

19-Feb-2020

Anterix, Inc. (ATEX)

Q3 2020 Earnings Call

CORPORATE PARTICIPANTS

Natasha Vecchiarelli

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

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

Rob Schwartz

President & Chief Operating Officer, Anterix, Inc.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

OTHER PARTICIPANTS

Mike Crawford

Analyst, B. Riley FBR, Inc.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Adam David Kelsey

Analyst, Craig-Hallum Capital Group LLC

Reed Kern

Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to the Anterix Third Quarter Update 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, Natasha Vecchiarelli. Ma'am, the floor is yours.

Natasha Vecchiarelli

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

Good afternoon everyone and thank you for joining us. With me today are Brian McAuley, our Chairman; Morgan O'Brien, our CEO; Rob Schwartz, our President and COO; and Tim Gray, our CFO. Before we begin, please note that any statements we make during this call that are not based on historical facts constitute forward-looking statements and our actual results could differ materially from those implied. Information regarding the risk factors that could cause such differences can be found in our public filings, including our most recently filed Form 10-Q for the quarter ended December 31, 2019. A copy of our recent 10-Q can be found on our Investor Relations webpage.

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

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

Thank you, Natasha and thank you everybody for joining us this afternoon. The last time we had a chance to review with investors our progress on the FCC regulatory front, we said that all signs were pointing to the fact that a decision was getting close. Those signs continue, and we believe that the staff of the Wireless Bureau has virtually completed its analysis of the issues, and has made recommendations on the proceeding to the Chairman. We do not rule out the possibility as happened on the issuance of the NPRM, that the matter could be

handled by circulation. A process reached commissioner has the opportunity to vote on the item outside of a formal open meeting session.

We share our investor's impatience with the process. But the most important thing is to get a ruling that works well for our principal objective which is to meet the needs of the electric utilities and other critical infrastructure enterprises for broadband at 900 megahertz. I thought it might be useful to spend a few minutes outlining just how far we've come. Starting in 2014, this was a quest by a single small player to revamp completely the 30-year status quo at 900 megahertz. Previous efforts by the FCC to make improvements had been defeated by incumbents, and by their trade associations including EWA.

The FCC environment then and now was hostile to speculators who bought spectrum license under one set of rules, and then tried to change the rules to allow a flip of the spectrum for profit. Aligned against change were the electric utilities, railroads, oil and gas, benders, link to the incumbents like Motorola, Harrison, Cannord and a half dozen or so major trade associations, like Edison Electric, UTC, API and the Association of American Railroads. If the FCC were to create a broadband portion of the band, we believe that the minimum useful block size in a commercial sense would be 3x3 megahertz. So that met, all other incumbents would have to move into the new 2x2 created from the remaining spectrum in the band.

From the standpoint of a capital raise, or as it turned out raises, we would be swimming upstream in an investor environment focused on huge new blocks of spectrum, 5G, and the consumer versus enterprise volume of spectrum. Where are we now five years later? Motorola and ARR are among the influential parties now on the record supporting a broadband proposal. Importantly, Edison Electric Institute, by far the most influential trade association for the utilities, moved away from its earlier participation in an effort opposing the rulemaking, and now is playing a very constructive role, particularly in UBA, but also in other efforts to make broadband available for its members.

Suffice it to say, that even some of the most relentless opponents of change have revised their positions either to embrace the new broadband opportunity or to concede its existence and they try to nibble around the edges, particularly advantage to themselves. Anterix is now recognized in major industry events as the new and innovative player that's delivering on private LTE. While we wait for the FCC to act, a few new things on the record are particularly encouraging. On December 5, 2019, at the House Subcommittee on Communications and Technology hearing, on accountability and oversight of the FCC, Chairman Pai was asked the following question.

One promising innovation in wildfire mitigation is the falling line conductor, it uses low latency private LTE networks to de-power a broken line before it hits the ground, becomes a fire hazard. Do you have a view on how such technologies can help mitigate wildfire threats and the need for preemptive electrical shutoffs? When will the FCC complete its 900 megahertz proceeding that impacts the ability of utilities to use such technologies. Chairman Pai's response was, I agree that new technologies can help mitigate public safety emergencies such as wildfires. Robust next generation broadband networks can encourage the development of such technologies. That is why the FCC is pursuing a comprehensive strategy to facilitate America's superiority in 5G technology, which is the 5G FAST Plan.

