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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 and the floor will be open for questions and comments after the presentation.

It is now my pleasure to turn the floor over to your host, Natasha Vecchiarelli, Director of Investor Relations and Corporate Communications. Ma'am, the floor is yours.

Natasha Vecchiarelli

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

Thank you. Good morning, everyone, and welcome to our investor call. Joining 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. And as always, a replay and transcript of this call will also be made available on our website. Following our prepared remarks, we'll open the call to take questions.

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

Robert Schwartz

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

Thanks, Natasha. Good morning, everyone, and thanks for joining this call on short notice, especially after our quarterly investor call just last week. Today represents another big day for Anterix and our shareholders. As you may have seen this morning, we disclosed the signing of a \$50 million license purchase agreement with Sempra Energy's San Diego Gas & Electric.

Under this agreement, Anterix has agreed to clear incumbents from the 900-megahertz broadband allocation in the SDG&E's service territory, secure broadband licenses from the FCC, and assign those broadband licenses to SDG&E. The agreement will support SDG&E's deployment of a private LTE network for its California service territory in San Diego County, Imperial County, and portions of Orange County, serving approximately 3.6 million people.

For those of you not familiar with San Diego Gas & Electric, founded in the 1800s, they serve the eighth largest city in the country and are well-known as a technology innovator and their leadership has a stellar reputation across the industry. This broadband agreement is Anterix's second following the recently announced Ameren agreement, and is now – and now further demonstrates the growing demand for low-band private LTE networks by utilities to solve mission-critical use cases, and importantly, we believe, the beginning of the collective movement towards a nationwide 900 megahertz private LTE ecosystem.

While we remain under NDA with SDG&E and therefore cannot speak on their behalf regarding their private LTE plans, recently, Omar Zevallos, a manager of network technologies at SDG&E, was publicly quoted as saying the following, "a key driver for a private LTE system is to provide wireless communications to enable our falling conductor protection system. The system relies on low-latency communications to detect the power line that has failed and de-energize it before it comes in contact with the ground. Private LTE meets our technical and operational requirements to serve this critical system".

We at Anterix recognize the tremendous benefits of this falling conductor technology and are thrilled, as part of the agreement between Anterix and SDG&E, to be collaborating on an accelerator involving this lifesaving technology. Anterix intends to help other utilities in California and throughout the western states that have experienced increasingly intense wildfire seasons incorporate the numerous benefits of LTE's advanced technology into their networks. We also see an opportunity to apply this technology to address a range of possible disaster scenarios well beyond the West Coast.

And before turning to floor over to Tim to discuss the financial aspects, I want to emphasize several unique components of this agreement. And please note that we've also provided a fact sheet with the key agreement details that's available on our Investor Relations page for website. So, first, the initial \$20 million of proceeds from this purchase agreement will be paid next week and the remaining \$30 million is scheduled to be paid through 2023, as the spectrum is cleared and delivered by county.

Second, upon completion of the assignment of the broadband licenses to PG&E, Anterix will have addressed one of the most complicated of the markets containing FCC-deemed complex systems. We are finding in this case that utilities with complex systems are seeing the same benefits to broadband as utilities throughout the country. Accordingly, these complex system utilities should be considered as part of our 900-megahertz addressable market. As this transaction shows, there are creative, collaborative and accretive approaches to transacting with these entities that have significant 900 megahertz spectrum positions in their markets and are leaders within the utility community.

Third, this is our first agreement with a utility that has previously purchased CBRS spectrum at auction. This demonstrates that the 3.5 gigahertz mid-band CBRS spectrum is complementary as we said to our foundational

low-band 900 megahertz spectrum, with 900 megahertz supporting cost-effective, wide-area coverage and CBRS providing additional spot capacity. Fourth, the sequence of this transaction signifies that an experimental license application of the FCC is not always a precondition to consummating a spectrum transaction.

