

PDV Wireless
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OPERATOR: Good morning ladies and gentlemen and welcome to the PDV Wireless 1st. Quarter Update 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. Now I'd like to turn the floor over to your host, John Pescatore. Sir, the floor is yours.

MR. PESCATORE: Thank you. Good afternoon everyone and welcome to PDV Wireless' earnings call for the first quarter of fiscal 2017. Joining me today, to discuss our results are Brian McCauley our Chairman, Morgan O'Brien our Vice Chairman, Tim Gray, our Chief Financial Officer and Robert Schwartz, our Chief Strategy and Development Officer.

Before we begin, I'll hand it over to Tim to remind us of a few important items.

MR. GRAY: Thank you John. Before we begin the substance of today's call, I'd like to make some brief introductory comments. Earlier today we issued a press release which outlines the topics we plan to discuss today. If anyone has not yet had the opportunity to review this press release it is available on the PDV Wireless corporate website at corp.pdvwireless.com and it is also available on the FCC's website. Additionally, I'd like to remind our listeners that this conference call is open to the public and a recording of our discussion will be available on the company's website.

During this call, we will discuss some factors and matters that are likely to influence our business going forward, including statements related to regulatory issues, our expectations for our dispatch business, customer acceptance of our service offerings and our spectrum initiatives. Any matters discussed today that are not historical facts constitute forward looking statements. These forward looking statements are subject to risks and uncertainties, including those found in the risk factors section of our filings with the SEC which could cause our actual results to differ materially from those suggested by our forward looking statements.

These risks and uncertainties include, but are not limited to, the company has a limited operating history with respect to its recently launched Dispatch Plus business, the company's indirect sales model may not be successful, customers may not adopt to the company's technology or service offerings as quickly as anticipated or in sufficient numbers, the company's spectrum and other initiatives and opportunities, including its joint petition for rule making and its First Net bid proposal, may not be successful on a timely basis or at all, may cost more than anticipated and may continue to require significant time and attention from its senior management team and the expenditure of significant resources. These and other factors that may affect the company's future results or operations, are identified and described in more detail in its filings with the SEC; including its annual report on form 10-K, for the fiscal year ended March 31, 2016, filed with the SEC on June 13, 2016 and its quarterly report on form 10-

Q for the quarter ended June 30, 2016, filed with the SEC today.

You should not place undue reliance on these forward looking statements, which speak only as of the date of this press release. Except as required by applicable law, the company does not intend to update any of the forward looking statements, to conform these statements to actual results, -- events or circumstances or to reflect the occurrence of unanticipated events. As a result, you should not place undue reliance on these forward looking statements. We encourage all of our listeners to review our SEC filings, including our quarterly report, which we filed earlier today, and our annual report for the fiscal year ended March 31, 2016 for a more complete description of these risks and uncertainties.

We undertake no obligation to revise or update these forward looking statements or reflect events or circumstances after the date hereof. In addition, the financial information we plan to discuss in this conference call include a non-GAAP financial measure, adjusted EBITDA. The company defines adjusted EBITDA as net income or loss, with adjustments for depreciation and amortization, interest income expense net, income taxes and stock based compensation. We use adjusted EBITDA to evaluate the company's performance and provide this financial measure to investors as a supplement to the company's reported results because we believe this information provides additional insight into the company's operating performance, by disregarding certain non-recurring or non-cash items or items that are not reflective of the day to day offerings of its services.

Adjusted EBITDA should not be considered in isolation, as a substitute for or as superior to financial measures calculated in accordance with GAAP and the company's financial results calculated in accordance with GAAP and any reconciliation to those financial statements should be carefully evaluated. As appropriate, the most directly comparable GAAP financial measures and information reconciling these non-GAAP financial measures to the company's financial results prepared in accordance with GAAP, are included in the earnings release which is posted on the company's website. Now, I'll turn it over to John.

MR. PESCATORE: Thank you Tim. Since our year end call less than two months ago, we've continued to focus on our key business imperatives, which include: building our Dispatch Plus business, pursuing our rule making petition at the FCC and developing and advancing our longer term strategic opportunities.

