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Anterix, Inc. (ATEX)

Business Update Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Anterix Investor Update Call. At this time, all participants have been placed on a listen-only mode.

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 morning, everyone. Welcome to the Anterix investor call. With me today are Morgan O'Brien, our Executive Chairman; Rob Schwartz, our President and CEO; Ryan Gerbrandt, our COO; and Tim Gray, our CFO.

Before I turn the call over to Rob, I'll remind you that any statements we make during this call that are not based on historical facts constitute forward-looking statements and our actual results could differ materially from those implied. A discussion of the factors that may affect our future results is contained in our SEC filings which are available on the Investor Relations page of our website. A replay and transcript of this call will also be made available on our website. Following our prepared remarks, we will open the call to take questions.

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

Robert Schwartz

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

Thanks, Natasha. Good morning, everyone, and thanks for joining this call on short notice. Today represents a monumental day for Anterix and our shareholders as well as for our partner Ameren in the growing private LTE ecosystem. As you may have seen this morning, we announced that Ameren CEO Warner Baxter and I executed a long-term 30-year spectrum lease agreement covering the full service territories of Ameren Missouri and Ameren Illinois.

Despite the substantial challenges we all faced during 2020, this has been a year of momentum and validation for Anterix which included our major win at the FCC and now this capstone of our first broadband spectrum agreement. Looking back on our journey with the FCC and with Ameren, I can't help but recall a round of meetings in 2018 that we and the executives from Ameren had with the FCC with the chairman and the commissioners. Those meetings were pivotal in convincing the FCC to produce such a groundbreaking spectrum decision. This announcement represents more than just the spectrum agreement. It represents the official launch of utility industries capturing of the tremendous benefits of 900 megahertz private LTE.

Just like we witnessed with their support at the FCC, we believe with Ameren's leadership we will soon see the utility sector's collective adoption of these foundational networks. These networks will enable utilities to harness the value of new innovations, including machine learning, artificial intelligence, cloud and edge computing. The ability to capture, aggregate, analyze and act on endless streams of data can now be a reality. And importantly, consumers will considerably benefit from all of these innovations.

An advanced grid that facilitates decarbonization and embraces renewable and distributed energy sources that addresses the increasing usage of electric vehicles will need advanced broadband communications. The current and future use cases and the value they create is why we're confident that other utilities will also be making long-term commitments to join the 900 megahertz private LTE ecosystem.

Now let's talk about the Ameren contract and its positive implications to Anterix and our shareholders. While it required perseverance to first get through the FCC process and now to secure a first customer agreement, we can see that the long-term relationships and value created was well worth the wait. Thank you to our shareholders for your patience during this important journey.

The 30-year lease of broadband spectrum with an option for an additional 10 years will empower Ameren to build a more reliable, resilient and secure modernized power grid in their service territories. Ameren, a long supporter of 900 megahertz private LTE, now formally has the capability to leverage this private broadband network to enable valuable mission critical use cases today and into the future.

The terms of the agreement specify full prepayment of approximately \$48 million by 2026 with about 50% of the total paid by June 2021. So while we will recognize the revenue over the life of the contract in a straight line for GAAP, Anterix will benefit from the near-term prepayment cash flows versus our original guidance of annual long-term payments over the life of the contract. More details are included in the fact sheet now available on our investor relations website.

It's worth noting with a prepaid framework of this deal and with our visibility of the structure becoming more prevalent in our pipeline discussions, including our discussions with complex systems incumbents, there could be a substantial positive impact on our cash flow, should we see more prepayments in future transactions. We remain confident in our forecast of our fiscal year-end target of at least two to three signed customers and our fiscal year-end 2024 targets that can be achieved with 6 to 11 transactions with top 20 investor-owned utilities.

As we've shared before, this would equate to the utilization and monetization of about half of our nationwide spectrum. With this developing prepayment trend that I just discussed, we expect to see an accelerated cash flow benefit and we are now considering, therefore, whether the reporting of annual recurring revenues may become less relevant than our contracted proceeds. This thinking will logically evolve as we complete additional transactions. And my comments wouldn't be complete without taking a moment to recognize the incredible team that accomplished this monumental feat. During a very difficult year, without the ability to visit with customers or even an office to collaborate, we brought this important partnership to completion. Our team remains centered around a meaningful mission of bringing reliability, resilience, and more important than ever security to our nation's electric grid, an incredibly complex machine that we all rely on literally every day to keep the lights on.