The plan includes three key components; pushing more spectrum into the marketplace, updating infrastructure policy and modernizing updated regulations. Under my leadership, the FCC has proposed to make a segment of the 900 megahertz band available for mobile broadband. I'm confident, Chairman said, we will be able to move forward in that proceeding in the near future. At the oversight hearing, the Chairman's fellow commissioners were asked the same question about the need for FCC action to assist in the reduction of tragic wildfires in California. Their answers on the record give us further optimism that the 900 megahertz broadband item enjoys wide support

and is nearing resolution. Subordinate only to the effort to achieve finality at the FCC, a paramount effort on our part is preparing for the clearing of incumbents from the proposed broadband spectrum allocation.

Our investors may recall that there are about 400 incumbents who were licensed in that portion of the band, which the FCC is proposing for broadband. And of that number, the Anterix team has already contacted over half. A spectrum transactions database has been designed, constructed, tested and is in use. We have hired additional experienced team members to assist in the negotiation of spectrum acquisitions and spectrum retuning plans. As we announced previously, a strategic agreement with EWA is in place, and it's allowing us to leverage their resources in membership to multiply our efforts to reach out to incumbents and to the dealers who represent them. We believe this relationship will speed up the re-banding process and allows us to deliver cleared spectrum for broadband use efficiently without causing undue disruption to the incumbents who decide to continue narrowband operations.

Of course, all of our efforts are keyed first to the markets where critical infrastructure customers have already begun discussions with us. Anterix and its proposed business plan do not exist in a vacuum from among dozens of relevant proceedings that are on our radar screen as the following. 3GPP is the standards body that establishes and maintains the LTE specification. In December, it adopted plans to accommodate a range of channel sizes, including specifically 3 megahertz channels, to lay the groundwork for 5G. We're monitoring the 3GPP more closely to help ensure the smooth evolution of LTE 4G system's 5G. And over the next few years we'll be carefully monitoring new 3GPP releases for enhancements, likely to be useful for critical infrastructure such as communications ultra-reliability and ultra-low latency and massive new IoT or Internet of Things feature set and additional networks slicing capabilities.

The investors who are following the record in the proceeding will note that much of the opposition to our proposal for 900 megahertz broadband has given way to requests for relatively minor changes in the way that the re-banding will be handled. An example of the [ph] ex-party (00:08:42) filings by LCRA and NextEra that can test the number of complex system markets that should be exempt from any mandatory retuning process. Also on the record, are continued efforts to reap the rewards of broadband without the costs. In a letter dated February 13, 2020 San Diego Gas & Electric, SDG&E, placed on the record a compelling case through the FCC's prompt decision to enable broadband at 900 megahertz. It listed four separate uses for a private LTE system "that supports wildfire risk mitigation by improving internal communications". Those four were, falling conductor protection system, updating its SCADA radio communication system, mobile work force safety and communications and weather stations.

As previously made public in its comments, SDG&E identifies its spectrum focus has 900 megahertz and CBRS. Among other things SDG&E applauds the FCC for efforts to rationalize the 900 megahertz band and [indiscernible] (00:09:47) that "SDG&E faces overwhelming legal and public interest duties to serve utility customers at reasonable cost and protect against wildfires". Now, our investors know that these use case requirements are exactly those that drove Anterix more than five years ago to be the first party to suggest the 900 megahertz band as a perfect home for a broadband LTE solution, critical infrastructure players. Of course, a few utilities seem unable to accept the fact that half of the 900 megahertz spectrum in the major US markets was assigned either by lottery more than 30 years ago or in a protracted series of auctions where parties such as Anterix predecessor bought the rights to the licenses from the FCC for fair market value.

Additional 900 megahertz spectrum was purchased in the secondary marketplace over many years from licensees that acquired it from the FCC for free. The thrust of their arguments seems to be that the introduction of new broadband technologies somehow forfeits those rights in favor of the newly awakened interest and needs of the utilities. We encourage any party to review the long record in this proceeding to see just how much work

Anterix has done making the case for repurposing the 900 megahertz band for just the kind of LTE services which SDG&E and some of its fellow utilities require. Neither Anterix nor any other holder of license rights acquired by auction from the FCC or purchased from other licensees would start down the long and expensive road for regulatory updating of its spectrum if the reward for success in that endeavor were to lose its rights in favor of companies who sat on their hands during those auctions.