To start, I have a few updates on our Dispatch Plus business. I'm pleased to report that we now have 73 sites and service across our seven market areas; up from 69 when we last spoke on June 13th. The additional sites in New York, Chicago and Atlanta, are important to provide the increased coverage our customers want. They also give our sales channel the ability to reach more users in our targeted business verticals.

On the sales front, we continue to ramp our customer base. The quarter ended June 30th., saw an increase of about 120% in net-unit additions, versus the previous quarter and our customer funnel continues to expand due to our sales and marketing efforts. Our total unit count has

grown to approximately 2,200 units. While we are still developing the right formula, we do see demand for our wide-area two-way radio service combined with our mobile workforce management solutions.

Customer retention is strong and we continue to receive positive feedback about our service. We have customer testimonials across a number of verticals across our market areas, from a school bus company and a private security firm in Texas, to a courier and waste disposal company in Chicago, to a volunteer pre-ambulatory emergency care service in New York, to a port security company and tow truck operator in Philadelphia. Our initial customers are seeing the value of Dispatch Plus. The sales cycle remains longer than we'd like but the interest is visibly there.

We continue to see customers and prospects coming from both cellular and other two-way radio systems, with about 40% of our accounts coming from cellular and the remainder coming primarily from two-way radio. And to date, of the radios sold on our network, a little over 50% are mobile units, with the balance being portables. Mobile units are those mounted in vehicles, providing the best coverage and improved driver safety. They also happen to lengthen the sales and fulfillment cycle due to scheduling and installation necessary to get the mobile mounted in the vehicle.

Additionally and speaking with our dealers recently, we have heard a common theme, which is that they have a high degree of confidence in our service. Many have also emphasized the strength of our marketing team and the reliability of our customer care team. We are starting to see dealers hire dedicated PDV reps, but the process has been slower than we'd like. Accordingly, we have continued to expand our direct sales and marketing efforts in support of our indirect channel.

Since our last call, we began building a Tele-stealth team in our New Jersey office and continue to add a limited number of business development reps in the field. We remain optimistic about the long term potential of the business and continue to evaluate the timing of additional markets. As stated on our last call, we prepared for the rollout of Dispatch Plus in more than 13 additional markets, by completing initial network designs and in some markets, pursuing site development efforts. This allows us to more quickly and effectively proceed with new market deployments when we determine the timing is right to do so and provides us with additional time and financial flexibility to refine our longer term strategies, including those related to our joint petition. Morgan will provide the details on the regulatory process shortly but I want to reiterate, that we believe the next step from the FCC will be a notice of inquiry or NOI.

An NOI is a vehicle the FCC uses to gather additional information for the record. We look forward to responding to the NOI and to any questions raised by the FCC therein. As you would expect, we are also continuing our industry outreach to work with incumbents and other interested parties in the band, to address any concerns and offer possible solutions. We're excited to be a part of the First Net RFP bidding process and as Tim will discuss, we've continued to make investments in this initiative. We have been working with a world class

group of consortium partners and collectively, we've submitted what we believe to be a compelling response to the First Net RFP. Now, I'd like to turn it over to Morgan O'Brien, our Vice Chairman, to provide an update on our joint petition and our First Net project.

MR. O'BRIEN: Thanks John. Good afternoon everyone. I'll start with an update on the regulatory process. Since we last spoke, we've been very active in working to advance the FCC's review of the joint petition for rule making; which we filed in partnership with the Enterprise Wireless Alliance. In which, we proposed the re-alignment of a portion of the 900-MHz band, from narrowband to broadband. Over the last few months, we along with representatives of the Enterprise Wireless Alliance held productive meetings with Commissioner O'Rielly and Commissioner Rosenworcel, as well as with staff from Chairman Wheeler's office, the staff from Commissioner Pai's and Commissioner Clyburn's offices.

The team also met with wireless -- Chief John Mulkins and his staff and with Chief Julie Knapp and other representatives of the FCC's Office of Engineering and Technology, to discuss the merits of the petition. These meetings achieve been productive in ensuring a higher level of understanding of the facts in the petition. We also discussed several of the technology issues raised in the proceeding and our beliefs that solutions to each of these issues exists through reasonable efforts and commercially available technologies. Although the FCC has taken no formal action on the petition, we continue to believe that a notice of inquiry is the likely next step in the process. We won't know the specific issues that will be raised in an NOI until one is officially issued. We look forward to working with the FCC to address Any and all questions that an NOI may contain. It's very important to note that, we continue to believe in the merits of our proposal and that our joint petition is consistent with the FCC's stated priorities and precedence.