We as a team know the importance of this mission and also know that with any new idea, we will face obstacles that we must overcome. With the initial contract, we did just that today, and I couldn't be any prouder of our Anterix team for this achievement and for the many more to come. We'll continue to embrace the opportunities presented to us as a company and I look forward to 2021, and I see a bright future for Anterix. With the same drive, attention to detail, discipline and focus that got us through the FCC process and launch will become at least a three-decade relationship with Ameren, I believe we can drive the utility sector toward collective industry adoption of 900 megahertz private LTE.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Our first question today is coming from George Sutton. Please announce your affiliation then pose your question.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Craig-Hallum. So, first, congratulations, a long time in coming. The pricing on this if we're doing our math correctly and we look at 600 megahertz as an example, these markets I believe were only two-thirds of the median in terms of the values that were seen in those auctions, and it looks like you're actually above the median with this pricing which would kind of suggest better than expected, at least what the market was thinking, pricing. Am I reading that correctly?

Robert Schwartz

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

A

Hey. Good morning, George, and thank you. I think you're spot on. As we've talked about in the past, I know we've mentioned in our fact sheet in prior auctions, we've seen variation in pricing and markets considerably. The Ameren service territory is valuable for sure, but it does fall below average on just historical pricing. And so, that two-thirds is really an accurate view of it. And so, we're excited about what it implies about – if you look at it relative to historical auctions, it really puts us just above the midpoint of prior auctions from a value standpoint. And so, it really puts us exactly where we thought we'd be which is demonstrating fair market value for our spectrum.

And this is worth noting, Ameren as an important customer is going to get considerable value from what they're purchasing. We've done a lot of work with them and others in looking at the value equation, right. The cost benefit of what they're paying relative to what they get out of it, and there's a really detailed model that they have and

others as well showing all of the contributions that they're going to get. You saw the quote in our press release, the Chief Digital Information Officer talking about the migration of all the existing systems and, obviously, the costs associated with running all those independent, historical narrowband systems that now can migrate to this broadband system. But the real value is the future as I talked about, all of the opportunity to be able to put new use cases that weren't enabled until you have a private broadband network.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Just one other question for me. You mentioned collective industry efforts here and this dovetails with what you introduced on a recent call relative to network of networks. I think there was a debate about that or some consternation from some of my peers. Are you making progress along those areas? And can you also discuss the cyberattack of SolarWinds in any way have an effect on people kind of moving forward thinking about this?

Robert Schwartz

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

A

Two good questions. I'll start, and my team should feel free to jump in. So on the network of networks, right, we've talked before about as we see more and more utilities coming forward, the value of the nationwide network becomes even greater. When you think about the centralized capability, starting with just the analysis of how to use a broadband network within a utility, a lot of that started in the grassroots way from our utility broadband alliance. It also started with the numerous experimental licenses that are going on around the country and the experimentation of seeing different use cases. If you've seen those filings, you've seen a variety of different applications, some overlapping but a lot of new innovations.

And so the uniqueness of this industry, sharing that information from the beginning, is very powerful. And we see that once the networks start being built, the connectivity between them becomes even more powerful. So we're on a great course there. A good example there also and we talked about on our last call even is the focus of the industry on the potential for federal funding to be able to help drive the deployment of these networks. And we think we're on a very solid course given the new administration and the focus of the importance, both of infrastructure funding but also the importance of utility, industry and its security as you mentioned.

And so on the security piece, I think unfortunately, every time, there's another incident and this SolarWinds was a big one, it does point out the need for private air gap networks where they're not connected to public Internet, and anything you can do. There is no silver bullet in cybersecurity, but clearly, from the comments made by the federal government and what we're hearing from utilities, having the availability of broadband private networks separate from the public Internet is an important component of their cybersecurity strategy going forward.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey, Rob. It's Morgan. And let me just throw in an additional point that every time another player embraces private LTE at 900 megahertz, it benefits everybody that has joined before and it benefits prospectively because it gives the scale and scope to the investments. And just think about developing applications that are uniquely suited to the needs, say, of – to the utilities, the critical infrastructure industries.