It'd be catastrophic to the underpinnings of the US wireless market to conclude that the results of spectrum auctions could be nullified by private enterprises peaking spectrum for free. At Anterix, we continue to believe that private broadband LTE at 900 megahertz is a compelling solution to the needs of the utility industry for more resilient, reliable and secure wireless networks. The marketplace has served well as the best way for potential users of spectrum to meet and to negotiate access to that spectrum with license holders. We expect the FCC to continue its reliance on that bedrock principle.

Now I'll turn it over to Rob.

Rob Schwartz

President & Chief Operating Officer, Anterix, Inc.

Thanks Morgan, and good afternoon everyone. As Morgan just highlighted our regulatory process is taking longer than we expected, but we've used this additional time to create widespread awareness of the critical need for private LTE networks, and the ideal nature of how low band spectrum can enable these networks. What began initially as a seasoning of the industry through our advocacy and education is evolving. Equipment vendors, service providers, and customers are actively engaging with us to develop plans for solving critical use cases at 900 megahertz. Let me focus on some of the key initiatives of this part quarter that demonstrate in our progress. Even in the absence of a final FCC report and order, our customer pipeline continues to grow. A key indicator of this progress are the five experimental licenses for 900 megahertz broadband granted by the FCC to enable various market pilots and initial network deployments.

Today I'm pleased to share that a large state-owned public power utility has recently filed for experimental license to pilot use cases that will enable their plant digital grid modernization. While I can't show the name of the entity under NDA, I can elaborate on the goal of that project. Leveraging 900 megahertz broadband spectrum, this utility will be working to build a standards based LTE private network to enhance its operational and programmatic capabilities. We look forward to the FCC acting expeditiously to grant this license so that we can share more on this exciting development. We continue to see and participate in a steady pipeline of RFPs and RFIs that are being issued by utilities. A number of these utilities are seeking replacements of legacy networks to meet their expanding field area network needs.

We also continue to prioritize our federal and state efforts as part of our top down program as we work to drive utility industry regulators to understand and support the benefits that private LTE networks offer to our nation. For example, this past month, I had the opportunity to present at the United States Energy Association or USEA event that focused on broadband for critical infrastructure. The USEA membership includes major players in all sectors of the American energy industry who directly influence grid modernization programs. And just last week, we participated in the winter NARUC Conference, a gathering of State Public Utility Commissioners or PUCs. Our board member and former FCC Commissioner and California PUC Commissioner, Rachele Chong participated in a panel where she discussed the role that advanced communications network serve in wildfire mitigation and other major disasters.

We met with State Utility Commissioners to hear firsthand how they are approaching grid modernization and wireless networks. And worth noting, there was an educational session entitled Spectrum Tutorial 101 offered to

state commissioners further showing the topic of spectrum is being a more prominent part of these regulatory discussions. The National Cybersecurity Center of Excellence or NCCoE with the National Institute of Standards and Technology, better known as NIST, has convened a specialized community of critical infrastructure stakeholders, including Anterix to focus on mitigating cyber-attacks on commercial and utility scale distributed energy resources and electric distribution grid operations. This project will create an industrial IoT test bed, including interconnected sensors, data transfer and communication systems, like Anterix's private LTE, instruments and other commercial off the shelf devices networked together.

It'll focus on demonstrating data integrity and malware prevention, detection and mitigation by using existing commercial and open-source cybersecurity products to reduce the industrial IoT attack surface for distributed energy resources. By the end of the year, the project is expected to resolve in a published NCCoE practice guide for the industry. A great example of accelerating industry dynamics is a press release Motorola issued in January, announcing a private LTE product called Nitro that's specifically built for 900 megahertz spectrum. In demonstrating its confidence in 900 megahertz, Motorola stated that it anticipates the FCC creating broadband at 900 megahertz, and are therefore focused on leveraging their Nitro LTE product for use both on 900 megahertz broadband as well as the complementary CBRS band that's coming to auction this summer.

We also see this new CBRS mid-band spectrum as highly complementary to Anterix's 900 megahertz spectrum. Mid-band spectrum is ideal for serving campuses and inside buildings with additional capacity and ultra-low latency. It's great to have Motorola join the private LTE infrastructure vendor ecosystem, which importantly includes Ericsson, Nokia and others, and we look forward to our continued work with these key partners in offering powerful 900 megahertz-based broadband solutions to our shared target customers. This Motorola announcement was showcased at the utility industry's major technology conference DISTRIBUTECH, which took place in January in San Antonio. We took this opportunity to both witness and participate in this growing focus on private LTE as a critical enabler of a modernized, resilient and secure electric grid.