In addition to meetings with the FCC, we continued our dialogue and outreach with utilities and other incumbent licensees in the band. We've had several meetings with parties opposed to the petition and some have been very constructive. Progress has been slower than we'd like and it's our belief that an NOI will be a driving force in finding common solutions for all parties in the 900-MHz band. We will continue to do our part to move these discussions forward while waiting for FCC action. I think that covers the current status of the petition and the actions we continue to take to move this process forward.

I would now like to give a brief update on the First Net bid process. While we cannot share granular details, as this is a competitive government bidding process, and is governed by confidentiality restrictions, we continue to work with our bid consortium partners and are hopeful that the evaluation process will be completed by First Net's targeted award date of November 1, 2016. Alongside our world-class group of consortium partners, we have submitted a proposal that I believe to be a compelling solution for public safety. There are numerous potential benefits to participating in the RFP process. Synergies between First Net and our planned broadband facilities, could include the coordination of communications between our respective customer targets, first responders for First Net and critical infrastructure entities for our 900-MHz facilities; and the potential to share network

deployment, capital and operating costs. Win or lose, we can directly utilize the business, technical, and other information developed for the First Net proposal in planning and preparing for the broadband facilities we plan to deploy. We also gain access to skilled and experienced personnel and other resources well suited to pursuing opportunities involving First Net. The investments we're making should produce long term benefits no matter the outcome of the bidding process. And with that, I'll turn it over to Tim Gray, to provide an update on our financials.

MR. GRAY: Thanks Morgan. I will review the key highlights for the company's financial results for the first quarter of fiscal year 2017. My review is not intended to replace the full financial disclosures enclosed in the company's 10-Q filed today, or our most recent annual report on form 10-K filed with the SEC and we encourage listeners to review those filings for additional information.

Revenue for the company's first fiscal quarter ended June 30, 2016, was 1.0-million dollars, compared with 0.8-million dollars for the quarter ended June 30, 2015. For the first fiscal quarter, the company reported a net loss of 10.1-million dollars, or negative 70-cents per share. Compared with a net-loss of 4.4-million dollars, or negative 32-cents per share the previous year. The increase in revenue for the quarter is primarily attributable to the commercial launch of our Dispatch Plus business.

Cost of revenue, for the three months ended June 30, 2016, was 1.6-million dollars. An increase of 1.2-million dollars from the quarter ended June 30, 2015. The increase primarily reflects the cost to maintain and operate the company's PTT networks for its Dispatch Plus business; including personnel costs, site rental and maintenance.

Adjusted EBITDA for the first quarter was a negative 8.2-million dollars, as compared with a negative 3-million dollars for the same quarter in the prior year. The increase in negative adjusted EBITDA in this year's first fiscal quarter, over the same quarter in the previous year, was due to the operating costs associated with our network build-out and additional general and administrative costs to support the growth of our business. This year's first quarter also included approximately 3.3-million dollars of expenses to support the First Net bid.

The company has a strong cash position, with 143.2-million dollars available as of June 30, 2016; which is a decrease from March 31, 2016 of 10.3-million dollars. The cash decrease for the quarter was higher than our previous run rate, largely due to the First Net investment. We expect to invest an additional 4 to 5-million dollars in pursuit of the First Net opportunity; assuming that we remain in the process, and that there are no delays or unexpected requests through the targeted November award date. With that, I'll now turn it back over to John.

MR. PESCATORE: Thanks Tim. As you have heard, we're working diligently to expand our Dispatch business and we continue to evaluate near term opportunities, to provide solutions beyond voice dispatch with our existing spectrum position. We are also acutely focused on our long term strategy to enhance our spectrum position and its untapped potential to provide

much needed broadband services to enterprises and the critical infrastructure industry.

In closing, we continue to focus on these great opportunities that lie ahead for our business. Now, I'd like to turn it over to the operator to facilitate questions.

