem that's growing of vendors and solution providers continues to expand. And those are providers of LTE technologies that typically are working across multiple bands, and so we're also going to see real benefit from that as well.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Let's take another last perspective on this. I think it's extremely positive. Historically, the utility industry took the position; they took it at the FCC repeatedly. We can't participate in auctions. We're not able to raise the capital to invest in spectrum, and we just saw a number of them, obviously having overcome that, participate in this auction. They'll participate in additional auctions, I am sure. We – looking at the utility industry, here's something where we seek to be a long-term partner, we're fine with this movement. We think it's absolutely positive as the industry steps up finally, you might say, steps up to begin making considerable investments in spectrum. And since ours is foundational, we think it all bodes well for us.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

One more question if I could, this is directed to Ryan. You mentioned that there are a number of others planning pilots and would love to have number of quantified, if possible. And also any sense on the pilot cycle, like what is the timeframe of contemplating a pilot to just simply getting a pilot in the works and announced?

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

A

Yeah, excellent. Let me maybe tackle the second half, just give an expectation of kind of how utilities contemplate their cycles and what they're doing would be with pilots. They typically – if you think about just the pilot cycle, so after obviously, they've gone through some exercises, I mentioned in the educational process and kind of the pre-work of getting to the point of the pilot, it's pretty common that what we're going to see is that that testing time might take between three to six months. And so you have kind of a total duration in there of that plus whatever that incremental time is upfront and on the back.

What you generally see with time, and I kind of made this point, is that the way that utilities pilot and test, it will be something that generally comes down with time. They do tend to share information on test outcomes and the process associated with those conclusions. And so it's been helpful in general, I'll say, in terms of with experience and with the level of sharing across the utilities, we're generally going to see the industry collaboration shorten that time.

Now back to the first part of your question. Unfortunately, I can't get into the specific number of it, but safe to say, it's a handful of additional ones to the utilities that we already have with the experimental licenses. And we'll certainly hope to see more and be able to talk about them as the experimental license comes out here in the future.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Thanks, guys. Appreciate it.

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Thank you, George.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Let me just make one last point. Keep in mind that for a lot of these super conservative utilities, we've had rules authorizing us to go forward for exactly a week-and-a-half or two weeks. So, this is new to them.

Operator: Your next question is coming from Phil Cusick. Your line is live.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Hey, guys, a couple of things. So, first, as you think about the reasonable market price for Ameren, how can you comp that to CBRS? And does that have any impact on how you talk to customers about potential spectrum price?

Morgan Edward O'Brien
Executive Chairman, Anterix, Inc.

A

Hey, Rob, do you want to do that or Tim?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

I'm sorry, Morgan. My phone actually cut off for a second. So, if you can either repeat the question or – apologize.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Maybe Tim, did you – Tim, did you hear the question?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. Rob, I'll just repeat it real quick and then we can, between the two of us, tag team it. How has CBRS impacted when we look at regional pricing and is there any real impact there? And as Rob mentioned...

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

And maybe how does that compare to the price on the Ameren contract?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. I don't think there's any significant impact on pricing or, really, any real impact on pricing as it relates to under 1 gigahertz wide area coverage spectrum. But, Rob, do you want to add to that?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah, sure. Look, so as you know well, Phil, and we've read your research about the difference of valuation on spectrum in low-band, mid-band, high-band, I don't think there were any surprises from CBRS on the aggregate. There clearly were some counties where there were anomalies. But overall, I think we saw what we expected. And we really look at the – when we talk about fair market value spectrum, as we've talked about before, the previous auctions, 600 megahertz AWS to come up with – and other private market transactions, what we think is fair market value.

And as I mentioned in my comments, the Ameren agreement, as we see it coming to completion, is going to be within what we think of is a very fair range of fair market value. So I think it's supportive. So no surprises for us from CBRS and it keeps us in line with what we think for the value of low-band spectrum separately from CBRS, with Ameren specifically.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Okay. Okay. And then second, there was a comment – I'm sorry the guy who was new on the call.

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

Ryan.

A

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Talking about principles, making it into – Ryan, planning documents. And is that sort of principles you've been espousing that are making it into RFPs? And maybe you can give us some examples of things like that.

Q

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

That's for you, Ryan.