We had discussions with a substantial number of utilities at this event, and so our significant number of vendor boosts throughout the showroom floor where the demonstrations of private LTE and integrated solutions were being displayed. At DISTRIBUTECH last year, private LTE was seen as a new concept, something to be considered as a potential solution to current problems. The industry was at a discovery stage looking for potential solutions to the increasing challenges of connectivity to a rapidly growing number of sensors and controls to support modernizing electric grid. This year however, many of the same attendees and others were now taking action, assessing the right way to implement private LTE solutions to address their growing requirements.

Last year potential customers were asking questions of what private LTE could do. This year the focus shifted to how should a private LTE network be implemented and what options were available to solve their needs. At DISTRIBUTECH, I also participated in a panel entitled, When Utilities and Telcos Get Together, and I was joined by leaders from Southern Company, the New York Power Authority or NYPA, Ericsson and the National Rural Telecommunications Cooperative or NRTC. At this standing room only discussion, what impressed me the most was that the case for private LTE was being made multiple times directly by the utilities themselves. I walked away from this panel convinced that we are now part of a seemingly self-propelled industry led movement.

The Utility Broadband Alliance or UBA also made a strong showing at DISTRIBUTECH. As many of you remember, a year ago at the same event together with other fellow founding members, including a group of utilities we launched UBA. We are collectively proud of the progress that's been made with more than a 100 individuals actively involved in UBA activities, and working groups that join together on private broadband initiatives. In its initial year, UBA has organized multiple face-to-face member events, hosted a series of well attended webinars and produced thought leadership pieces including a recent collaborative white paper on

cybersecurity. Tradition member task forces have collectively created RFP templates to guide utilities on the questions to ask when evaluating private LTE deployments. They've created business model templates to help in creating support within the utility organizations and in rate cases, and defining use cases and architectural frameworks that leverage private LTE as the core communication network.

In the year ahead, UBA utility members are targeting for it to be a utility-led, utility-funded and self-governed organization. As President & COO, my focus today is on appropriately staffing our team at all levels to meet our long-term objectives, and on attracting and retaining the right talent. As we complete the last quarter of our fiscal 2020 year, I'm pleased with where we are as an organization today. I think we are fast approaching the end of the beginning. Going forward, we will continue to see adoption of private LTE networks across industries, and we'll capitalize on the growing momentum of our 900 megahertz offering.

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

Timothy Gray

Chief Financial Officer, Anterix, Inc.

Thanks, Rob. Good afternoon, everyone. As both Morgan and Rob have noted, signs continue to point to the idea that the FCC is nearing its decision on the 900 megahertz proceeding, and consistent with that view, we have ramped up our spectrum clearing efforts in Report and Order. As discussed in the past, we believe this proactive approach we are taking now will lead to faster deployment of broadband, and we are focusing on those areas where we have compelling customer opportunities. And as Morgan shared earlier, it's important to note that as part of our clearing efforts, our outbound outreach to incumbents has significantly increased. As a result, we are learning even more about the systems they represent, and are actively working to map out and locate alternative channels within the 2x2 portion of the 900 megahertz band or in other bands to speed up the channel transition process.

Our efforts joined by those of EWA are designed to put us on an expedited path to clearing a portion of the band that will be utilized for broadband and in tandem are intended to position us to meet our projected revenue goals as discussed at our Investor Day in May 2019. On the clearing front, third quarter of our fiscal year included \$500,000 of spend for spectrum acquisitions and an additional \$300,000 for initial deposits in connection with future spectrum acquisitions. Our balance sheet reflects these transactions as an increase to our intangible asset and as a reminder prior to the Report and Order only acquisitions will be capitalized. Post Report and Order, all clearing related costs will be capitalized. Looking at the current quarter of our fiscal year, to-date we've spent approximately \$600,000 and have \$3.6 million currently committed for spectrum acquisition to be paid at the closing of the respective transactions.