Think about the advantages of having applications developed and tested and put into place across the board as opposed to on a utility-by-utility basis. When we say network of networks, the effect, it includes those aspects in particular. It just is great business for the industry to coalesce on a particular spectrum band and technology. And

we're hoping that the rest of the industry, which are generally characterized as fast followers, will follow the lead now of Ameren, as well as a Southern Company, Southern Linc, the two really standouts at this point.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Great stuff. Thanks, guys. Congratulations.

Robert Schwartz

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

A

Thank you, George.

Operator: Thank you. Our next question today is coming from Mike Crawford. Please announce your affiliation, then pose your question.

Mike Crawford

Analyst, B. Riley Securities, Inc.

Q

B. Riley Securities. So Rob, Morgan, Tim, could you maybe just help connect the dots a little bit more between your megahertz/pop calculations between, say, 600 megahertz and AWS and what you've contracted today with Ameren given its 7.5 million population served and I believe an addressable market of around 278 million people in the US?

Robert Schwartz

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

A

Sure. Thanks, Mike. I'll start with that and maybe Tim can jump in with some of the specifics. So, as I mentioned earlier that the Ameren markets as valuable as they are, are markets that when you look at historical pricing are below average. What we saw here was clearly something that was right down the midpoint between the historical 600 megahertz and AWS auctions. So really consistent with the fair market value we had talked about and we were hoping to achieve. Tim, you want to answer some of the other details?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. I think Mike, when we've looked at it and Rob giving that answer, we've narrowed it down to the pops because this is county by county versus the PEA or larger 600 megahertz or AWS blocks, so we've looked at it on a county by county basis for the bespoke coverage that we're giving Ameren for their service territory. And then I think from a nationwide pop perspective, when you talk 270 million, I think you're taking 52% of the US population based on the amount of spectrum that we currently have. But you've to keep in mind that over time as we apply for broadband licenses, we'll have a full 6 megahertz, a 3x3, once we clear and file for those licenses.

Robert Schwartz

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

A

Yeah. And as you know, Mike, spectrum valuation is as much art as it is science. So those historical data points are just that, their inputs into discussions. And you can imagine these are prolonged discussions and negotiations in which we're really educating the utility industry about spectrum, right? As spectrum experts, all of the investors on the phone and ourselves, we watch closely all the auctions that are happening. And clearly, we're seeing with what's happening in the marketplace, even with the C-band auction now that there is no shortage of demand for continued spectrum absorption into the marketplace. And so there's an awareness in the sector, now in utility

sector, especially with this transaction that there is a limited opportunity to be able to capture the low band spectrum. And so we think that this really marks that we have the confidence to be able to see fair market value in this and future transactions.

Mike Crawford

Analyst, B. Riley Securities, Inc.

Q

Okay. Great. Thank you. And one...

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey, Rob. Can I just make a final point which is that spectrum, particularly pivotal spectrum in the low band with all of its multi-purpose uses, it just goes up in value over time. So auctions are a relevant benchmark. But I think if you just look around, what's happening, spectrum...

Robert Schwartz

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

A

Yeah.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

...increases in value.

Robert Schwartz

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

A

Absolutely. And I think Mike, I think you said the population in the US, they used 328 million as a population for the denominator in that calculation. But I think what's important too is when we look at megahertz/pops, it's a back of the envelope math, right? We can carve down to a single pop. But that's not the way in which spectrum is available historically to be sold, right? We're carving a specific footprint of Ameren service territory, bespoke for their needs. But if you were to participate in the 600 megahertz auction or the [indiscernible] (00:17:48) auction or now C-band, you wouldn't have the opportunity to buy just what you need. So the bottom line cost would be considerably higher. So that's another point of value that we make sure we emphasize in the discussions. It doesn't necessarily come out when you just do a megahertz pop calculation.

Mike Crawford

Analyst, B. Riley Securities, Inc.

Q

Right. So regarding that denominator, I wasn't using 328 million because I mean, you will surprise me if you ink a contract in, say, Florida anytime soon. But as far as – one final topic, can you just update us on the status of your pilot projects, some thought about others meeting or not meeting to enter similar experimental license pilots that the FCC would bring?