A

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

Yeah. Got it. Yeah. They make their way into a broad set of documents. But definitely, as we see – not just the language and the principles that as Anterix is defining but the broader understanding some of the points I mentioned around this intersection between the importance of connectivity and the other kind of grid programs that are intended to be aligned to the outcomes that are associated with those use cases.

A

And we'll see those come out. Sometimes they're in the form of technical documents that we may see in terms of a description of how those pieces come together. We can also see them in other areas, as you suggest, more formal proceedings that preempt some of the regulatory process that just describes utility programs and how they envision the pieces coming together. And that's usually at a stage that before, obviously, they're doing the formal regulatory recovery programs in general and covers, like I said, the general principles around kind of how the avenues of spectrum and private LTE might fit in.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Okay. Okay, thanks guys.

Q

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

Okay.

A

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

Thanks, Phil.

A

Operator: Your next question is coming from Simon Flannery. Your line is live.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

Hey, Simon.

A

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Good afternoon. Hello, how are you? So, on the Ameren deal, where are we on clearing in that geography? And how should we be thinking about revenue recognition assuming you do close that one let's say in the kind of before your end? Would that mean you'd start recognizing revenues in the December quarter or what's the right way to think about that? And if you've got any color on whether they might be one who might consider the upfront payments? And then I think in the spring you had said that you hope to sign another one to two deals beyond Ameren by March of 2021, given what you've been saying about the kind of the time line here, is that still your expectation, or has that got pushed a bit?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey, Rob, do you want to try it?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Sure. So on Ameren's clearing, Simon, I'd say we're on track. It happens to be a very good market in that we always talked about the spectrum being underutilized. That's a market where there are less incumbents and we've been making great progress. And so I think we're on the right path to be able to deliver based on what is the build schedule that we know of, of Ameren. So I don't think there's any surprises there.

On the revenue recognition, Tim, maybe you want to talk about that a bit. I know, we can't reveal the details, but how we would recognize, at least.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. Yeah. So, Simon, I would expect in our – in the first quarter of our next fiscal year, we would start to be able to recognize revenue, assuming the sign in relative short order.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

So that's the June quarter, is it?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah, exactly.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And anything on the upfront payment? Is that something they're talking about?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah. Unfortunately, Simon, we can't reveal the details of that because we are still under NDA. But again, as I said, I'm hoping we'll be able to do that soon when we come to a conclusion and then at that point we'll give a lot more details about the terms.

Morgan Edward O'Brien
Executive Chairman, Anterix, Inc.

A

And on retuning, I think we mentioned this before, but if we didn't, there's sort of one dominant player in St. Louis. And – so it's important to get a deal with that player, which we did. And so now it's working through the process of moving around the various operations to get them off broadband and on to narrowband. So that's all very positive.

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

And Simon, one of the technical figures, I know you'd appreciate also, as we do clear our 3x3, is that because of the LTE standard configuration of starting with a 1.4 as the smallest increment and then going up to a 3x3, we actually have the opportunity to utilize that part of the band in advance of clearing the full band. And we've looked with number of utilities at the way in which that could be used because you can imagine when they first put into service, they don't need the full 3x3. And so, we actually have a glide path in our clearing very often that allows us to deliver the 1.4 first and then get to a 3x3.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And on subsequent basis?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

So, I would say that we're – you heard Ryan's comments about the pipeline and Ryan feel free to jump in if you have any more comments. We're on course as we gave you all the right qualifications that these are difficult beasts to predict in the process of getting from – getting to yes but based on the robustness of our engagement with a lot of utilities at the bottom end of our pipeline, we're optimistic we'll be able to reach those targets.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Right. And then you talked a lot about LTE, obviously 5G is ramping here. How is 5G sort of played into your conversations?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah. So...

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Well, my answer is that our conversations always assume that there's going to be a migration from 4G to 5G in some way or another. Rob, how do you want to amplify?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

What sticks in my mind, we've mentioned previously but Southern Company's Alabama Power hosted the Utility Broadband Alliance. And the keynote speaker was Tami Barron, the CEO of their telecom business, Southern Linc. And really addressing that question right up front, she had talked about it. They have a 4G system in place

built by Ericsson, and that it's software upgradable from their view to 5G. And they said, currently, every use case they have is being well solved by it, but when it makes economic sense for them to upgrade, they will.