Based on recent FCC proceedings, I'd also like to note that we anticipate some additional spend may be required to affect broadband licensing upon a Report and Order. Once Report and Order is voted, we'll be back to investors with additional guidance on our previously announced projections. Looking at our financial results for the third fiscal quarter ending December 31, 2019, the company reported a net loss of \$8.8 million or negative \$0.52 per share versus a net loss of \$8.4 million or negative \$0.57 per share for the same quarter in the previous year. Last year's third quarter included approximately \$400,000 for restructuring related charges due to realigning of our business. Our cash position continues to be strong. As of December 31, 2019 the company had a \$150 million of available cash, and is debt free. Our cash spend for the third quarter was approximately \$7 million, which was in line with our expectations.

Moving forward, operational readiness and spectrum clearing are key areas of focus for our organization. In preparation for our operating business, we expect our spend to continue to increase as we acquire and clear additional spectrum and advance our robust customer pipeline.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question is coming from Mike Crawford. Your line is live.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Thank you. With this now, I guess, Rob, you described it as a self-propelled process with the utilities. Are any changes to [indiscernible] (00:24:15) of licensing 6 to 11 utilities by 2024?

Rob Schwartz

President & Chief Operating Officer, Anterix, Inc.

A

Yeah. Hi, Mike. Thanks for the question. No, I think, look, the concept of self-propelled I said, is that we're really seeing a continued rising tide of interest from a broader base of utilities, and more and more utilities moving through what we think of a sort of the funnel from initial interest as I talked about to really getting engaged in figuring out the how and when they can deploy systems. That's all completely supportive of the momentum that we'd expect to be seeing and really exceeding momentum we're hoping to see at this point given the projections we put out back in Investor Day. So no, I think it's still completely in line with where we think we need to be in order to be able to achieve those goals.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Okay. Great. And then, just, if we were to do a couple of assumptions, like, one that there is a Report and Order that comes out in the next couple of months, and that's largely in line along with the discussions that have formed throughout this whole record-making process. Would you then expect licenses, when you do start to print your first few licenses for there to be a delay in cash received or revenues recognized until spectrum is cleared, or is it going to be a case-by-case basis?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Hey, Mike, this is Tim. It's going to be a case-by-case basis. It's really going to depend on the contract we signed with the respected customer, [indiscernible] (00:26:01) clearing on that set of territories. So there could be different iterations of how it could happen. We could clear enough have a 3x3 right away. We could clear enough have a 1.4x1.4 and then they grow into the 3x3 as we clear that, and the pricing of a lease may vary based off of those variables. So we'll see really contract by contract.

Mike Crawford

Analyst, B. Riley FBR, Inc.

Q

Okay. Great. Thank you.

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

Thank you.

A

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

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Great. Thank you. Good evening. So on the timing, is it fair to think that the C-band was the sort of elephant in the room, and if we can get that voted through next week that the Wireless Bureau can sort of turn their attention to and hear the next in the hopper? Is that your understanding?

Q

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

Hey Simon, it's Morgan. Certainly that preceding was a monster. Probably one of the most complex in the last decade or so. So it will be a relief for us that to have it through the python. And we can then hope that [indiscernible] (00:27:17) and others that are less monumental.

A

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Okay. And you've talked a lot about 3x3, I think in the past you've also talked about 5x5. Is that off the table at this point?

Q

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

No. But let me make sure I clarify that point. 5x5 in every way is preferable to 3x3 even more so than just arithmetically. But there are very serious operators operating in narrowband at 900 megahertz, and we have to take those operations seriously. And the way this rule-making is likely to come out, each of those incumbents will have a choice. They can move to 2x2 and stay in the same 5x5, or they can move to some other portion of the spectrum, 800 megahertz being the most likely, where they can decide to use it for a whole different technology altogether, to maybe move from dispatch type of functionality to over-the-top type applications. Our team of course will be motivated where it's practical and reasonable to move people off of 900 megahertz, because yes, ultimately it makes a lot of sense for the public interest for that spectrum to all be broadband. But that's a bridge too far right now where we're focused on making sure that we get the most rapid, and therefore the most constructive process of moving incumbents and listening to their needs and meeting.

A

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Great. And I think in the past you've said that pretty quickly after Report and Order you could announce your first deal, whether that's a contract or an MoU. Is that still your expectation?

Q

Rob Schwartz

President & Chief Operating Officer, Anterix, Inc.