And lastly, a very important part of this transaction to me is that Anterix and SDG&E are agreeing to collaborate on a range of efforts designed to drive adoption of 900 megahertz private LTE across the utility sector. This will include support of a technology accelerator with focus on grid modernization, innovation and wildfire mitigation as well as participation in an industry-wide network of 900 megahertz private LTE networks that will create the benefit of nationwide scale and scope.

At Anterix, we are energized about this second agreement and the developing trend line it represents for the industry movement towards 900 megahertz private LTE. And we're proud to have achieved our target of two customers for this fiscal year, with almost \$100 million of total contracted proceeds. And while our sales funnel continues to develop, given how close we are to fiscal year end, we think it's more likely than not that we won't see another transaction this fiscal year. But with our current strong pipeline, we are targeting in our upcoming fiscal year the signing of additional two to three customer agreements in fiscal year 2020. And while it's difficult to be precise on the timing, based on our pipeline and the momentum that's building, we see future transaction opportunities each ranging from tens of millions to hundreds of millions of dollars.

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

Timothy Gray

Chief Financial Officer, Anterix, Inc.

Thanks, Rob, and good morning, everyone. With two contracts now in place, both of which are providing upfront proceeds, I want to point out some important outcomes from these transactions. First, this transaction further highlights our ability to convert our spectrum asset into near-term cash flow. Our balance sheet continues to strengthen as a result, with approximately \$108 million in cash as of December 31, 2020 and an additional \$98 million of contracted proceeds from these initial two contracts of which \$40 million is expected to be paid in 2021.

Second, with the prepaid lease structure and other upfront payments becoming more prevalent in our pipeline discussions, the positive impact on our cash flow is expected to continue. We're in the process of reviewing our business model because of this positive potential change. I want to be clear that we see upfront payments to be beneficial to both Anterix and our shareholders as reflected in the two value accretive deals we have made so far. And as announced on our call last week, we intend to discuss possible updates to our business model at a virtual Investor Day, which we are planning for an early Q1 of our upcoming fiscal year which starts April 1, 2021.

Third, because of the trend in upfront payments, we remain confident that our business, as currently forecasted, is fully funded by our current cash on hand and these announced transactions. With the growing possibility of building our cash balance sooner than initially expected, we are proactively reviewing our strategic alternatives to maximizing shareholder value, including whether to return value to shareholders in the form of share buybacks or taking some other appropriate action.

Moving on to the accounting for the SDG&E purchase agreement. We expect to recognize a gain by county when the 6 megahertz of broadband spectrum has been fully delivered to SDG&E in each of the three counties in the agreement. The amount of the gain would be the \$50 million price less our bases in the spectrum and our spectrum clearing costs. With payments expected to be made by SDG&E prior to full delivery of the 6 megahertz of broadband spectrum, any payments received in advance will go on our balance sheet as a contingent liability.

Finally, on the spectrum-clearing front, our overall clearing costs to date continue to run in line with those of our total clearing cost estimates of \$130 million to \$160 million which would include retuning, acquisitions, and FCC anti-windfall payments. We anticipate that most of this spending will take place over the next four years. We have spent roughly \$11 million year-to-date through our third fiscal quarter and have another \$3 million committed on spectrum clearing contracts that have not yet closed.

With two customer contracts announced and the positive momentum in our pipeline, we would expect a significant acceleration in our clearing spend as we move into fiscal 2022. Also, keep in mind, that these early clearing efforts for both Ameren and SDG&E will ultimately benefit counties beyond their footprint. We look forward to sharing more in both spectrum clearing and our forward financial guidance for fiscal year 2022 at our virtual Investor Day.

I want to conclude by echoing Rob, this is an exciting day for Anterix and our shareholders, and I'm very happy with the outcome of both of our announced deals and the continued strengthening of our balance sheet.

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

QUESTION AND ANSWER SECTION

Operator: Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Your first question is coming from Walter Piecyk. Please announce your affiliation then pose your question.