And so we kind of take the same approach that that's why we're using LTE, that's why we go with the global standard, and especially those utilities that are now looking at new technology and equipment for 4G systems with – that most of the vendors are talking about the software upgradability of those systems. And so we believe that there's a natural glide path when they need it – if they need it and when they need it. So we definitely see 5G on the radar as the technology gets optimized for the use of private networks.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you.

Operator: Your next question is coming from Mike Crawford. Your line is live.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Thanks. Mike Crawford, B. Riley Securities. So...

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey, Mike.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

...I understand your reticence to talk about exactly what you consider to be fair market value in a more quantifiable aspect. But maybe if we get back to, Tim, when you were reiterating your continued guidance of \$125 million and \$150 million in revenues by 2024, but you didn't say whether that was still through contracts with 6 to 11 of the top 20 IOUs or some different mix given the other discussions you've had about – the other disclosure you had about now being in discussions with three-quarters of the nationwide value spectrum.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. So when we talked about the \$125 million to \$150 million, Mike, it was using 6 to 11 of the top 20 IOUs. That mix may be slightly different to still get to the \$125 million to \$150 million the way the pipeline looks right now, but from a revenue perspective, we're still on track to be there.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Maybe on a up or down level, directionally, what your consideration of the fair market value of the spectrum, is that changed?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah, I can jump in there. Mike, yeah I think, as I said earlier, it hasn't changed. Our pricing model that we develop, our lease is on and really get supported by numerous third-parties often in our conversations with

utilities, it's valuable to have other entities that come in. And it's really to – as I think Ryan talked about the education of these customers is a key part of the first stages. These utilities have not been through all the work that all of us have understanding value of spectrum following spectrum auctions. And so, just the education of historical pricing and what is fair market value. So, our view is that there's still strong support for the rationale, for the pricing we have, which is based on, as I talked about, all the elements of fair market value.

Just going back to the 6 to 11 that we talked about a while back, that was really an illustrative example that you could take 6 to 11 of the top 20 customers to say that that's the range of mix of the top 20. Obviously as we talk about a much bigger pipeline now beyond those top 20, the mix could be different but our objective of hitting those targets is still the same.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Okay. And then Rob, you also talked about this 1.4 glide path that we talked about in the past as well. But given that that is the way that many of these potential agreements might roll out, does that also mean that even in the case where you're getting the upfront, well, how is that going to affect potential cash flows coming in from leases?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah. Unfortunately, it depends and there's some of the details which I can't really put out there yet because we're in different discussions and different mechanisms to be able to do that. I don't mean to be too vague. But absolutely, we could have a pro rata pricing based on the spectrum that we deliver in some cases. So you may see a ramp-up in payments to get the full payment at a 3x3. Others were that we've talked about where there might be prepayments, it's going to be less consequential. And others are looking for more spectrum up front. And it could be in markets where there's more spectrum available. So I think you're going to see a range of outcomes relative to that issue.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Okay. Great. Well, thank you very much.

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Thank you, Mike.

Operator: Your next question is coming from [ph] James Ratcliffe (01:05:41). Your line is live.

Q

Thanks. Two quick ones, if I could. Just on the FY 2024 revenue goal, is reaching that affected at all about whether leases are prepaid versus pay-go or is the revenue recognition essentially the same? And second, just a follow-up on the CBRS spectrum. Anything in this auction that has caused you to change your view, not just about absolute spectrum value, but about the relative value of spectrum in the various markets when you look at that mix? Thanks.

Morgan Edward O'Brien
Executive Chairman, Anterix, Inc.

A

Rob?

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Well, I think I'm going to – I'll take the second one first, the CBRS one, because I think I addressed that earlier and, Tim, I'll pass the revenue recognition to you. No, as I said previously, the CBRS auction, I think – and honestly, I'm reading all of your research, so it's great to be answering the question to the analysts about it.

But I think we all saw what we would say at least fair market value or full value for that mid-band spectrum, a 3.5 spectrum. And to us, it just fuller solidifies the kind of values that we're talking about for our spectrum based on some of the historical auctions. We didn't see many anomalies, right? As I said, there was a couple of counties that were sort of a bit out of whack for particular reasons. But otherwise, I think it continues to be supportive of both the aggregate value, but also the variation in pricing market by market, right? There's places where spectrum is below average from a cost standpoint and places where it's above average. But on the whole, we think it was pretty supportive.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah, on the recognition, [ph] James (01:07:22). So, from a revenue perspective it's still going to be – even if it's prepaid, it's still going to be straight line over the life of lease.