Yes. I mean, I think we continue to make good progress, and I mentioned sort of the breadth of customers, the expansion of the pipeline. We're tracking the meter objectives. So I think we're still on track to meet that specific

A

objective. Obviously, as we get closer to Report and Order, it does add to the confidence of customers to be able to transact. But as we've talked about, these are complicated large entities that even just the formality of their approval process is significant. And so getting through that process is something we're very focused on, but actively involved in as well.

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

A

Simon, let me just add the fact that, no matter how comfortable we are with the way the FCC is tracking, these ultra-conservative organizations want to see it in writing the decision, and then they can start cranking up their machinery to make decisions. We're optimistic that when the FCC order comes out, a lot of that machine will start to crank, and ought to be able to crank simultaneously throughout the industry. We certainly have done a lot of missionary work and spade work, and many of the efforts we have been taking while we waited through this process should bear fruit. So stay tuned. I think that it's hard to exaggerate how much importance there will be when we actually have the rules, and then we can actually start delivering that broadband spectrum for the implementation and commercial operation.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Right. Thanks a lot.

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

A

Thank you.

Operator: Your next question is coming from George Sutton. Your line is live.

Adam David Kelsey

Analyst, Craig-Hallum Capital Group LLC

Q

Good afternoon. This is Adam on for George. Thanks for taking my questions. Rob, could you provide some additional clarity on where things have trended with potential customer discussions in terms of structure of contracts?

Rob Schwartz

President & Chief Operating Officer, Anterix, Inc.

A

Unfortunately Adam, it's a good question, but I can't give you too much because most of those were under NDA. Until we actually have something executed we can't really disclose the details. But I think just to kind of restate about the continued progress, first of all, each of these are bespoke transactions with large institutions, and so they're all going to have their own individual nuances. But our objective that we set out and we've talked about trying to go for long-term relationships, long-term leases of spectrum is absolutely still are straight down the fairway approach, and we're seeing good traction on those kind of deals, or there's going to be nuances to all of these to fit within both the commercial needs, the delivery timing of when they want to deploy, the regulatory requirements of the individual states where the utilities have their specific approval requirements. And so absolutely, we'll see things differently through each of those lenses. But overall, we're still going in the same direction. Everything we're seeing is allowing us to go that way to say that we want to engage with long-term relationships with our spectrum with these great credit customers, and we're on track to do so.

Adam David Kelsey

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thank you. And then along the same lines, when you've talked to potential customers, has there been any new use cases the utilities have generated themselves?

Rob Schwartz

President & Chief Operating Officer, Anterix, Inc.

A

Yeah. Really when I talk briefly about sort of the work with the Utility Broadband Alliance, I think it's a good forum to kind of be able to see that happening. And so as I mentioned, at DISTRIBUTECH this past month, there was a full day Utility Broadband Alliance meeting which I'm happy to say we're a member of now, having helped to start it, but now we're really just a member and that the utilities are really taking the leadership. And there's specifically a working group there that focuses on those use cases. And so they're constantly evolving more and more of those needs. Specifically in that audience now it's not just us also as vendors, we've got a large vendor community. And interestingly we also have invited in and there Federated Wireless that's representing the CBRS opportunities that we talk about being complementary, even AT&T now has joined that group which we think is constructive as well that it's representing the full gamut of options that are in the marketplace. But overall, we see that there are new use cases coming.

And we've seen one of the utilities that's joined recently has been talking about the necessity for drones, and being able to [indiscernible] (00:33:44) drone flight as a new example and use case it's being talked about there. We've talked about the West Coast falling line conductor case that was important to them. That really translates into the ability to have situational awareness for any kind of major catastrophe. And so that's also becoming a more important use case. I was on a panel at DISTRIBUTECH where there was a lot of discussions about cybersecurity and the specific needs of what a private network will do, and that's really getting escalated within utilities. A lot of the use cases we saw were because of an urgent need to connect devices, sensors onto networks. Now, the cyber aspect is becoming more and more of a need. I talked about the work we're doing with the National Cybersecurity Center of Excellence. We're seeing those use cases starting to come into it as well. So there's a large and growing number of use cases. But I think the key point is that it's not us bringing those to table now, it's being generated by the industry for the industry. And a lot of that's being published by Utility Broadband Alliance. And so I'm pretty sure that that's information we'll be able to share soon.

Adam David Kelsey

Analyst, Craig-Hallum Capital Group LLC

Q

Okay. Great. And then one final question for you. We noticed recently on the FCC website that there was a lease proposal out where it would be leased to Motorola and then subleased by Disney in the L.A. San Diego MTA. Any perspective on that, and how that would potentially affect re-alignment?