Walter Piecyk

Analyst, LightShed Partners

Q

Hey, guys. The valuation on this thing, \$2.31 or \$2.34, whatever it is, per megahertz [ph] a pop (00:11:38), obviously substantially higher than the first transaction. Can you kind of walk us through how that dialogue occurred with the utility company in this case and how you would expect those types of conversations to occur in the future?

Robert Schwartz

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

A

Absolutely. Thanks, Walt. Good morning. The interesting thing about the conversation to utilities and we as wireless and industry folks know a lot about all of the historical transactions, FCC auctions, private market transactions for spectrum, a good part of our initial conversation with utilities is focused on educating them about spectrum and the value of spectrum because they don't have that history, they don't have that understanding. And so, the good news is that the historical watermarks and we always talk about the book ends of the 600 megahertz auction and the AWS-3 auction has been kind of the two ends, and obviously now with a very fruitful C-band auction for the FCC.

We really see those as being the marks – the range of fair market value. And I think, we'll see this transaction again comes in pretty much in the midpoint of that fair market value. And so, there's obviously negotiations and lengthy negotiations, the sale cycles are long here, but because we have such good support from comparables of FCC auctions and other transactions. That's usually what we're relying on for the conversations.

Often utilities are relying on third parties to help them understand valuation. They use all kinds of folks that we've seen supporting auctions previously. And so, there's expertise out there they usually bring in. But the net effect is,

as you're asking Walt, the value you're seeing here is really representative of the very significant value of the San Diego market in prior auctions. And so if you look at what we've closed on Ameren, their pricing versus this pricing, it really represents the kind of the midpoint roughly between those two bookends previously. And we think we'll continue to see things in that fair market value range.

Walter Piecyk

Analyst, LightShed Partners

Q

Got it. And then my second question, Rob, I think you had mentioned something about, as part of this transaction a, I forget the term you used, but it sounds like a license transfer, meaning that it sounded like this particular utility company was going to take ownership. And I thought with Ameren, it was just like kind of a renewable lease over and over. So is there a structural difference between this deal and the Ameren deal?

Robert Schwartz

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

A

Yeah. Good question, Walt. There absolutely is. This is a license purchase agreement, so we are – at the end of this transaction, they will be the licensee, San Diego Gas & Electric will be the licensee. As we've talked about before with complex systems, and we've disclosed the list of those in our FCC – summary of the FCC Report and Order, for the handful of those we see that we'll have to take more creative approaches to how we transact. Because, realize in those cases, it's usually that the party is a significant licensee in the 900 megahertz band. So really we're helping them continue to be a 900 megahertz licensee. And so this transaction is a purchase, it's representative of the way we approach some of the complex system transactions. But generally for our business, for the remaining markets where there aren't complex systems, we see the long-term leasing as being our primary business model.

Walter Piecyk

Analyst, LightShed Partners

Q

And just a last question on that which is, from both the purchasers, from the utility company standpoint as well as yours, are there different considerations in terms of the taxability of that or how – and in the case of the utility, how they're able to factor that into their rates, whether it's a purchase or a lease – or a long-term lease?

Robert Schwartz

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

A

Yeah. So maybe I'll address the first part and maybe Tim can talk about the taxability. But the important part for utilities as you know is to get the cost of their investment into the rate base portion of the rate case. And what that means is that they're able to get their regulated rate of return on that investment. And so with Ameren, we talked about their desire to pre-pay that lease and that was a way that they were more comfortable being able to get into that rate base as this spectrum – purchase agreement, it has the same clarity, SDG&E, that they can get it in their rate base. And so we'll continue to be creative on structures to support the state by state needs. And realize that, that is interpretation of a rule that's different state by state. And so each time we go into a new market, there's going to be different issues that they're going to try and solve with that.

Tim, do you want to talk about the tax aspect?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. So, well, with the significant NOLs that we have built up, neither of these two transactions with Ameren or SDG&A with the significant upfront payments are going to cause us to become a federal taxpayer. However, if

prepaid continues to be the preferred path forward, that could change and we could eat through our NOLs. And we'll talk more in detail about that when we get to our virtual Investor Day.

