

PDV Wireless

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4:45 PM EST

OPERATOR: Good afternoon ladies and gentlemen and welcome to the PDV Fourth Quarter conference call. At this time all participants have been placed on a listen only mode and we will open the floor for your questions and comments after the presentation. It is now my pleasure to turn the floor over to your host, John Pescatore President and CEO of PDV Wireless. Sir, the floor is yours.

MR. PESCATORE: Thank you, good afternoon everyone and welcome to the PDV Wireless 4th quarter fiscal year end 2017 earnings conference call. 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 Rob Schwartz our Chief Strategy and Development Officer. Before we begin I'd like to introduce Natasha Vecchiarelli who joined us last year to manage our investor relations function, Natasha will remind us of a few important items.

MS. VECCHIARELLI: Thank you John. Earlier this afternoon we issued an earnings press release and filed our annual report on Form 10-K with our fourth quarter and fiscal year end results; copies of which are available on the Investor Relations portion of our website as well as on the SCC's website. In our remarks, today we'll refer to a non-GAAP financial measure, adjusted EBITDA; this measure should not be considered in isolation from, as a substitute for, or superior to our financial measures prepared in accordance with GAAP. We have provided a reconciliation to the most directly comparable GAAP financial measure, net loss, in our earnings press release. As a reminder, any matters discussed today that are not historical facts constitute forward looking statements. Forward looking statements are based on management's current knowledge and expectations and are subject to certain risks and uncertainties that may cause our actual results to differ materially; for more information please refer to the risk factors discussed in Form 10-K. The company assumes no obligation to update any forward-looking statements or information. I'll now turn it back over to John.

MR. PESCATORE: Thanks Natasha. As we look back at fiscal year 2017 and reflect on our performance I'm pleased with the progress we've made in executing our strategic initiatives; we've made advances across all three of our key priorities including furthering our regulatory efforts, identifying compelling customer use cases for our spectrum and increasing sales of our DispatchPlus solutions. Our strong cash position has provided us the opportunity to continue investing in these activities. We remain confident that our business strategies will, over the long term, lead to regulatory success which will in turn expand the usability and capacity of our licensed spectrum and ultimately result in contributing additional revenue and improvement of our operating results. I expect that by continuing our focus on these priorities our team will deliver significant shareholder value. Looking ahead to fiscal 2018, I'm excited about our prospects.

Now I'd like to provide an update on our initiatives over the course of the fourth quarter, starting with our DispatchPlus business I'm happy to report that we closed the fourth quarter with our strongest

quarterly net unit additions since launching less than two years ago. We beat our third quarter net additions by close to 90%. As of today, we stand at just over 4700 units in service, an increase of over 1100 units since our last call in February. As evidence of the value of our solution in a multitude of businesses we continue to see customer winds across the verticals we've been targeting; those include school buses, private ambulance and transportation services. Overall, we've learned a great deal about the market, the effectiveness of our product, the performance of our dealers and the needs of our customers. We look forward to replicating these use cases with more and more prospects during our current fiscal year. We also added some additional sights within our market areas to expand coverage for our customers and prospects.

In addition, in the past we've discussed the challenges we've had with the ramp up of our 2-way radio dealers along with the importance of implementing additional distribution capabilities. We've begun to make progress on that front, while it will take time to convert this into increased revenues we recently formed strategic partnerships aimed at increasing our distribution in both the fleet telematics and the telecom master agent space. There are clear and natural synergies between ourselves and these new partners and we expect our solutions to match up well with their offerings including real time data analytics and machine to machine communications. By adding these new partners now we can extend our offerings to a broader range of new customers and provide linkage to our wide band and broadband effort which in term will help build long-term value. In addition, we are supplementing our indirect dealer channel with increased direct sales personnel in certain markets and we continue to see positive results from our centralized business development team.