Rob Schwartz

President & Chief Operating Officer, Anterix, Inc.

A

So I'm going to let Tim answer that. I'll say quickly, we have a historical relationship with Motorola that enables them to use some of our channels for those narrowband systems as they are deploying specifically on campus environment. So I think what you probably saw was not related to a broadband deployment but more pertaining to that agreement.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. Just to add on, since 2014 we've had an agreement with Motorola where they can lease spectrum for narrowband opportunities. We don't expect this, what they be doing with this need to be a long-term hindrance to our broadband opportunity. But we have those relationships like with Motorola [indiscernible] (00:35:59) with Disney, with Motorola and some other pockets of the country. And that's what we expected since we signed that lease at the time.

Adam David Kelsey

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thank you.

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

Reed Kern

Analyst, JPMorgan Securities LLC

Q

Hi. This is Reed for Phil. Thanks for taking my question, two if I may. Of the 200 incumbents that you've contacted, what is the response been like? Were most already aware of the issue and what ATEX is looking to accomplish? And then the second one, when you talk about pipeline growth, is this referring to RFPs or applications for experimental licenses or trials? And is this pipeline, does it grow and shrink or is it more linear in nature? Thanks.

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

A

So this is Morgan. Let me take a stab at the first half of that. The 200 or so contacts that we've already made reflect a wide range of circumstances from what you would expect, which is, we never heard of you, gosh, do we have a license at 900 megahertz, that level, all the way up to absolute in-depth understanding of the proposal, where we want to go with it, the possible interest in broadband, the possible interest is going to 800 megahertz instead, selling the license and instead just using still your radio applications for the dispatch functionality, everything you can imagine. But throwing it all together in a single bucket, I would say, because we're so experienced at doing this, I mean, we've done this for literally decades. There isn't much new under the sun. We're seeing what we expected.

Rob Schwartz

President & Chief Operating Officer, Anterix, Inc.

A

And this is Rob. To your second question on really sort of the pipeline growth, we kind of look at it in multiple ways. One is clearly, the number of entities that are part of that, and the amount of interest we're seeing, and just as an example, at DISTRIBUTECH, there's a number of new parties that have come up to us that were exploring and now are engaging in discussions with us to better understand how they can solve some of their specific needs. And the other way to measure sort of how far through the process they are, you mentioned RFPs as one example. Some of the utilities approach us by getting some level understanding, publishing an RFI or an RFP, getting responses from numerous types of vendors, and then from that going through their own discovery process to determine what it is that they want to deploy and at what timeline they want to deploy.

So we're seeing all of the above. We're seeing more utilities coming to the table, we're seeing more RFPs that are being issued. We're seeing a lot more cross-fertilization across the industry. And that's why, I think, the point I tried to make and what I said is that, these utilities uniquely as a sector are relying upon each other to learn about the key elements of how they solve the same kind of problems. And so there really is an infectious process in a good way that's allowing them to learn from each other. And so as we have more and more utilities moving

through our pipeline and getting closer to transacting with us, but also going through the pilot process, we have other utilities that are riding along, learning from their efforts, and that helps them also move further down. And obviously see the efficiency of that, but it also – it's a great collective effort that brings more and more knowledge and interest from a bigger cross-section of utilities.

Reed Kern

Analyst, JPMorgan Securities LLC

Q

Thanks very much.

Operator: Your next question is coming from [ph] James Radcliffe (00:39:29). Your line is live.

Q

Thank you. One if I could, and if I'm jumping the gun on stuff that's discussed later then let me know. But in terms of the spend for retuning, you talked previously about \$100 million to \$120 million, has any of that ramped up really, because I'm looking we've seen a significant ramp in free cash flow burn thus far. Is that still almost entirely ahead of us?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

For the most part [ph] James (00:39:52) that's ahead of us. I mean, I talked about where we are even quarter-to-date where we spent some cash plus we've also got another roughly \$3.5 million committed, and that continues to grow on a daily basis as we continue to move forward on the prospect. But yes, most of those costs are ahead of us.

Q

Thank you.

Operator: [Operator Instructions] We have no further questions from the lines.

Morgan Edward O'Brien

Chief Executive Officer & Director, Anterix, Inc.

Okay. Well, thanks everybody for your interest, and we look forward to talking with you very soon.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2020 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.