Walter Piecyk

Analyst, LightShed Partners

Q

But, Tim, this is a sale as opposed to a lease. Wouldn't a sale you'd have to use NOLs as opposed to a lease? Like, if you just developed a bunch of leases, couldn't you drop that into MLP and then avoid taxes that way?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Well, the issue becomes, especially around Ameren and the prepaid that you've got there that – from a GAAP perspective and a tax accounting perspective, there's a difference and you have to recognize the tax revenue much faster.

Walter Piecyk

Analyst, LightShed Partners

Q

Okay.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

So you could eat into the NOLs from that perspective. So we continue to look at that and work on that and talk to some outside experts about the best way to handle that going forward, but that's how we're looking at it right now.

Walter Piecyk

Analyst, LightShed Partners

Q

Got it. Thank you.

Robert Schwartz

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

A

And Walt, I just want to add, too, just regard – regardless of the form of the transaction, what's really important in this SDG&E transaction, like I said in my comments, is that we have their commitment and we will be collaborating together on driving the industry forward in a collective fashion. So even though it's a purchase agreement, they're committed through that part of the agreement to really help us drive through this technology accelerator, through the collaboration on an industry-wide network, and the work that they're going to help us within California driving forward on both on the clearing. And so, there's a lot of areas where they will continue be part of this network, a network we think that's really important.

Walter Piecyk

Analyst, LightShed Partners

Q

Got it. Thanks.

Robert Schwartz

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

A

Thank you.

Operator: Your next question is coming from Simon Flannery. Please announce your affiliation then pose your question.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you. Morgan Stanley. On the county clearing, could you just help us think about, is this likely to be one every six months? Is this likely to be all [ph] or kind of a pull it in (00:18:23) 2023? How does that work? And then, presumably you – is it – are there different prices for the various counties? So, are we going to see different recognitions over that time?

And then, just if you could just follow up on reviewing the business model. I understand this is – you're not going to be getting this month, these annual payments going forward. Is that what you're referring to or is this about using the cash in terms of investing in other things? What's the kind of the thoughts there behind that comment?

Robert Schwartz

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

A

Sure. Thanks, Simon. Good morning. Why don't I take the first question and, Tim, maybe you want to follow up on the second? So, on the counties, as I mentioned, there are three counties that they're covering, San Diego, Imperial and Orange County, and part of Orange County. We will be delivering them in that sequence. And while we haven't kind of put up the specifics about it, you should assume that it's fairly front-end loaded. Obviously, we get the \$20 million up front and the \$30 million as it's spread through 2023. I think we'll see a good portion of that earlier on as we do clear and deliver. But the specifics, obviously, are based on our ability to clear and the timing of when that happens which is work that's ahead of us.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

And how are the [indiscernible] (00:19:37) evenly distributed or...

Robert Schwartz

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

A

Well, if you look at historical auction prices by those counties, clearly, the majority of the value is in San Diego County. So, if you just base on a comparable basis, which you can – it's fair to assume that's how we're basing our prices, you'll see that a lot of the value is specifically in San Diego.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And I'm wondering...

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

And Simon, so on the business model question that you were asking, so there's a couple of different things we're looking at. One is, if we get – prepaid becomes a preponderance of the deals that we're dealing with, what does that mean from both a revenue perspective when you look at GAAP as well as what does that mean from a buildup of cash and what we would do with that cash, and also looking at, as I was talking about earlier on Walt's question, what that would mean from a tax perspective. And so we want to be able to walk through, as we finish reviewing that with investors, what the potential is impacts to our business from those couple of things.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

And what – thanks. What is your current NOL balance?

Robert Schwartz

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

A

Tim, you still there?

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. I am.

Robert Schwartz

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

A

Okay.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

I don't have that on the top of my head. I'll look it up, Simon. But it's well over \$100 million.