OPERATOR: Thank you Ladies and Gentlemen, the floor is now open for questions. If you do have any questions or comments please press "star one" on your touch-tone phone at this time. Pressing "Star two" will remove you from the queue should your question be answered. And lastly we ask that while posing your question, please pick up your handset if listening on speaker phone to provide optimum sound quality. Please hold while we poll for questions.

Your first question is coming from David Dickson. Your line is live.

MR. DICKSON: Thanks operator and good afternoon everyone. To start with, Rob, we haven't had the pleasure of having you on the call before. I wondered if you could take us through, from your perspective, the strategic opportunity set for PDV, the things that you're thinking about, at a high level of course, to characterize the various options that are ahead of us here?

MR. SCHWARTZ: Sure. Thanks David. I'm flattered for the shout-out. I think you heard a pretty good overview in the call from both John and Morgan in regards to the big strategic initiatives that we're focused on; the major ones that I think you've heard about and we can talk some more about our focus on driving deeper into the critical infrastructure utility space. We're doing that both through outreach now from the regulatory side, but also as we talked about, I think on our last earning's call, further development of products and services to better serve those customers today and through the evolution towards broadband. We see a natural evolution as we've talked about before, from the current services in dispatch, into narrowband and wideband services and then obviously eventually, into the broadband services as well; so we've got a lot of focus and efforts there.

The First Net project as you heard about, has been something we've been focusing on as well and we've been developing efforts there and we continue to evaluate a lot of the technologies and products around the solutions that we're offering throughout that evolutionary path.

MR. DICKSON: Okay great. And maybe just switching gears to the regulatory side. Morgan, with the discussions that you've had with the FCC, again at a high level, is there any sense of how or whether the FCC has seen the NOI as beneficial to PDV? And, I'm just curious as to whether there's been any discussion about the relevance of spectrum sharing to the bands in question?

MR. O'BRIEN: Starting with your second question first: while no one has said anything to us about it, it wouldn't surprise me because there's been so much focus on spectrum sharing. I think when you think about what the FCC is going to shove into an NOI, involving spectrum, probably you're going to see some sharing, so. I wouldn't be surprised at all. Although, I did not pick anything up on that score.

Secondly, your first question, I would say the impression I get, is that the NOI will talk in general about the opportunities for the 900-MHz band and it will lay out the fact that we've made a proposal and that another, you know, the M-Temp (ph) proposal is out there and whatever else they may be thinking. We don't have a sense of what that is.

MR. DICKSON: And that's stop-short of any suggestion on spectrum as an option for the band? Which is being -- ?

MR. O'BRIEN: Has not. No mention of such.

MR. DICKSON: Okay. And then, did you bring up at all any discussion about the potential opportunities that exist perhaps in the 400-MHz band? Any discussion there at all on that band?

MR. O'BRIEN: I think the approach we need to take on this is the approach we always take after we have had meetings like that, at the commission. We think it's better if we don't go into details about the topics. We filed ex partes that generally cover what was discussed and other than that?

MR. PESCATORE: Our focus in those meetings was making sure that our position and the background of our filing was well understood and explained and we had that opportunity which we took. So, it was very focused on the 900-MHz petition.

MR. DICKSON: Right. And then lastly, on the utility discussions: you mentioned that they're going slower than expected. Just to make sure I've got the context right here, there have been some changes in executives that have been involved in the process from an association standpoint; and I'm just curious, with the meetings that you have had, are you seeing an interest either in parallel with the NOI process, or independent of, an interest in conducting trials? To, test out and confirm that your views in interference management or perspectives, are in fact borne out by the results of the trials?

MR. O'BRIEN: David, as we've said before, in our view, the NOI is going to lay out questions that we would address. And so, our conversations with the utilities have been focused on their needs, wants, requirements, their issues when we're meeting with someone who's apposed and we remain open to all those things. But in the context of having the FCC as a backdrop to pursue them, versus doing them outside of the process that they want to see. I think we'll be in a better position, if it's all under the FCC's umbrella.

MR. DICKSON: Right, right. Okay great. And then just lastly timing. Do we have a sense of the timing for the NOI? I'm just curious what you expect in terms of when that NOI will be filed?

MR. PESCATORE: I wish I could say I did. You just don't.