Robert Schwartz

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

A

Sure. Well, you've seen there've been eight filed experimental licenses, and I always like to talk about different points of entry. That's kind of one point of entry where those utilities and others want to see – take the time to kick the tires, put up systems. I am confident that as we see more and more deployment – and this is where the collective collaboration really comes into play that utilities will be relying on each other. I can't tell you the number,

but it's considerable of utilities that I've referred to Ameren, that Ameren has hosted and talked to and the same thing, the Southern Company, right? Southern Company, as we've talked about, hosted the Utility Broadband Alliance meeting in their Alabama Power facility, so that utilities could come and see it.

We have the NREL programs that are going on through National Renewable Energy Lab, part of the Department of Energy. There were seven utilities that participated in that directly, seven different utilities mostly. We have the members of Utility Broadband Alliance that are coming there, and I've mentioned all these because these are all different points of entry. So I don't think that pilots are the only way, experimental license is the only way you'll see utilities coming into play. And we do have customers in our pipeline, and Ryan can talk about that. But we have customers in our pipeline that are hopefully near term that aren't doing experimental licenses and so are participating in other ways and getting their knowledge through the collective action of the industry.

Mike Crawford

Analyst, B. Riley Securities, Inc.

Q

Excellent. Thank you very much, Rob.

Robert Schwartz

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

A

Thank you, Mike.

Operator: Thank you. Our next question today is coming from Phil Cusick. Please announce your affiliation, then pose your question.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Hi from JPMorgan. Thanks, Rob. Can you talk more about the pipeline and the four companies in the final stage? Where are they? Any progress there? And how's that pricing going relative to this deal on maybe a per prop or relative to the auctions basis? Thank you.

Robert Schwartz

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

A

Sure. Thanks, Phil. Good morning. I'm going to pass over to Ryan after a couple of comments on – to be able to talk about the pipeline. But what I can tell you is what we're seeing is continued progress since the weeks when we last spoke about it. I restated our comfort that we'll see a total of two to three by the end of our fiscal year-end, March 31, 2021. And from a pricing standpoint, we remain confident that we're going to continue to see fair market value. As we said, it's a wide range, but I think we'll continue to see things gravitate around that mean of where industry historically has transacted on spectrum. Ryan, you want to add any color on the pipeline?

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

A

Yeah. Happy to. Hey, Phil. Yeah, definitely. Just to reinforce, as Rob said, we've talked about the 40 customers in our pipeline and a little bit of an overview in the last session around the different phases that we contemplate as they're working their way through it. We are continuing to see the momentum in those conversations and being able to progress them through the various phases that they're in there. Their account development, a part of their journey towards private LTE. It's the buildout really of kind of both the pipeline and what we've done in terms of the people. We talked about the organization that we've built to really capture the momentum and drive these

conversations with these prospective customers, and ultimately the process that underpins us that helps us apply the lessons learned even as we're coming out of agreements like we have with Ameren to be able to continue to drive and find these collective benefits that can help accelerate it.

But it's really the depth and the quality that we're seeing in those conversations that gives us the confidence to continue to reinforce where we believe we are in the near term and on our long-term trajectory towards 2024. We see nothing but positive signs in it. It will be interesting now. We talked a little bit about the entry points and kind of the journey that the customers are on and some of these benefits of the collective outcomes that we are seeing and expect to see accelerate as we get the early adopters moving forward and continuing to share the best practices and some of these applied learnings to our benefit that all of those different attributes will certainly help us in terms of better driving the understanding of how these early adopters made their decisions and accelerate ultimately the trajectory that we see our pipeline on. So it couldn't be more positive in terms of where we're at and the developments that we've seen both near and long term.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Can I just throw in for a second? Can I just throw in for one second that I think everybody on the call is aware that there are complex system markets somewhere around 10 of those. I would say that those conversations also are going forward, being productive and that we may see in those markets a different approach because what makes a complex system a complex system market is that there's somebody besides Anterix that has a significant spectrum position. And so you might expect different arrangements there but that there's absolutely no reason to assume that complex systems aren't going to resolve with very, very creative broadband system solutions. And we're certainly hopeful that those will all be in the service of the critical infrastructure industry that's been our longtime theme.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

That helps. Thanks, Morgan.

Operator: Thank you. Our next question today is coming from Walter Piecyk. Please announce your affiliation and then pose your question.