Operator: Your next question is coming from Phil Cusick. Please announce your affiliations then pose your question.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Hi. Phil Cusick from JPMorgan. I wonder, first, if you can explain, just remind us some of the history of San Diego and why that's a complex system. And then, maybe if you can get into the cost to clear that you expect including acquiring licenses from the FCC anti-windfall payments? Thank you.

Robert Schwartz

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

A

So I'll talk about the first one. So complex systems, as you know Phil, and we've explained well – it was explained well in the Report and Order, but also in our summary memo about the Report and Order, are systems where there's at least 25 sites in a kind of connected operating system. And so, San Diego Gas's parent Sempra also – San Diego Gas & Electric has – the parent company is Sempra. Sempra also is on San Diego Gas and they have a complex system within their ownership. And so, that's the complexity of – in those situations, there's not a mandatory retuning element, instead, it's voluntary. And so, we need to reach agreement with those parties directly. And in essence, they have a have a blocking position unless we reach an agreement. And so, really what this importantly shows is that the compelling need for the spectrum and it really overrides any of the challenges that we see of them being a complex system. And so, those systems will need to get retuned to continue to operate either into the other parts of the 900 megahertz band, the remaining [ph] for narrowband (00:22:44) or into other bands as well which are available.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

So forgive me if I should know this, but how much spectrum did San Diego Power (sic) [San Diego Gas & Electric] (00:22:56) have and how much are you giving to them? I think Walt did the same math I did at \$2.30 a pop. Is that the right number? Are you going to be handing them 6 megahertz or is it a smaller number?

Robert Schwartz

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

A

No. They are not surrendering their spectrum. Their system is going to be retuned and it will be retuned into [indiscernible] (00:23:17).

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

No. I know, but are you handing them a full 6 megahertz or do they have spectrum already? [indiscernible] (00:23:24)

Robert Schwartz

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

A

No. We're going to be – we'll be delivering a full 6 megahertz.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Okay.

Robert Schwartz

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

A

Their existing system will retune into other channels that we'll provide, and then – but as the delivery of the of the transaction, we'll be delivering a full 6 megahertz.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Perfect. Thank you. And they had originally announced a CBRS acquisition and that they were going to build on CBRS. Was this part of the original plan and it just took longer, or did something change?

Robert Schwartz

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

A

Yeah. I think I said because we're in the NDA, I can't really talk too much about their plans, but I think you'll see they've publicly stated their approach – their multi-band approach in their effort to deploy private LTE through the marketplace. So based on those comments, I think you could deduce that they've had a multi-band planned for some time including through the auction.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Q

Okay. And then, sorry, the cost to acquire licenses and [indiscernible] (00:24:17)? Thank you.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

A

Yeah. So, Phil, this is Tim. We've avoided giving market by market clearing cost estimates since we're actively in negotiations with incumbents in that area and really don't want to tip our hand on what we think we'll be paying. But I would say that the cost estimate for clearing San Diego and the county surrounding it, right in line with our overall nationwide estimate, so the \$130 million to \$160 million that we have mentioned.

Philip A. Cusick

Analyst, JPMorgan Securities LLC

Thank you.

Q

Timothy Gray

Chief Financial Officer, Anterix, Inc.

Yeah. And also, I did want to mention to finish up on Simon's question that he asked earlier, our last NOL carry-forward balance was a little over \$210 million.

A

Operator: Your next question is coming from James Ratcliffe. Please announce your affiliation then pose your question.

James Ratcliffe

Analyst, Evercore Group LLC

Hi. James Ratcliffe with Evercore ISI. Just on the – most of my questions have been answered, but I just wanted to clarify, if I recall, SDG&E was not exactly a huge fan of the Report and Order and the entire FCC process. Does this sort of pull them onto your side and what impacts would you expect that to have? Thanks.

Q

Robert Schwartz

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

Thanks, James. Your memory serves you correctly. Although I think if you look back a year ago was their last comment on the FCC. They specifically said that they weren't in favor of it, but that they actually wanted the spectrum and had real uses and needs for it, but they were just hoping the FCC would give it to them directly versus having to pay for it.