Relative to the DispatchPlus business, it is our intention to remain focused on our current seven markets for the near term while we advance our regulatory initiatives and increase our commercial outreach to potential customers in the critical infrastructure industry. As our business continues to evolve so does the insatiable demand for wireless solutions, as we all know spectrum is a finite resource and as such it is incumbent upon holders of spectrum to utilize innovative and efficient technologies. During the last year we continued evaluating technology solutions that will utilize our spectrum in it's current configuration and also in it's future configuration assuming regulatory success. For example, we successfully tested our current spectrum in end point devices which would allow us to serve customers with an enterprise grade, field area network solution. We also continue to evaluate broadband solutions including exploring the development of a 900-megahertz virtualized LTE network that could address the needs of future critical infrastructure and enterprise customers.

This approach could empower these potential users to create and implement their own virtual private network slice from a secure hosted cloud environment allowing them the control and security benefits of a private network with the technology advantages and cost effectiveness of a shared network. As another example, we are working with critical infrastructure community addressing the communication needs related to key elements of modernizing the smart grid including field area networks, sensors and meters and similar endpoint devices that may perform best on a private wireless network using licensed spectrum. As a wireless carrier with a nationwide spectrum position we view our DispatchPlus services as the first layer of applications of our enterprise focused private network.

Modernizing and realigning of our spectrum band will only increase its usability and capacity further enabling us to explore exciting new possibilities including the future deployment of broadband and other advanced technologies and services. We believe that security, priority access, control and customization requirements are just some of the reasons critical infrastructure and enterprise customers will be interested in obtaining the private network services we plan to deploy if we receive FCC authorization. Morgan will provide an update on these efforts shortly.

Before that I want to share some additional progress we've made in expanding our board leadership team, in May we were pleased to announce the appointment of Mark Hennessy to our Board of Directors. Mark joins Paul Solay (ph) as the second board member we added in the past year as part of our continued effort to add relevant skills, experience and independent thinking to our board. Mark recently retired after a 34-year career at IBM where he served in a number of executive management positions. During his tenure, he was responsible for global integration initiatives and technology operations focused on innovation and growth. He brings a strong background of strategic business development and operational excellence as well as a deep knowledge of global enterprise technology. We look forward to his contributions of our board.

Now I'd like to turn it over to Morgan O'Brien, our Vice Chairman, to provide a more detailed update on our regulatory initiatives.

MR. O'BRIEN: Thanks John, good afternoon everyone. Since our last call the post-election leadership of the FCC have settled into their new roles and have been focused on advancing their key stated initiatives. They continue to make progress on items included in their docket with a concentration of the marquee agenda topics. Our current item, which we believe to be a notice of inquiry, remains on circulation and is pending action by the full commission. We're encouraged by Chairman Pi's stated goals promoting innovation including bringing new spectrum to market, fostering investment and increasing the FCC's speed in turning around matters on it's docket. We hope to hear more from the commission on our petition soon.

About a year ago we expanded our approach of outreach to the critical infrastructure community to focus on near and long-term commercial opportunities. On that front, we have a great team that is driving our outreach to critical infrastructure including utilities, railroads and oil and gas. We have had a strong response from a growing list of critical infrastructure entities that are highly interested in discussing the commercial opportunities for PDV to provide network services to meet a number of use cases that can't be solved with narrow band private networks. Based on the feedback we're getting from our discussions we see an increasing market gap between existing legacy narrow band private networks and the expanding needs of the industry. We're receiving strong interest from numerous parties leading to a significant number of long term opportunities for PDV.

As examples of customer use cases critical infrastructure customers have asked about using our spectrum to modernize the utility grid, that is to make the smart grid even smarter; to manage the convergence of land/mobile radio and mobile workforce communications onto a single, prioritized network; and to develop a command and control network for autonomous vehicles or drones. We

expect to translate this substantial demand into future commercial relationships and to generate industry support on the record for our FCC petition. More specifically in the regulatory context we continue to meet with incumbents and other interested parties to resolve concerns and build consensus.