Walter Piecyk

Analyst, LightShed Partners

Q

LightShed. Morgan, I think – hey, and hey, Rob. I think what you're – what you're just trying to say basically is someone could lease two different blocks of that 600 megahertz and then if they have higher bandwidth applications, just carry – or like the lessor can effectively carry or aggregate those bands together, is that what you were trying to say there?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Well, yeah. Yeah, but also – and maybe I should try to be more clear. In a complex system markets, it is not necessarily going to be Anterix which ends up as the broadband licensee, it may be someone else who ends up as the broadband licensee with Anterix in some kind of a relationship to make its spectrum available because there is no market that can go broadband without us. But that doesn't mean that in every market, the broadband licensee ends up us. In fact, I think it'd be probably good overall for the industry if that weren't the case. So, well, I

think you'll see creativity around the way we structure for that reality, realizing that those complex systems are all major markets and it's in everyone's interest, the industries and ours to get those resolved.

Walter Piecyk

Analyst, LightShed Partners

Q

Got it. Rob, does the contract enable Ameren to offer any type of commercial service? And I'm thinking back to Southern Company when they were building iDEN that they were obviously not just using it for their own use, but also selling services underneath that. Does anything prevent them from doing that in terms of this lease agreement?

Robert Schwartz

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

A

There's nothing whatsoever, Walt, that prevents Ameren or any utility for that matter under the rules or under the commercial agreements from proceeding with commercial services. I would say just as a – not specific to Ameren, but more broadly because [indiscernible] (00:26:06), but more broadly, it's a question we get all the time from utilities, as they see the Southern Company model and they see the investment they're making in infrastructure clearly leverageable for a lot of business opportunities.

A number of utilities are already in the commercial fiber businesses as they're pulling fiber throughout their networks and have seen what they see as an offset of the cost, the way they typically approach it from a regulatory standpoint. It's not about a business opportunity but it's defraying the cost of investing infrastructure. We see the same with the mobile infrastructure and not just to be able to offer typical wireless services but it's also we see it as an important asset to be able to leverage, to be able to deliver – roll broadband, and politically, that's a pretty important and valuable opportunity. Now that helps them both serve their customers but also in the regulatory environment.

Walter Piecyk

Analyst, LightShed Partners

Q

Got it. Any sense of – yeah, sorry, go ahead.

Robert Schwartz

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

A

Walt, just – I want to step back to the point that you were talking about with Morgan on complex systems. It is worth noting, in preparation for Ameren and some of the retuning, you did see an announcement where we've disclosed about moving [indiscernible] (00:27:15) which is one of the complex systems out of the band. And so, just as a precursor, I would say, to – that the transactions can happen on a voluntary basis with these complex systems. I think we'll see many more to come.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Can I go back for one second? Walt, can I just go back one second onto commercial applicability? I think this needs to be clarified that while 6 megahertz spectrum is a fantastic building block for the kind of basic communications that the utilities want to do, yeah, 6 megahertz wouldn't support sort of to the consumer broadband. But infrastructure, the towers and the backhaul and the things that are associated with deployment at 900 megahertz, the towers and all the – that kind of equipment could be a major element in making a world broadband proposition work for somebody else. So we anticipate utilities playing in that space, but not necessarily delivering 900 megahertz to [indiscernible] (00:28:26). Hope that's clear.

Walter Piecyk

Analyst, LightShed Partners

Q

Any anticipation of what vendor they're going to use and how much spectrum initially?

Robert Schwartz

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

A

Ameren specifically still is making their determination about the key vendor. But it's worth noting Nokia was their vendor for the pilot. We've talked about that before and made announcement and led a really good effort in demonstrating the capabilities. But they're still looking forward to, I think, running a process to determine their vendor. As you know, there is no shortage of off-the-shelf Band 8 LTE equipment from all the major vendors.

Walter Piecyk

Analyst, LightShed Partners

Q

And any initial spectrum that they're planning on?

Robert Schwartz

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

A

We'll be delivering the spectrum as we talk about in the fact sheet over that period of time. The nice thing about LTE is you can start with a 1.4 and then get to 3x3. And so, we're going to plan on delivering it that way and they'll start using as soon as we clear the 1.4.