A

And so, obviously, that's not what happened. And to the extent that FCC made – their rules were set in May and the conversations that we had with them have been ongoing for quite a while. It was a core part of what they wanted in their plans, and we're really happy to have finally consummated the transaction with them. And again, we think that they – SDG&E as a party nationwide, and you have to really appreciate that this industry works very much collectively, through their industry associations of [ph] Newark (00:26:30) and Edison Electric and their regulatory efforts on Capitol Hill and otherwise.

And so, San Diego Gas & Electric and their parent, Sempra, is very much viewed as an industry leader. They're one of the first early innovators of using technology to fight wildfires. They were one of the first ones unfortunately experienced some tremendous wildfires. And as a result of that, they've been an innovator in that area. And we think that, that specific technology that they've developed and plan to utilize as they've discussed publicly will really be a great demonstration for them and will really drive a lot of strong interest throughout all the wildfire regions.

And, as I said before, the technology is also valuable well across other markets where natural and manmade disasters are occurring. So, we see a tremendous influence of this transaction, both because of the party and the use case that they're going to be solving in really driving our momentum forward for this collective action.

Morgan Edward O'Brien

Executive Chairman of the Board, Anterix, Inc.

A

Hey, but – James, it's Morgan. I think I just want to make one additional point, which is that, at Anterix we certainly hope that cooperation with the utility industry going forward is what characterizes all of us and that positions we all had to take in the past during the FCC process are in the past. And one of the great things about this transaction is converting opposition into a very good win-win for both parties. And we hope that's a – and I think it is a sign of things to come in terms of us and all the industry leaders.

James Ratcliffe

Analyst, Evercore Group LLC

Q

Great. And just one other if I could, once have all said and done and they've gotten your spectrum [indiscernible] (00:28:26) the FCC, etcetera, how much 900 megahertz will SDG&E have in their footprint?

Robert Schwartz

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

A

Well, I think, as I said earlier, James, they're going to have the [ph] three-by-three (00:28:38) broadband throughout their service territory with the completion of the agreement and they will continue to have the spectrum that they're using today in their narrowband system and specifically, well, San Diego Gas will, as they move outside of the broadband allocation.

James Ratcliffe

Analyst, Evercore Group LLC

Q

Got it. So any sense about how much spectrum that is? Just – and presumably they could, down the line, be in a position to swap to [indiscernible] (00:29:07) so that they ended up combining that with the 6 megahertz to get a wider contiguous band I guess.

Robert Schwartz

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

A

Yeah. I don't have the specifics and I don't think it's our place to comment on it, but it is – it's public information, the FCC database. They have an existing – their complex system set of narrowband channels and they'll continue to have a set of narrowband channels but outside of the broadband allocation.

James Ratcliffe

Analyst, Evercore Group LLC

Q

Great. Thank you.

Robert Schwartz

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

A

Thank you, James.

Operator: Your next question 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, it sounds like this deal answers a lot of potential questions around complex systems, CBRS and the fact that's complementary, your willingness to be flexible, pricing. I'm curious, as you look at the breadth of your pipeline, does these answers to these questions move any of the other opportunities forward in your view or how does it affect the rest of your pipeline?

Robert Schwartz

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

A

Yeah. George, we couldn't agree any more with your summary. And clearly, I think you heard it in our comments that this is additive to momentum. It does answer a lot of key questions. We think the signals that it sends across the industry about numerous things, clearly, ability to find a good valuable transactions for the utilities that are in complex systems is important. And it's also going to show all of the value that utilities can get well beyond just this – and we talked a lot about the wildfire mitigation capabilities, which is important. But this is a private LTE network that can handle dozens of valuable use cases in these systems. And so, it's not being justified just on one use case. And so, utilities will see that.