Q

Yeah.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

So the dollars related to a theoretical prepayment would be built into how we've looked at the \$125 million to \$150 million.

Q

Got it. Thank you.

Operator: Your last question is coming from...

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey, Rob, before we go on, for one second, haven't you also made the point that when you look at fair market value of CBRS payments versus our own valuation, you have to add the significant fees that SAS – that the coordination process impose.

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

That is a good point. I think one that isn't really captured much by the research. But as you all know, right, I've talked earlier about the SAS, right, the role of the spectrum coordination and the fees for end point as you deploy a significant network actually can add up pretty significantly as an operating expense too, versus the capital expense, which is the purchase of the spectrum. Some of the models we've looked at we've seen almost an equivalent cost if you take – of the spectrum, so almost 50% increase of the cost when you add on those SAS costs as well, depending on – it's based on the number of both base stations and end points that are higher power. So that is an important point, Morgan. I'm glad you brought it up.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

And I think the other point is that if you're down in the weeds and you guys realize it, but others may not realize that the PAL license is secondary in many places to – as a practical matter to the Navy's use of it, and it's a complicating factor and encumbrance. And if you're in a place like San Diego or a lot of the West Coast, it's a factor impinging on value.

Operator: Your last question is coming from Chase White. Chase, your line is live.

Chase White

Analyst, Height Analytics LLC

Q

Thanks. Hi, guys.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hi, Chase.

Chase White

Analyst, Height Analytics LLC

Q

So just a couple, if I may. So the first question I have is that any updates or feedback on – from UPS on their testing of the 900 megahertz spectrum with their experimental license? And any meaningful interests from other non-utility critical infrastructure entities outside of UPS? You don't have to mention any names, but just curious.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

I think that falls into your bucket, Ryan.

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

A

Rob, maybe you want to start with the UPS and I can hit the other segment.

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah, absolutely. I can kick it on UPS. So not a lot of continued progress. I think what we've seen with COVID, and I think everyone sees this with the delivery of the UPS packages, UPS has been pretty busy working on some

other critical efforts. And so I don't think there's a lot more report on that today. Hopefully, there will be more in the future. But we are seeing absolutely and I think this ties into the comments on the CBRS auction, interest from a lot of other sectors. You saw a lot of the other private entities that jumped into the CBRS auction round unusually given the results of previous auctions. And I think as a result of that, we're starting to see segment interests continued, but increasing from sectors like oil and gas and transportation and others. And Ryan maybe you want to talk about that and also the way you've built the team now to focus on developing some of those opportunities?

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

A

Yeah. Absolutely. No and you're right, there definitely has been interest even some of it in the form of inbounds in terms of seeking for participation and how do the other segments take advantage of the 900 megahertz license.

We've been – as, Rob said, we've been we've been building the team, obviously, as I talked about our core focus and the prime component of the sales force that we're putting in place is to target the larger IOUs that are the middle of the cross hairs of what we're going after. But we're starting to build out the competency for how to capture some of these adjacent spaces as they continue to emerge. Clearly, they're a little bit earlier in the pipeline process but will become interesting opportunities in terms of complementary either their geographical coverage and/or picking up other prime spots depending on how the pipeline plays out with the IOUs.

Chase White

Analyst, Height Analytics LLC

Q

Got you. That's helpful.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

And we're expecting and I think our utility customers are expecting in some cases that they can make the initial investment in the infrastructure and then find other users to fill in some of that capacity, so that they get a way to offset some of their costs.

Robert Schwartz

President, Chief Executive Officer & Director, Anterix, Inc.

A

Yeah, agreed, Morgan.

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

A

And one other point that I'll just add is as we expand our partner ecosystem, it has been a very positive avenue in terms of getting integrated into other direct segments where they may be more direct participants historically than we are. And as we've talked about a lot of that activity is continuing to accelerate in addition to the customer contact.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Yeah and you may think, as we do, when you think of an utility, you think, first of all, of electricity, but a lot of these guys have gas also and so their pipeline another type of potential uses.

Operator: We have no further questions from the line at this time.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

Well, thank you, everybody. We appreciate all the questions, all your time, continuing support. Thank you so much until next time.

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.

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