Walter Piecyk

Analyst, LightShed Partners

Q

Right. I'm just thinking that that's another way to look at value in terms of their usage is not necessarily on the full denominator of the 6 megahertz initially. It's presumably what they can use and then get to over time. Just one last question, Rob. When I think about disclosing what they paid, on one side, I feel like you might in some cases anchor yourself in terms of, hey, now the utility looks at this and says, well, they paid this, why should we pay that? And then you can have the argument of like, well, you're in this market versus that market. But on the flip side, advertising it maybe opens you up to – I know you're focused on these verticals, but like anyone that needs low band spectrum can say, well, if I can get it at that price, then maybe I want to lease it because it's obviously – you're not – the FCC is not restricting you to use it only for this use, I don't think. So, can you just talk us through why you came to actually disclosing it? It didn't seem like it's something you would have to have disclosed to investors. But why did you actually disclose the amount?

Robert Schwartz

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

A

It's a great question. When we obviously spend a lot of time debating, threading the needle between our desire, disclosure for investors to be able to show the direction but also be able to show the industry that one of the most innovative utilities. and Ameren really is viewed that way in the industry. Their CEO Warner Baxter was Vice Chair of Edison Electric Institute and has a real solid podium and is listened to across the industry. And so the idea of putting the message out that a utility as smart as them is willing to transact and this is the way to transact and even the kind of pricing at fair market value, we thought, was important. As you know there were doubters both in the investor community and across the utility industry of, utilities, you got to realize don't know what you know about spectrum and historically got their narrowband spectrum pretty much for free.

And so taking them from that historic model to now paying for spectrum which is new to them is really important. We've talked about the CBRS auction where a handful of utilities stepped up and bought spectrum was really an important milestone because it is the acknowledgement that it doesn't come free. The FCC is not going to gift spectrum to them like they did in the past, instead it's an open marketplace which they have to bid against utilities – against carriers in order to get spectrum and so that there's a willingness to paying. And so it's a balanced message. Well, one last thing, Ameren clearly was a pioneer, as we talked about all the things they did to help us drive the marketplace. This deal clearly is a pioneering deal for us. And so for us, it's – it should set a floor from a value standpoint as we talk about in the marketplace that we can talk...

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

But let me...

[indiscernible] (00:32:11)

Robert Schwartz

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

A

...contributions.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Yeah. Let me just clarify, Rob. One thing you said, Walt, is that you assume the spectrum can be bought by and used by pretty much anybody and the answer is it 100% can. We've been pretty clear for the last five years where we think the best use is. But another rationale I think for getting a price out there is that pretty much the number one benchmark when a utility is approaching its regulatory officials to foreign investment that they've made is whether it's prudent. And if you think about prudent, it's how are other people doing this, what have other people done. And so if we get some of these numbers out, it's an educational process, not just for the utilities out or in our pipeline, but for the regulators that they will be taking these business propositions to, because they'll be talking about making significant investments and novel investments in spectrum. So we just want to get that out there to facilitate from both ends.

Walter Piecyk

Analyst, LightShed Partners

Q

Got it. Thank you.

Robert Schwartz

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

A

Walt, well, just the last thing I didn't say is that this is obviously material for us as a company and the disclosure obligations we took seriously and that's one of the other reasons we want to make sure we put out enough information about the contract.

Walter Piecyk

Analyst, LightShed Partners

Q

Understood. Thanks.

Robert Schwartz

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

A

Thank you, Walt.

Operator: Thank you. Our next question today is coming from Chase White. Please announce your affiliation, then pose your question.

Chase White

Analyst, Height Analytics LLC

Q

All Right. Thanks. Height Capital Markets. Thanks for taking the question, guys. So just in general for this specific contract, what – is there any additional info that you can give us on the mechanics of these payments? Obviously, you said about 50% coming by June 2021. But how long should it realistically to take you to receive all the money? I mean, is there anything that contractually slows the pace or is it just the delivery of spectrum? Any other details you can give us?

Robert Schwartz

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

A

Sure. Thanks, Chase. Good morning. No, I think the terms that we disclosed really pretty much speak for themselves, in that – as we mentioned, it's prepaid over the first six years measured from now. Roughly 50% of it will come in by the middle of next year. Absolutely, it's dependent upon us delivering what they're paying for the spectrum and we're well underway. We got a really good head start on clearing their markets and are confident we'll be able to hit those milestones.