In addressing specific concerns regarding technical, operational and commercial aspects of our joint petition these discussions have and continue to result in constructive solutions. These include successful migration of incumbents to alternative channels, spectrum purchases and/or swaps, and support for our 900-megahertz joint petition. We're working hard to achieve our regulatory objectives which remains priority number one. It is worth noting that the incumbent 900 megahertz licensees who have filed an opposition of our petition represent less than 5% of the spectrum and the band. At the same time, the many critical infrastructure players that are expressing interest and have a strong need for broadband but for the most part are not current 900 megahertz incumbent licensees, are a base of support on which we can build during the next phase of our regulatory process.

The retracted regulatory process has given us ample time to work with our partners and vendors on use cases for our spectrum. We're examining many options for using it both in its current form and after it's potential realignment. For example, recent FCC decisions have created significant opportunities for blocks of shared unlicensed spectrum mostly above 1 gigahertz. While we intend to build our existing and future business strategies around the foundation of our 900-megahertz licensed spectrum the potential to combine our licensed spectrum with additional spectrum in one or more unlicensed or lightly licensed bands could provide us with an opportunity to offer potential customers the best of both worlds. On the one hand, our licensed 900 megahertz spectrum offers us absolute control of our access to and use of that spectrum allowing us to provide customers with the desired levels of service, quality and the customization of a private network.

On the other hand, the addition of unlicensed spectrum, particularly in large amounts would support very high-speed services, can add capacity and capabilities that exceed the limits of our licensed spectrum. We're evaluating potential combinations of unlicensed spectrum with our 900-megahertz licensed spectrum that optimize the offerings we could provide as a private carrier. We believe we're making important strides on these fronts and are well positioned to continue exploring and developing strategic alternatives maximizing value for our shareholders. I think that covers the current status of our joint petition, the actions we're taking to move this process forward. I'll now turn it over to Tim to provide an update on our financial performance.

MR. GRAY: Thanks Morgan. I will review the key highlights of the company's financial results for the fourth quarter of fiscal year 2017 and the full fiscal year ended March 31, 2017. My review is not intended to replace the full financial disclosures contained in our most recent annual report on Form 10-K filed today with the FCC. We encourage listeners to review that filing for additional information.

Revenue for the company's 4th fiscal quarter ended March 31, 2017 was \$1.3 million compared with \$1.0 million for the same period in the prior year, an increase of 33% year over year. This increase in revenue is due to growth in our DispatchPlus customer base. For the quarter, the company reported a

net loss of \$14 million, or negative \$0.97 per share compared with a net loss of \$6.8 million or negative \$0.47 per share for the same period in the prior year. During the quarter, we recorded a non-cash income tax charge of \$6.5 million or negative \$0.45 per share to increase the valuation allowance related to our deferred tax assets. When assessing the realizable value of those deferred tax assets and considering our cumulative losses over the prior three years since our public offering GAAP does not allow us to account for any benefit of future growth assumptions so we determined that our valuation allowance needed to be increased.

Importantly this increase in the allowance does not limit our ability to use our tax assets including our loss carry forward's going forward as taxable income is generated and to state again, this non-cash increase in the allowance is due to GAAP guidance. Adjusted EBITDA for the fourth quarter was (negative) -\$5.8 million as compared with (negative) -\$5.1 million for the same period in the prior year. The change in adjusted EBITDA over our previous year is due to higher sales and marketing costs, partially offset by higher revenue. For the full fiscal year, revenue increased from \$3.5 million in fiscal year '16 to \$4.8 million or 35% in fiscal year '17 due to growth in our dispatch business. Adjusted EBITDA decreased from (negative) -\$16.4 million in fiscal year '16 to (negative) -\$25.8 million in fiscal year '17 an EPS decrease from (negative) -\$1.54 per share in fiscal year '16 to (negative) -\$2.72 per share in fiscal year '17 due to our investments in the first net bid and the increase in our tax valuation allowance that I just discussed. The company continues to have a strong cash position with \$124.1 million available as of March 31, 2017 which is a decrease from December 31, 2016 of \$6.6 million.

