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Anterix, Inc. (ATEX)

Q2 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and welcome to the Anterix Second Quarter Investor Update Call. At this time, all participants have been placed on a listen-only mode, and the floor will be open for questions and comments after the presentation.

I would now like to turn the conference over to Natasha Vecchiarelli, Director of Investor Relations and Corporate Communications. Please go ahead.

Natasha Vecchiarelli

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

Good afternoon, everyone, and welcome to the Anterix second quarter fiscal 2021 investor call. Joining me today are Morgan O'Brien, our Executive Chairman; Rob Schwartz, our President and Chief Executive Officer; Ryan Gerbrandt, our Chief Operating Officer; and Tim Gray, our Chief Financial Officer.

Before I turn the call over to Rob, please let me remind you 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. A discussion of the factors that may affect our future results is contained in our SEC filings, which are available on the Investor Relations page of our website.

And as always, a replay and transcript of this call will also be made available on our website. Following our prepared remarks, we will open the call to take questions using the process the operator will describe.

And with that, I'll turn the call over to Anterix's President and CEO, Rob Schwartz.

Rob Schwartz

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

Thanks, Natasha, and good afternoon, everyone. Today, we'll provide you with an update on the key elements of our continued progress and momentum since our last call. Given that this last call was just about two months ago, Ryan and I will provide a brief update and then we'll go to Q&A with the full team.

So with that, let's dive into the details. Today, we're going to cover a few key topics. First, I'll provide an update on our near-term customer contracting process. Then, I'll address the continued progress of our top down state and federal strategy which, when combined with the tailwinds of increasing private LTE market interest, is providing for a catalyst for a potential collective movement by the utility industry for spectrum adoption. Ryan will then follow to discuss our customer pipeline and highlight the key indicators of progress and utility momentum we're seeing.

I know Ameren is top of mind with many of our investors. So let me start with an update on where we stand. It's fair to say our contract completion process has been slower than we had anticipated. However, based on our continued progress, we remain confident that we'll get this first broadband customer contract signed shortly. The first one's always the hardest and while the approval process is not in our direct control, the execution process continues to move forward with sponsorship from their top leadership. And we do continue to remain confident in our ability to report two to three signed agreements before fiscal year-end March 31, 2021.

With that said, it's important not to lose sight of the fact that we are pioneering with Ameren and others a new and revolutionary idea for the utility industry that will have a major positive impact on our nation's electric grid and will establish a differentiated and sustainable opportunity for Anterix but new innovation with large and risk-averse institutional companies takes time. The result in value creation we believe is worthy of the patience required. As a team, we're used to overcoming challenges even those that some seem to think are impossible to achieve. Just like the considerable patience that was required during the FCC process, we are confident that, once again, the reward will be well worth the wait.

In parallel, we're also making strong progress with other near-term prospective customers. And despite COVID's impact in slowing decision cycles, we're experiencing strong demand. This can be seen through additional utilities that have recently been publicly vocal about their interest in private LTE and specifically 900 megahertz.

New York Power Authority or NYPA, the largest state public power utility in the US, recently announced a pilot of 900 megahertz broadband as part of its goal of becoming the first end-to-end digital utility. As part of this announcement, NYPA CEO, Gil Quiniones, and I were interviewed on an Energy Central Podcast discussing NYPA's digitization plan and the requirement for private LTE. During the interview, Gil was quoted on saying, we are excited in our partnership with Anterix and we are looking forward to having a successful pilot because our intent really is to deploy this as quickly as possible statewide.

In another public event, I participated in a fireside chat with the IT lead from Exelon, one of our nation's largest investor-owned utilities companies in five states and the District of Columbia. At this fierce wireless event, he publicly identified for the first time both Exelon's experimental use of 900 megahertz and their strong interest in private LTE.

Additionally, Dominion Energy, the investor-owned utility operating in 16 states, was the eighth entity to file for experimental license to pilot 900 megahertz private LTE. In their filing, Dominion explained that they plan to

evaluate diverse use cases including workforce mobility, substation communications, and telemetry and automation.

Now, I'd like to spend a few minutes providing you with an update on the key market forces and our top down initiatives that we're leveraging to organize and foster the collective demand for a spectrum. As a result of the hard work of the Anterix team, fueled also by the recent conclusion of the CBRS auction in August, we're seeing a growing industry ecosystem focused on the benefits of private broadband networks, including from enterprises across numerous verticals and from major vendors.

FierceWireless recently well-summarized the compelling industry rationale in stating, "for many enterprises, private networks offer more control and security as data infrastructures stay on-premise and traffic doesn't have to go over a public network." And while our team remains laser focused on closing customer contracts, we are leveraging this growing industry interest to talk with potential strategic partners.