And then the remainder comes in over time but is really completed by 2026. And so the prepayment we think has substantial value for us and being able to capture this kind of investment in our company versus waiting for it over the 30-year life of the lease. And as you can imagine the kind of discount rates that we talk about, we're talking utilities, are closer to their cost of capital versus ours, and so we think we also benefit from that upfront payment as well.

Chase White

Analyst, Height Analytics LLC

Q

Got you. Very helpful. Thanks, guys.

Robert Schwartz

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

A

Thank you, Chase.

Operator: [Operator Instructions] Our next question today is coming from Tim Horan. Please announce your affiliation. then pose your question.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Oppenheimer. And congratulations, guys. Couple of questions. Can you elaborate on the federal subsidies, maybe how large they could be, where they could kind of come from? Secondly, can you talk about the pace of

clearing up a spectrum? I guess what's the bottleneck or the long pole in the tent? And I guess maybe I missed it in the contract, but when will you deliver the entire range of spectrum that's kind of needed? Yeah.

Robert Schwartz

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

A

Thanks, Tim. And happy to at least give a start on those. From our standpoint, obviously with any kind of legislation or federal government funding, there's always a question mark on achieving it. But every day that goes by as we see what's developing both with the new administration and their commitment to the funding of infrastructure investments and the importance of the utility industry as a key part of that are critical. We've been working actively with industry associations. Most recently, the GridWise Alliance put out their view of why the industry should be providing tens of billions of dollars specifically to utility industry. And we worked with them in making sure that also specifically identified the importance of wireless broadband as part of the investment.

And as we talked about earlier, the cybersecurity challenges that are only growing every day just further emphasize from a federal standpoint the importance of funding and putting in place these kinds of communications networks that keep our economy running when you look about the importance of electricity in fueling pretty much everything that happens within our country.

You had a second part of the question?

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Yeah. Just the pace of clearing up a spectrum, when will it be completed and what's the long pole in the tent in doing that or the bottleneck? Yeah.

Robert Schwartz

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

A

Yeah. So, as we've talked about in the past, and having I guess recently probably since our Investor Day, there are hundreds of incumbents in this band, many of whom we know and a lot of whom are actually the target customers. We've gotten a good head start on already moving a lot of those key parties out of the band. We've talked about our plan to do so. The lead times typically at worst starting – as we said before we're starting, as we see commercial interests from utilities, we're already starting to move incumbents out from within their area.

It is worth noting and we gave some of the examples of some of the folks we've retuned that when you retune, take a customer, an incumbent within the Ameren territory, that actually benefits because of the proximity to other sectors. So like, so Ameren owns the western part of Illinois, but as we move some of their incumbents, it's going to benefit us moving forward with a customer potentially in Chicago, for example. And so, there's a collective effort that as we move incumbents, it benefits multiple territories of utilities and, for that matter, other potential interested parties in our spectrum.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey, Rob. Can I move to an additional aspect of the federal funding? There's really only one time in history that the federal government has put a lot of capital at work in the electric grid, and that was for smart meters back in the 2008 timeframe, and it was some number of billions of dollars in a matching fund. I think it was 50%/50%. That was probably the only time we've ever seen not only the federal government step up like that but also really had an accelerating effect in the industry because there were time frames for making these investments and

getting them – qualifying for the matching funds. So, we're imagining that the same thing is going to happen here. It'll be a federal state partnership. But the federal government will be putting more capital than they normally would into the goals of getting a more secure, more resilient grid and then matching – some form of matching funds.

I mean this is all predictions. So, we just don't – we don't know. Our estimates that we've been working on for the last couple of years and sharing with you folks didn't include any of that as a likelihood. But I think now if you sort of look at the political environment, it is much more likely that there is going to be some kind of a federal accelerant.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Just lastly, can you maybe just discuss some of the more important use cases that electric utilities are realizing in your recent discussions?

Robert Schwartz

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

A

Absolutely. And I know we've talked about a number of these before. When you look at Ameren, I think it tested 14 different use cases in their initial pilot. I mean what I would consider to be bread and butter needs of a utility connecting substations, what they call, IntelliRupters which are the reclosers that open and close the power lines. When there's damage to a line, you have to be able to quickly shut off one area and feed the power into other. Those are kind of the current, as I said, bread and butter use cases.