MR. DICKSON: However, you've had discussions I'm understanding with all of the commissioners? Well actually, not all of them but.

MR. O'BRIEN: Every office.

MR. DICKSON: You have? Okay.

MR. O'BRIEN: We met individually with Commissioner Rosenworcel and O'Rielly. We then met the staffs in the other three offices.

MR. DICKSON: You've been back to Wilkins as well in that process, so it's fair to say that it's circulating but the timing is still a little unclear. Is it?

MR. PESCATORE: It's fair to say that we've been very active with that outreach and you see in the space of, from I think June 28th., to the end of July, there was a fair number of meetings that we had and we felt that they were productive, constructive and we had a chance to lay our case out. And so, from that perspective, that's all good. But to put a time frame on it, is just not something that makes sense for us to do at this point; because we, you know, it is a process that is out of our control. Although, we are trying to influence and be active in the process. They get to choose when it comes out.

MR. DICKSON: Okay. And then, just switching to the economics of the Push to Talk business: we've seen some changes here with respect to the costs for each market. It's been a little slower than expected in terms of the take-up. There's been a learning curve here. What we've got to obviously do is to try to maybe revisit the economics of the legacy, of the push to talk business rather. And, I'm just curious if these learning's that we see out of these early markets, will mean that the next markets that you approach, it will become more streamlined and therefore potentially, the economics of the newer markets you move into, as the product gets more well established and understood, better than what we've seen so far; which has proved obviously challenging?

MR. PESCATORE: That is true and the work that we're doing today, as we've said, is "let's get it right in the markets that we're in, let's prove it out, that the demand is there." I wouldn't say that, from a network side, we believe those costs, the operating costs of the business are consistent with what we believed starting out. So when you talk about the cost structure, yes, we're making investments in various marketing programs and some limited direct resources and trial running different ones, of those types of initiatives to figure out what works right and then we'll replicate them; so I think it's fair to say that there is more investment going on, that as you figure out, "well, this one worked, this one didn't," you wouldn't redo the ones that don't work. So, in the next set of markets we would be more streamlined. But I think the overall economics are, still generally consistent with what we've thought in the past, than the ramp up periods.

MR. DICKSON: I'm getting two kinds of ramp. How quickly the ramp would occur in new

additions.

MR. PESCATORE: Yes. That part of it then is true. It is, it's taking us some time to ramp the business which is, as you look at it, we said "let's focus, let's put our resources on these markets first before we expend additional capital and OPEX in the next set of markets." We also said, "let's look at alternate channels." I mentioned that on the last call and we've got resources looking at that as well. We are looking as Rob said, we have a fantastic nationwide position today of spectrum. There are other opportunities for us and as he mentioned, the wideband and the utility. Which, these are some things that we, longer sales cycles, but to begin them now so that there are other sources of revenue for us in the future. I think it's important.

MR. DICKSON: Okay. Thanks very much.

MR. O'BRIEN: Thanks David.

OPERATOR: Your next question is coming from Paul Kirby, from TR Daily. Your line is live.

MR. KIRBY: Thanks for taking my question. Morgan, you said you don't want to discuss granular details of your First Net bid. The procurement regulations, the government procurement regulations prevent First Net from discussing them, they don't prevent any of the bidders from discussing them; which is why Rivada's gone into great detail. So, is there another reason, because that's not a valid reason?

MR. O'BRIEN: Well we have, we have agreements with our partners, involving the approach we decided to take on this Paul, that this is really a closely held process, in which First Net, through the contracting officers that they have brought on, is seeking to make its election out of some number of applicants and we think that the best process for us is just keeping our focus on that and not working outside that. So it's definitely our preference, the preference of our partners not to use the more public approach; just our preference.

MR. KIRBY: Okay, thank you.

OPERATOR: Once again, if you have a question or a comment, please press star-one on your touch-tone phone at this time.

It appears we have no questions in queue.

MR. PESCATORE: I want to thank everyone for their time today and we look forward to talking to you soon. And once again, we're available. Reach out to us if you have any questions but thanks again for your time.

MR. O'BRIEN: Thanks everybody.

OPERATOR: Thank you Ladies and Gentlemen. This does conclude today's conference call. You

may disconnect your phone lines and have a wonderful day. Thank you for your participation.

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