We're exploring ways to work together, creating more compelling solutions and in turn, add partner capabilities and heft to accelerate the adoption of 900 megahertz private networks. We're also making progress on our top-down programs aimed at impacting the utility industry as a whole at the state, federal, and industry association levels. By moving the industry towards a collaborative initiative of a nationwide network of private LTE networks, the value and the function of this collective approach can be considerably greater than the sum of the parts for all involved.

We refer to this concept as the network effect, which was highlighted in a concept paper recently published by Navigant Guidehouse, articulating the vast scale benefits that are generated when utility industry works together in the deployment of private LTE networks.

The paper, which is accessible on our website, very effectively explains the many benefits of this network effect, and I encourage you to read it. A prime example of one of our collective initiatives that we're involved in with other industry leaders is raising awareness of the importance of allocating some of the expected federal infrastructure funding towards building private broadband communications networks

After the New Year, Congress and the Biden administration are likely to consider several pieces of legislation to authorize funding that could help accelerate modernization of the electric grid. The framework and funding amounts of these bills is difficult to fully forecast at the moment. However, it's anticipated that environmental policy, renewable and distributed energy, broadband deployment, infrastructure upgrades, grid modernization, and cybersecurity will likely be key components of any legislation.

We believe, especially during this time of COVID, that there's a strong case for the allocation of economic stimulus funds to enable these near-term job-producing opportunities to build private utility broadband communications networks. In concert with a number of organizations and thought leaders, including our own advisory council, Anterix has been educating policymakers regarding the link between a modern grid and modern communications. A funding mechanism that recognizes the value of private broadband can be instrumental in driving collective industry action and accelerating the use of our 900-megahertz spectrum.

So, before I turn over to Ryan, I'll close with these thoughts. While finalization of long-term customer contracts takes time, I'm more enthusiastic than ever about where we are and where we're going at Anterix. Industry demand for private broadband networks is growing across sectors. We're on target to deliver on our goals. We have a growing and experienced leadership team that's executing on our plan, and we have a balance sheet that's well capitalized both with cash and spectrum and remains debt-free.

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

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

Thank you, Rob, and good afternoon, everyone. As Rob just highlighted, we continue to make marked progress with our pipeline, just a few months since our final actionable FCC rules became effective. And to put it in perspective, as we shared on our last investor call, the combined service territories of the utilities and our current customer pipeline represent over 75% of our nationwide spectrum value. While progress is not yet the executed customer contracts that we all anticipate, there are many other clear indications from our pipeline and in the industry's increasing forward momentum that we are seeing which I will speak to today.

This is a long game and we feel the momentum we are building for private LTE networks is precisely what we have been working to achieve. We are focused on ensuring we are well positioned to capitalize on this growing demand. Availability of scarce low band spectrum on which to build private LTE networks has created opportunities with a multitude of strategic entities including carriers and technology vendors as well as cloud and edge providers. The introduction of broadband into utility communications will open new opportunities for utilities involving cloud and edge computing, machine learning and artificial intelligence as well as the capture, aggregation, analysis, and action on data.

There is a clear message across this growing ecosystem which is rooted in collective, private LTE adoption built upon our spectrum offering. Operationally, we continue to execute on strategic and opportunistic spectrum clearing activities. In the first half of our fiscal year, we have initiated or completed agreements with 35 license holders. To-date in this fiscal year, we have spent approximately \$8 million and have another \$2 million committed to complete clearing transactions keeping us on track relative to previous guidance. This activity is an important measure of progress as we work to clear our spectrum for customer use. And in terms of overall readiness we also remain focused on investing in our team's growth as we have recently expanded both our leadership and utility sales team to support our growing opportunity.

Now I'd like to expand upon what we shared with investors previously in describing our customer pipeline with the goal of providing further visibility into our sales cycle. As a result of the finalization of the FCC rules, a strong fundamental sales process, and a doubling of the sales team, I feel confident in our progress turning what were initial customer conversations into our fully validated sales funnel.

Within our pipeline of utility customers, we map each respective customer journey through three phases. Phase 1 is prospecting and qualifying, Phase 2 is pursuit and proposal, and Phase 3 is negotiation and commitment. We are seeing prospective customer account distribution across these phases of our pipeline roughly split 70% to 80% in Phase 1, 10% to 20% in Phase 2 and about 10% in Phase 3. Our pipeline is just where we would anticipate it to be at this stage of our plan.