Then you look out into the future and it's really – it's almost limitless. We've seen everything from the testing of drones on broadband LTE spectrum. We've seen the use of it for the command and control of a network for wildfire mitigation, right. When we do these cost benefit analyses, one of the things that we always talk about and have to point out, right, the value of a network like this and as expensive as it is of preventing one major incident for utility is just priceless. I mean you just have to look at what PG&E went through with their wildfires and we're working on programs exactly for that, to focus on wildfire mitigation. And that technology isn't just for California where it's critically important. It's the same technology that works across networks in depending on the region. It could be about weather conditions, it can be about vegetation with trees growing over limbs, and it can be about storms coming through other cadres.

And so there's really – it's just – I always like to compare it when I talk to people who don't know the industry to the LTE phones in our pockets, right. We got them to make phone calls and we first started on cellular. Then we started doing more things like texting and now we're ordering food and hailing taxi cabs and managing our finances on the same devices. And so there's an unlimited number of applications that utilities are developing. And the great thing about this sector is they're now starting to do it together. Starting with Utility Broadband Alliance, it's become a place where they're sharing their needs and use cases, and that joint investment in R&D is really important.

So rather than – we used to travel around the country when we could and we'd see utilities individually trying to solve the same problems, figuring out how to connect new devices, how do I get thousands of new sensors into my systems. And that really – the biggest use case now we're seeing as we're driving into all of the incentives that are likely in the new administration is about connecting renewable energy sources and, what they're calling, distributed energy sources. And so as you get millions and millions of these new points of generation from residential solar rooftop to industrial wind and solar, the need to be able to be aware of when those are generating the intermittent power that they generate and feed that back into a network and then be able to control industrial

usage and consumer usage as well. And so that end-to-end connectivity and visibility to be able to maintain the network is critical and we think that private LTE will do just that.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Can I just throw in one? Can I just throw – let me just throw in one last thing. The public safety industry uses an expression which I think is really apt here too which is situational awareness. And if you were going to control an increasingly complex universe of sensors, you have to have the lowest latency, meaning you have to have near real-time perception of what the situation is, so that you can manage it and control it. That's going to become increasingly the role of the investor on utilities, not simply generating and distributing power but managing the – as Rob is talking about, the distributed points of wind and solar. So you need broadband to get the right latency and to get the right collection going into this relevant data. So it's situational awareness and a whole – host of applications that fit into that.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Thanks, guys.

Operator: Thank you. Our final question today is coming from [ph] Dan Lescano (00:44:42). Please announce your affiliation, then pose your question.

Q

Hey, guys. Can you hear me?

Robert Schwartz

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

A

We can, [ph] Dan (00:44:50). Good morning.

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

We can.

Q

Good. Congratulations.

Robert Schwartz

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

A

Thank you.

Q

What I was – wanted to ask was you said that in complex systems the license holder might not be you. Does that mean that in some situations that you would maybe have to sell the broadband license to them or is that not how I should read that?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

Hey, [ph] Dan (00:45:12). The fairest way to look at it is every one of these negotiations that we're involved in, and Ryan has explained how many there are, is unique. When we get to complex systems, we rule nothing out. So we wouldn't rule that out.

Q

So whatever is best for the customer?

Morgan Edward O'Brien

Executive Chairman, Anterix, Inc.

A

However we're going to get the best long-term relationship because as we say, every customer that we gain after today benefits Ameren. Every customer that we gain the next day benefits. So it's this economy of scale. So we're going to do what we need to do to accelerate the movement of the industry where there are willing parties onto this spectrum, so we get this network effect going.

Robert Schwartz

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

A

And obviously, in those cases, [ph] Dan (00:46:05) as Morgan said, we have spectrum in those places as today and we'll make sure – obviously, they're getting good value but what's important for us is that we're also getting good value from our spectrum as well.

Operator: Thank you. We have no further questions in the queue at this time.

Robert Schwartz

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

Thanks, operator, and thanks everybody for calling in today and sharing what is really a big and monumental day for Anterix. We're really proud to have both demonstrated the value of our nationwide asset and clearly the demand from the industry just beginning and what a better – what a great way to launch us into the new year. So, thanks, everybody. Have a happy holiday. Look forward to talk to everybody 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.

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