That concludes our prepared remarks. 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 have any questions or comments please press; star, one on your touchtone phone at this time. Pressing; star, two will remove you from the queue should your question be answered. Lastly, while posing your question please pick up your handset if listening on a speakerphone to provide optimum sound quality. Please hold for just a moment while we poll for questions.

You have one question coming from Mike Crawford. Please announce your affiliation and pose your question, your line is now live.

MR. CRAWFORD: Thank you, Mike Crawford from B. Riley and Company. Regarding the regulatory front with the FCC, what is the basic opposition arguments from these people that are using just 5% of the 900-megahertz spectrum in question?

MR. O'BRIEN: This is Morgan, let me take a stab at answering. There is a series of arguments and all of them have been addressed on the record already so if you go and take a look if you're interested in getting into more detail, they're all laid out in the record that the FCC maintains. Briefly, they fall into the if a more – if a different technology is employed does there have to be a guard band installed and the answer – our answer is no it doesn't but an allegation is made that yes, it does. Another argument is if we create a 3x3 out of the 5x5 and relocate the spectrum of the incumbents that don't want to move to broadband are they "crowded" into that amount of spectrum and the answer is they have the exact same amount of spectrum under the rules after as they did before. It becomes a highly technical

question of current antenna technology and again that's all laid out on the record that under current antenna technology there's no problem with as it's backed, so called crowding.

It's that and an underlying theme of if these services are being used for important mission critical voice basically they shouldn't be disturbed. That's essentially a convenience factor and the response to that is that these re-bandings have been done a number of times in the past with much more complicated systems than we're talking about here and much more numerous. We literally can't find an example of it not working so yes, you can always have an incumbent – some incumbent resistance to change but we're finding as we indicated in earlier statements, we're finding that there are a number of utilities and other critical infrastructure users who see that they're going to have to move to next generation technology in order to meet their use cases. That will be exactly what gets laid on the record in the next phase which we hope will start up soon. As we said, everything that the Chairman has said since he took over would seem to indicate that he's all for promoting innovation of the kind we're proposing so we're optimistic.

MR. CRAWFORD: Thank you and related to that, is it true that under the Weebler administration I think there were 23 items of contention and under the Pai administration that's been winnowed down to 16. Is that where it currently stands?

MR. PESCATORE: Well there are – this is John Pescatore, there are a list – there was some process that the new administration went through to take a look at the items that were outstanding as of the transition. That list of 16 that I think you're referencing remains a group of items still on circulation or in process and it's our belief and understanding that we're still one of those items.

MR. O'BRIEN: What sometimes happens is the highly political, highly contentious, highly partisan issues on net neutrality might be an example, tend to overshadow the bulk of items that the commission handles routinely which are not partisan. I would say ours is a good example of not a partisan, there isn't anything democratic or republican about our item. It's really more in the regulatory weeds of what are the appropriate standards for governing neighbors on increasingly crowded spectrum. It's really – as much as anything else, it's a question of the need for fences of the metaphysical type keeping new services and old services both on an even keel. We were pleased to see that there was nothing about our item that caused it to be taken another look at in terms of sending it down from a commissioner's level.

MR. CRAWFORD: Okay, great. Thank you very much.

MR. PESCATORE: You're welcome, thank you.

OPERATOR: There are no further questions in queue.

MR. PESCATORE: Okay, well than I want to thank everybody for attending today. Please, as always, feel free to reach out to any of us if there are further questions and we're happy to either do a call or get together with you at any time. Again, thank you again for your support and have a great evening everyone.

OPERATOR: Thank you very much ladies and gentlemen; this concludes 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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