And from my experience selling in similar complex utility enterprises, I have confidence in our present position and trajectory to achieve our stated fiscal year end goals as well as our fiscal year 2024 financial guidance. It's important to note that due to the typical multi-year sales cycle for these types of customers, we are not expecting to see big changes to the pipeline phases quarter-by-quarter even if we are right on track.

Let's now spend a few moments covering some of the key indicators of progress we are seeing within our pipeline. Across the nation, a majority of electric utilities are acting to modernize the power grid to accommodate the rapid technological changes happening in the digitization, generation, transmission and distribution of electric

power. As they embark on this journey they are developing grid modernization business cases and are engaging their public utility commissions early on to develop supporting budgetary and regulatory frameworks for their long-term capital programs. We view these grid modernization plans as a strong validation of the existing awareness and demand for private LTE communication systems underpinning modern grid enhancement.

To give you a sense of the scale of these grid modernization efforts, per the Edison Electric Institute or EEI, investor-owned utilities are estimated to spend approximately \$120 billion of capital per year in both 2020 and 2021. Spend for improving telecommunications infrastructure is an essential component of these investments. Approximately two-thirds of our prospects in the pipeline are either currently developing their business cases in grid modernization plan now or already have them in place.

Further progress of our pipeline can be seen as we monitor prospective customers issuing RFIs or RFPs and deploying pilots. Through these efforts, we partner with customers in many cases at the very beginning of their journey, providing Anterix with the unique ability to act as a consultant as the utility navigates through the decision-making process. It also gives us the valuable opportunity to directly learn from these customers along the way.

While there's not an exact blueprint all utilities follow during this phase and the time it takes each customer to work through it varies, they do identify early on the requirement for private spectrum. One way utilities engage is through testing or running pilot using experimental licenses with eight filed to date. Additionally, some utilities may choose to move directly to contract. More broadly, roughly one-third of the total prospective customers in our pipeline are either actively working on these sorts of initiatives or have completed them already.

The intricacies of the final contracting phase are relatively standard practice for these [ph] risk-averse (16:10) entities. As they work to follow all necessary internal processes in securing final signoff from stakeholders. In this final stage of the pipeline, the relationships we have built and advisory role we have played in getting to this point gives us confidence in getting these customers to execution of definitive agreements.

We have also benefited from what we have learned along the way and have applied these lessons to continuously improve our sales and business development perspective as we continue to shape and tailor our offering moving forward. We have our foundation in place with a world-class sales organization and sales process enhancing the existing Anterix's teams' knowledge and capabilities. I am excited as we are on the brink of putting our valuable 900 megahertz spectrum to work, leaving a lasting mark on our nation's utilities.

That concludes our prepared remarks. I'll now turn it 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] And the first question is coming from Mike Crawford. Mike, your line is live. Please announce your affiliation and pose your question.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Thank you. Mike Crawford from B. Riley Securities. If you achieve your confidently stated goal of having two to three licenses in hand by March 31, what conclusion should investors draw relative to the value of those leases relative to your \$125 million to \$150 million royalty target by 2024, 2025?

Rob Schwartz

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

A

Thanks, Mike. I appreciate the question. A couple of thoughts, first of all and feel free, the rest of the team can jump in behind me here. I think relative to the first few contracts there's a couple of important things. One is obviously, as I mentioned in my comments, and these are the pioneers, these are the ones that we've been working with for quite a while and are really helping shape the collective action by the industry. So while it's the tip of the iceberg, we're really confident that it will enable others to be able to transact and transact with a model and understanding of how to approach it.

And as we've said before, uniquely in this industry we're going to see that sharing continuing whether it's through Utility Broadband Alliance or some of the other collective initiatives that I talked about. While we can't get into the specific economics of obviously the first transactions and especially because as you heard from Ryan we've got a broad pipeline. There's a lot of opportunities in that overall pipeline. He mentioned what's really 75% of our spectrum value that really is within the full pipeline. So it's hard to predict exactly what's going to come through first. But we're confident that really from that initial transactions and the information we'll be able to share, that you'll really be able to get a good mark on the value of our nationwide spectrum asset and also the cadence that we're going to continue to be able to deliver to investors.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

And, Rob, this is Tim.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Okay.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

I'll just add in, Mike, that yeah, that assuming we meet that two to three, that fits in with what we've put out for our business model on our 2024 projections.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Okay. Thank you, Tim. I'll just ask one follow-up. So, previously, you said we can expect the license "in coming weeks". Today, we can expect the license "shortly". I also hear that, previously, we – it was fairly clear that Ameren was expected to be the first licensee. But now, Rob, I hear you saying that it's hard to predict who will be the first licensed. Is that correct, and is there any other color you can put around by what you mean by shortly?