The complementary aspect of CBRS is very powerful, and CBRS is great spectrum, and there's license spectrum as you know that went in auction, but all the other utilities have the access to all of the unlicensed CBRS as well as an overlay where they need spot capacity. But the compelling economics of having a low band, the requirement to have low band to really have cost-effective widespread deployment of LTE is a necessity, and I think that the transaction also identifies that. And then lastly on pricing, as you said, it further shows utilities about the way to transact and that spectrum is highly valuable and that smart utilities are showing that it's worthy of paying those kind of prices in order to move forward.

George Frederick Sutton

Analyst, Craig-Hallum Capital Group LLC

Q

Thank you. And as one of several million people, I'm in Dallas today sitting here in the dark and with no power. Speaking of use cases, you may want to contact ERCOT [indiscernible] (00:31:54). Thanks.

Robert Schwartz

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

A

Yeah. Thanks, George. Clearly, with the – we've been following closely and have several of our utility friends in Texas and wishing the best for this challenging time. To me, it's just a really strong signal to show that there clearly is a need for modernizing of our electric grid. We're not the ones who are driving that, it's a well-established principle. The environmental issues that are – and climate issues that are now of top of mind from the administration on down are things that need to be addressed and solved, and we are confident that a private LTE system, a modern communications system is an essential element of a modernized electric grid.

Operator: Your next question is coming from Mike Crawford. Please announce your affiliation then pose your question.

Mike Crawford

Analyst, B. Riley Securities, Inc.

Q

B. Riley Securities. First, SDG&E I believe spent \$21 million for its three priority access licenses in CBRS. Did any other Sempra subsidiaries acquire any CBRS licenses?

Robert Schwartz

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

Not that I'm aware of, Mike.

A

Mike Crawford

Analyst, B. Riley Securities, Inc.

Okay. And then, Sempra I think serves 35 million people worldwide but a bunch of those are in Mexico. Do you know how many other customers it serve – its subsidiaries serve on the US?

Q

Robert Schwartz

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

I don't have those numbers at my fingertips. Obviously, their largest other asset company is Oncor, and Oncor has I think pretty close to 13 million people in their service territory. And that was an acquisition over the past couple of years that Sempra acquired.

A

Mike Crawford

Analyst, B. Riley Securities, Inc.

Okay. And then, do you think that any of these groups are going to join UBBA?

Q

Robert Schwartz

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

Yeah. I'm confident. In fact, I think as we talked about in the factsheet about the collaboration agreement, specifically SDG&E has committed to support our collective industry action including efforts in the Utility Broadband Alliance, UBBA. So, but I think that's really just the tip of the iceberg as I see it. Again, that collaboration agreement is really – our good faith effort is to move together for their benefit and for the industry's benefit and I think that will continue to build momentum and bring other parties forward to join in the broad movement.

A

Mike Crawford

Analyst, B. Riley Securities, Inc.

When you have talked Rob about fair value for your spectrum, have you always placed this somewhere in between that 2017 600 megahertz incentive auction and then the AWS auction where these first two licenses or sales monetizations of the spectrum have been contracted?

Q

Robert Schwartz

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

Yeah. I think – look, Mike, as you know from our long history that we're big believers in spectrum value and that we see spectrum value as the market has continued to increase year-over-year. And so, yes, we do see those, we've identified those as bookends since our Investor Day going back almost a couple of years ago. But we absolutely see that spectrum is a very scarce asset, especially low-band spectrum, and values just continue to grow as you know the most recent C-band auction has shown.

A

Mike Crawford

Analyst, B. Riley Securities, Inc.

Excellent. Thanks very much, Rob.

Q

Robert Schwartz

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

A

Thank you, Mike.

Operator: There are no more questions in queue.

Robert Schwartz

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

Okay. Well, thank you, operator, and thank you, everybody for your availability in short notice. We're incredibly excited about this additional development of having our second customer and the implications that it brings to us and our investors. And I'm sure we'll be talking more as we have further developments. Thanks again.

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

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