Rob Schwartz

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

A

Sure. Look, Mike, I appreciate your and other investors' patience here. As I mentioned, while we're – things are happening slower than we anticipated, we're still well on track to be able to deliver customers soon as Tim restated our target by fiscal year-end. And so we're not fully in control of this process, right? Obviously, we're working with large institutions that have complex completion processes.

And so – but nothing in that has really given us any indication that we're not moving forward and being able to achieve our target. I mean, with Ameren specifically, they've consistently shown every sign and every indication of their commitment to moving forward with 900 megahertz. From the very beginning of their important role in working with us for years on the FCC process, their leadership has been outspoken, as you've heard, their CEO, Warner Baxter, in the Public Utilities Fortnightly article. Their Chief Digital Information Officer was in there as well and it also spoke [ph] in (21:45) Edison Electric Institute about their intentions. And so we're confident that they're going to move forward along with others. It's hard to predict in the horse race of who comes across the finish line first. But as you know we're targeting multiple horses to come across that line by March 31. So, it's a long game for us and we know it takes patience. And as I mentioned, the patience is very similar to like what we had to do with our FCC process which also wasn't in our complete control. But our experience in being able to drive these complex processes to conclusion I think we've demonstrated in the past and we're confident about our future.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Okay. Thank you.

Operator: Thank you. And the next question is coming from James Ratcliffe. James, your line is live. Please announce your affiliation and pose your question.

James Ratcliffe

Analyst, Evercore Group LLC

Q

Hi. It's James Ratcliffe at Evercore ISI. Two if I could. First of all just on the Ameren topic again. Is there any color you could give just what changed in the span of time or what part of the process you thought was going to complete in the – a few weeks that hasn't gotten done yet? And secondly, one down the utility opportunities, any update on potential opportunities for the spectrum use outside of the utility footprint? Thanks.

Rob Schwartz

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

A

Sure. Hi, James. I'll take the first question. Maybe, Ryan, you want to take a crack at the second. On Ameren, as I just really talked about, it's not that anything changed. It's just process and it's their proof of process. Unfortunately because we're under an NDA, I can't give any explicit details of what's going on there beyond the

curtain. But again, we're highly confident that we're going to be able to deliver that one soon. So, Ryan, you want to take the second question?

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

A

Yeah, happy to. So, obviously as we stated, the center of our bull's eye remains on the investor owned utilities for good reason. We do see largely through some of the associated partnership conversations and other affiliations that we're developing in the industry, an interest and desire across a few other sectors for application of 900 megahertz and private LTE networking.

A couple of those still live within the utility domain, certainly similar characteristics outside of what we traditionally have been talking about with the electric utility space in and around applications for gas and water both as a potential opportunity for some of our customers directly and/or additional opportunities for us to be able to engage into. But more broadly as we think about just industrial sectors in general, I think other opportunities that partners have a stronger footprint into that open opportunities for us more live in the realm of future things to look at in terms of oil and gas and just enterprises broadly.

James Ratcliffe

Analyst, Evercore Group LLC

Q

Great. Thank you.

Operator: Thank you. And the next question is coming from Simon Flannery. Simon, your line is live. Please announce your affiliation and pose your question.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Great. Good evening, Morgan Stanley. So, thank you for the – again target of two to three by the end of the year. When should we expect revenues to start to be recognized? And have you had any more updates about what the form of the cash might be the desire of the utilities for upfront payments or for long term monthly or quarterly payments? And then on the pilots perhaps just take us through from the NYPA announcement, how long does it take them to set up the pilot, run the pilot, evaluate the pilot and then is that a six or nine-month process? What's the normal time there? Thank you.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Sure. Simon, this is Tim. I'll take the first part of that. On the timing of revenue, we expect in the middle of next calendar year to start to recognize leasing revenue from these two to three that we'll be bringing in this fiscal year. So that's the timing as far as that goes. And let me turn it back over to Ryan to talk about the pilots and...

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

And the cash flow?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Oh, sorry, of course, Simon. I forgot that one. Yes. So, it's still early yet in the conversations with the customers. But nothing has changed from what I said last quarter about an emerging trend of these utilities for capitalization purposes wanting to prepay all or some portion of their lease upfront as we deliver spectrum. But again it's early enough in a kind of phasing of the pipeline and negotiating with customers where I don't know whether that's going to be a permanent trend or it's just these first few potential customers.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Thank you.

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

A

Great. Thank you, Tim. Let me tackle the pilot question a little bit. And let me start first with pilots come in obviously a few different flavors. I think the best way to think about them is two of the ends of the spectrum per se are kind of full on pilots where field implementation happens and networks actually get stood up. And the other contrasting scenario is more of a proof of concept kind of model. And we see all of those varieties in a spectrum in between and in a lot of these engagements.

On the shorter duration, it's not uncommon that we'll see proof of concept kind of evaluations moving the process forward. That happens more in the scale of one to three months in terms of a more rapid evolution and validation of some of the use cases that they're focused on in that testing. Generally speaking though, I don't think you're too far off in terms of the broader scope of pilots. And looking at, I'd call it, probably more of a three to nine-month range, depending a lot on the complexity. And when I say complexity, it really means the variety of the use cases that they're looking to test and validate as they're working through what that pilot process is.

But as you heard in Rob's remarks, reflective of NYPA, and as Gil stated, there's a strong ambition in a lot of these accounts to get through that pilot phase as fast as possible because there's definitely a sense of urgency on the other side, as they're trying to push forward on broader strategic initiatives and really want to move that ball forward aggressively.

The other point that I'll just make, and I've referenced this a little bit in my remarks around just a blueprint and a standardization of how utilities work through this journey. It's important to note that not all utilities will even do pilots. And this is one of the attributes that we see with a maturing market, while today I would suspect we'll see, as we have a lot of activity in terms of testing and pilot. There's a lot of sharing as those go on that we've talked about. And utilities will have different paths as they work their way through, and we do anticipate – in fact, we're working on some now that are not going through pilots.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Great. And maybe just one on the FCC, are you – do you need to buy much in the way of licenses to fulfill the two to three contracts you're hoping to sign here shortly or you're pretty much already positioned for that?

Rob Schwartz

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

A

I think, Simon, we gave some information historically and continue to update on our retuning progress. Depending on the market, there are those that are more complex and those that are simpler but we're well underway and

doing the retuning necessary to be able to deliver the spectrum in the timeframes as we're seeing in the kind of agreements that we're working on. So...

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

A

And, Rob, I think it's worth mentioning that most of these contemplate that we start off delivering 1.4 megahertz, which is a heck of a lot easier and faster. And then we give ourselves time as they deploy to round up the remaining spectrum to get to the full 3x3 megahertz.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Thank you.

Operator: Thank you. And the next question is coming from George Sutton. George, your line is live. Please announce your affiliation and pose your question.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Craig-Hallum. And I was most intrigued with the messaging around the collective adoption as you explained it. And I'm wondering if Morgan in particular with the historic assumptions for what this could become relative to what a collective adoption might look like and what a network of networks might look like, can you just explain what that difference might be and how that's changed recently?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Yeah. Sure. Thanks for the question, George. This is Morgan. Let me begin by saying that it's at the heart of our proposal for the critical infrastructure industry, the utilities in particular, it's at the heart of our proposal that each of them wants to have as close to total control of their system performance as they can. And that's why they are inclined and have been historically to go with their own private systems. So they determine priority of communications, they determine back-ups, they determine coverage, they determine all the performance characteristics, and nothing we would ever propose to the industry varies from that. However, as each utility makes the decision to put in LTE facilities at 900 megahertz for its purposes, it is a key part in enabling its neighbors, neighbors joining and also neighbors probably defined as the nation in having much greater economies of scale.

So, as we pointed out, there is a very interesting new paper that Guidehouse has put out that's on our website. That has to do with how do you look – not bottom up as the – as we sign each of these leases. Not how do you look at that, but how do you look at the aggregate and the collectivity – the connectivity and collectivity of the industry as you put all of these things together.

And when you start to do that, you start to look at the evolution of thinking from a core that would operate the LTE facilities to a cloud that would operate them. And adding all of these additional elements of complexity that any particular utility itself might not want to develop, but the industry would benefit tremendously from.

What we said all along is that greatest opportunity for the utility industry is that LTE is a mature developed technology with the chipsets and whatever that are well developed and [ph] will download faster (33:06). That they can innovate in the space, particularly if they act collectively and look at it not – the way I like to put it

sometimes is I say, of course, there isn't a United Utilities of America. But if there were a United Utilities of America, that's how it would be operating. It would be operating nationally to get economies of scale and to get the ability to certify equipment and have interchangeability of all of these things and to have the very best cybersecurity experts not embedded in every one of the several hundred utilities that are likely to be deploying this but collectively. And so we're doing what we can through the advisory we put together, through working with Narec, through working with EEI, through working with a number of these other associations to get the word out that, yes, we're very interested and we think the right way to go is to negotiate long-term leases with individual utility.

But as that begins to happen, and Ryan talked about this also, as that begins to happen the obvious opportunity for them to operate collectively and everybody to benefit everybody else becomes compelling and that ought to accelerate the process. And then if you've segue off that too, is there going to be congressional activity after the beginning of the year in which infrastructure funding is going to be made available.

It seems like a bipartisan consensus that it will be. And if that happens the question is will significant capital be made available coming from the federal side, which is not typically the way it's done in this industry, but from the federal side to accelerate, to encourage, to push the various IOUs and also the municipals and the [ph] co-ops (35:12) to embrace a new, more secure underlying grid technology like LTE at 900 megahertz to make the grid more secure, more resilient, more reliable. So what we're saying is at Anterix, we can't just work bottom up as we have been doing all these years. We also have to try to help where we're, of course, only one voice in that ecosystem of very large players who have an interest in this. But that's part of what we're doing is carrying that message. Long-winded answer, George, but that's kind of how we're seeing it.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Well, I think the summation of the answer is it could become a network effect situation. So moving on to my second question just making sure I understand the differences quarter-over-quarter. I don't believe you said last quarter that you had the signoff of or the sponsorship of the leadership at Ameren. Am I correct in that assumption? And does that suggest that what is left is not necessarily in Ameren's decision making, it's by the regulators or something like that? That's it for me.

Rob Schwartz

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

A

Thanks, George, for the additional question. No, I don't think that's the right interpretation. We've continued to have senior leadership sponsorship from early on in the process I mentioned. Even through our FCC process when Ameren, as you saw from the filings, even came to the FCC with us several times and, as I mentioned, the public statements of the senior folks. So I wouldn't read into that. It's just -- to me it's continued senior sponsorship in bringing this over the finish line.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

So just one more question then, senior sponsorship does not equate to a senior signoff yet. Is that a correct statement?

Rob Schwartz

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

A

What we're waiting for is the execution of our contract. So, yeah, we've got the senior sponsorship and, hopefully, shortly, we'll have the senior execution of our agreement.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Got you. Okay. Thanks, guys.

Operator: Thank you. [Operator Instructions] And the next question is coming from Phil Cusick. Phil, your line is live. Please announce your affiliation and post your question.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Hey, guys. JPMorgan. Thank you. So I wanted to go back to something we talked about a few minutes ago. One of the questioners referred to the \$125 million to \$150 million in 2024 revenue goal. And at this point, is that realistic? That's three years from now. It takes a year to get these things up and running. Doesn't it make sense to just pull back on that and put expectations in a different place at this point?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

No.

Rob Schwartz

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

A

That was Morgan's quick answer. I'll elaborate. I fully agree with him that we remain confident that based on the robust level of interest, both the organic bottom-up approaches we're talking about that we're seeing, along with the opportunity and potential for some of these top-down breakthroughs that can drive adoption even faster, we remain confident and stand by that prediction – projection for now.

So it's early in the game. We're going to start being able to put some numbers on the board soon. And from that, we'll be able to draw better conclusions and, obviously, be able to communicate more with analysts and investors about that trajectory. But for now, we're confident in that number.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Right. We can't leave – we can't present it other than as we see it. That's how we're seeing it as it develops. And if we could just turn loose every conversation we're having, it'll be easier for you to sort of understand where we are but, of course, we can't.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

And, Phil, this is Tim. Just one thing I'll add is, remember, the revenue guidance we had put out there is really based on a small number of top 20 IOUs. So it's not like we need to sign 50 to get there. We mentioned 6 to 11, and we're still looked in that – looking to be within that range. So, again, it's a relatively small number.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Okay. Maybe you can help us then by framing the number of potential customers or some kind of way to quantify how many customers are in those different buckets of contracts or discussions and sort of pipeline, not necessarily who are they or how big are they, but how many customers are in that pipeline.

Rob Schwartz

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

A

Yeah. I think we've discussed in the past the broad scope of our over 40 customers in the pipeline. We've determined it's not prudent for us to continue to sort of refresh that number regularly because, like any large account sales, customers do move in and out, and just based on their starts and stops, it's kind of natural in this kind of sector.

So it remains large. It continues to grow. And as we chose to give you a scaling of it of saying, as Ryan did, about that it represents three quarters 75% of our spectrum value across the nation in that pipeline. So we think that's a good order of magnitude understanding of what's in there.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Okay. And then one more, and, Morgan, maybe – I appreciate everybody's thoughts on this, but the idea of a utility company of America, sort of a top-down congressional action driving utilities to sort of work together, again, I'm struggling to see that as very likely in a divided congress and a country that has a hard time doing anything in agreement.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Let me -- yeah. Let me – yeah. Let me first say that – and I don't think you're seeing this either because it has not happened ever doesn't mean that it couldn't happen. That's the first thing. The second thing is I'm not saying there will be any such thing. I'm saying that, collectively, if the very well-run, diverse companies that are in this space see it to be their advantage, then it seems to me it's our job to show the advantages. We have much deeper roots in the wireless space. And knowing where wireless is going as it goes from 4G to 5G and artificial intelligence and whatever else so – and we need to be – we are persuaded. We are confident that we understand how their operational requirements, which we've gotten to know so well, their operational requirements are going to be amazingly impacted by 4G, 5G wireless connectivity in ways that a lot of them still do not understand. They're beginning to understand it.

But let me have Chris talk to you about the congressional process because I'm willing to bet you that this area of infrastructure investment to make the grid more secure is something that could well have bipartisan support, one of the few things. Chris is an expert on this. Let him talk.

Chris Guttman-McCabe

Chief Regulatory & Communications Officer, Anterix, Inc.

A

Sure. Thank you, Morgan. And, yeah, I mean I think I just want to add to what Morgan had introduced earlier and then sort of reiterated which is, we have an expectation that Congress from a bipartisan perspective is going to embrace some form of infrastructure stimulus funding. And whether it takes the form directly of infrastructure funding or specifically whether it's sort of grid modernization or some effort to fuel, some environmental policy, or it's cybersecurity-focused or Chairman Pallone might want some form of effort to sort of stimulate the utilities and the communications companies to have better – ultimately better performance reliability or redundancy.

We see a bunch of different vehicles all designed to really enhance utilities and to stimulate utilities to move to a more resilient, to a more modern grid. And a key component of that and we've been all over policymakers on Capitol Hill and in the states educating them that you can't have a modern, enhanced, intelligent grid without modern, enhanced broadband communications. And with that comes, and I know Morgan sort of went through the list of the benefits of collaborative movement but you really do have and we've – and as we've met with policymakers, they've really begun to understand, you can get, obviously, buying scale and scope with that but you can also get a real significant incentive to innovate and to drive enhanced research and development and a device ecosystem and an applications ecosystem and best-in-class cybersecurity. And for us, those all are bipartisan ideas and messages.

And so as we look at this from sort of a circular perspective, Congress can really help to stimulate the economy by diving into infrastructure support. But with that comes those range of benefits that, I think, George called it a network effect. That's exactly what we would call it. We call it again the network of networks but it's a networking effect or a network effect that we believe Congress is going to want to embrace.

Our goal is to ensure that Congress identifies communications as a key element of that. And that's what we're really pushing. Not just Anterix and not just our advisory council but also with other sort of key utility organizations and thought leaders. I'll stop there.

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

A

Yeah. And, Chris, let me just emphasize that Anterix sees a vision for this industry which doesn't stop at 900 megahertz but 900 megahertz is foundational to getting started. And then you have CBRS and other types of spectrum that are going to be layered on to this network to support much greater usefulness for the grid operations and grid security as we go on. So, it's inevitable that it will happen, and it's to our interest and the interest of our shareholders to lay that out to the policymakers and to have them do what they did back in 2008. They put like \$8 billion out there for smart grids...

Philip A. Cusick
Analyst, JPMorgan Securities LLC

Q

Right.

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

A

...smart meters and that caused the industry to move at a speed they had never moved before to move collectively in many respects. So, it can happen. It's not the way it's been done for the most part with that big exception. But we think it is going to happen.

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

A

Right. The ARRA is the logical model and when it unleashed AMIs, we could see sort of a whole new universe of opportunities for utilities. Machine learning, artificial intelligence, cloud computing, edge computing, all of those things that get facilitated and stimulated by broadband. So as we look back at the process that led to the ARRA, we are in a very similar situation at this moment.

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

A

Do I understand we have another question? Do we have another question [indiscernible] (47:47)?

Operator: Yes. We have another question coming from Brian Warner. Brian, your line is live. Please announce your affiliation.

Brian Warner

Analyst, Performance Capital, L.P.

Q

Hi. Brian Warner, Performance Capital. Thanks for taking the question. This probably ties into some comments you made earlier and just now about 900 megahertz being the foundation of this. And just can you give me sort of a very high level maybe some of the issues between CBRS and the 900 megahertz band? And whether or not -- I'm sort of trying to figure out how complementary they are and at the same time how competitive they might be. Can you just as investors give us some thoughts about what some of the most important variables might be?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey. Can I take a quick stab at it, Rob, and then I'll let you guys fill in? My quick stab says one thing you want to do is you want to look go online and see what the product line that Motorola is talking about where they combine in a single equipment set. They combined 900 megahertz and [ph] 3.5 (48:55). So they see it as extremely complementary in the same equipment that they're intending to deliver. But the essence of it is one of the spectrum bands at 900 megahertz gives you a lot of coverage and a lot of penetration and the other gives you tremendous capacity but does not have anything like -- you can't get more than a few blocks. So it's a question of what is your use case.

And Ryan talked about use cases. I've seen a list of 24 use cases that various utilities are looking at for broadband and some are ideal for and absolutely require the ability of 900 megahertz to get that wide area coverage and penetration. And others are going to work much better if they have pockets or episodes of CBRS at particular locations, which you just can't possibly afford to cover it through. So let me throw it back to Rob.

Rob Schwartz

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

A

Yeah. Thanks, Morgan. I think you hit it pretty clearly. But, Brian, just for your knowledge, so CBRS [indiscernible] (50:03) has both licensed and unlicensed spectrum. So for any major carrier that was built around the globe, almost all started with low band spectrum, spectrum under a gigahertz because it has the physics that the rules that don't change the ability to travel long distances with a single cell site. That's important because it multiplies the CapEx and OpEx every time you have to add cell sites. And CBRS probably needs at least 4 times as many sites to cover the same kind of space as a single site of 900 megahertz.

But more importantly, it is also just building penetration, right, that kind of spectrum. So for utilities that have to get into -- be able to read devices within buildings in subterranean areas, 900 megahertz has greater penetration. Overall, we see it as completely complementary. There's a lot of examples of that, both utilities that are piling it to, as well as examples of other sectors where they're seeing low band, we call it sort of the layer cake, putting on multiple bands of spectrum but starting with that foundational low band.

Another important thing about CBRS is it really showed through this recent auction was that utilities were willing to pay for spectrum and, obviously, outbid carriers for that spectrum. And so it did demonstrate the importance of spectrum and utility business model and so multiple utilities ended up with CBRS. Many of whom we've talked to

and see the complementary aspect of 900 megahertz and have intentions of being able to do this sort of mid-band, low-band configuration to get greater capacity in their network.

Brian Warner

Analyst, Performance Capital, L.P.

Q

Okay. So, I mean, is it a concern – just a quick follow-up, is it a concern that some of the utilities are going to be sort of more interested in sort of getting a push back because they feel like they could do hybrid systems where there's plenty of area particularly densely populated areas where CBRS is effective or [indiscernible] (51:58) limitations that would make them not practical?

[indiscernible] (52:01)

Rob Schwartz

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

A

[indiscernible] (52:03) utility and you're trying to cover a broad area, a service territory. And you got to realize these are – these utilities that have multiple states of coverage and they're covering areas where there is no existing wireless networks where there's substations and transmission lines. And so in order to achieve economic coverage of their service territory, which is their objective, you can't do that with CBRS. So it's very good for – and I was on this panel at FierceWireless several weeks back where Google's head of their effort and CBRS talked about their pilot in Arlington, Virginia. And [indiscernible] (52:36) said, not only it couldn't go through windows but it couldn't go more than a couple of blocks. And so it's great for covering a stadium. It's good for covering campus. But it's not really spectrum that's going to go further than that. It's really like a – I've heard people talk about it kind of super Wi-Fi. Think about the applications where you use Wi-Fi. This is a new band with less – with more proprietary usage and less interference that you can use now for those kind of applications.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Right. But I think your use of the word hybrid suggests that that would be something we would fear that hybrid system is exactly what we anticipate seeing. That's the vision when we look forward we see hybrid systems with foundational low-band spectrum and on top of it built additional spectrum uses for highly specialized uses where you can have these huge chunks of spectrum, so you can do virtually real-time stuff, artificial intelligence type stuff which you're going to have a hard time doing at 900 megahertz. 900 megahertz has a completely different profile of use case.

Brian Warner

Analyst, Performance Capital, L.P.

Q

Got you. Okay. That's very helpful. Thanks. Good luck with everything.

Rob Schwartz

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

A

Thank you, Brian.

Operator: Thank you. And there were no other questions in the queue.

Rob Schwartz

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

Great. Well, thank you, operator, and thanks, everybody, for all the good questions and the continued interest and patience. We look forward to our next [ph] opportunity up (53:56) to everybody in our ongoing process. Thanks again.

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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