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# Anterix, Inc. (ATEX)

Q3 2022 Earnings Call

## CORPORATE PARTICIPANTS

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**Robert Schwartz**

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

**Ryan Gerbrandt**

*Chief Operating Officer, Anterix, Inc.*

**Chris Guttman-McCabe**

*Chief Regulatory & Communications Officer, Anterix, Inc.*

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## OTHER PARTICIPANTS

**Simon Flannery**

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**Amir R. Razban**

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**Walter Piecyk**

*Analyst, Lightshed Ventures*

**Adam David Kelsey**

*Analyst, Craig-Hallum Capital Group LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon, ladies and gentlemen, and welcome to the Anterix Third Quarter Investor Update Call. At this time, all participants have been placed on a listen-only mode, and the floor will be open for your questions and comments following the presentation.

It is now my pleasure to turn the floor over to your host, Tim Gray. Sir, the floor is yours.

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**Timothy Gray**

*Chief Financial Officer, Anterix, Inc.*

Good afternoon, everyone, and welcome to the Anterix third quarter fiscal year 2022 investor call. I'm Tim Gray, Anterix's CFO, and I'm doing the introduction for today's call for Natasha Vecchiarelli, who's on maternity leave following the recent birth of a baby girl. Joining me today are Rob Schwartz, our President and CEO; Ryan Gerbrandt, our COO; and Chris Guttman-McCabe, our Chief Regulatory and Communications Officer.

Before we begin, please note that during today's presentation, we may make forward-looking statements either on our prepared remarks or in the associated question-and-answer session. These statements are based on current expectations or beliefs and are subject to certain risks and uncertainties that may cause actual results to differ materially. Risk factors that may impact our performance are identified in our most recent SEC filings.

Following our prepared remarks, we will have an operator-led question-and-answer session. In addition, at the conclusion of today's call, a replay and transcript of our discussion will be posted to our Investor Relations website.

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

## Robert Schwartz

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

Thanks, Tim. Good afternoon, everyone, and thank you for joining our third quarter investor call. With our March 31 fiscal year-end approaching, I want to start by saying that we as a team are working non-stop in our effort to close deals towards our \$200 million fiscal year-end target and beyond. From my vantage point in my direct interactions with utilities we have in the expanding later stages of our sales process, I believe it's not a matter of if, but rather when we close these contracts. And while we share in the frustration that the confidentiality required for these deals does not allow us to give specific details regarding the individual utilities, we can provide some color around the combined magnitude of the transactions that we're working through.

As we've discussed, we break our customer pipeline into three phases and we call our third and final phase the closing stage of the process. I'm pleased to share that the number of utilities that have moved into this third phase has increased, with the total potential contracted proceeds now in excess of \$400 million, including several larger deals.

Additionally, our total pipeline of customers in all three phases continues to mature and grow even since our last call, now with more than 60 utilities translating into potential total contract values well in excess of \$3 billion. Ryan and I with our team are driving these deals to completion and we remain steadfast in our belief that our continued efforts through fiscal year 2024 will result in approximately \$1.8 billion of contracted proceeds with multiple paths to get there.

Our strategy has been to take a unique vertical approach to building the value of our spectrum. We have the right target customer base, utilities with strong and growing needs for modernized private communications with ready access to capital and with top credit ratings. What comes with these powerful attributes, however, is a sector that moves at their own pace cautiously and, yes, sometimes slowly to make these important multi-decade commitments. We believe the long-term benefit is well worth the wait and can drive significant shareholder value.

As you may have seen in our 10-Q filed earlier today, in our third fiscal quarter, we began to return the value of contracted proceeds to our shareholders through our previously-announced share repurchase program. Going forward, with our continued confidence in our near-term transactions and our pipeline, we target returning substantially all of the net proceeds from our future contracts to our shareholders through the expansion of our repurchase program or through other tax-efficient means. The driving motivation of the Anterix team is to directly return this value to shareholders as our net proceeds continues to expand.

While the pace of contract collection will dictate the pace of our potential return of net proceeds, our basic philosophy here is that our gross proceeds minus clearing costs and operating expenses, including any taxes, will determine the value we intend to return to our shareholders. Based on the scale of the contracts in our pipeline, we anticipate that this can provide a continuing and significant return to our investors. As such, this should be viewed as a fundamental attribute of value for Anterix shareholders.

In the eight years since we filed at the [ph] FCC (00:05:18), as a result of our efforts, the narrative around private broadband for utilities has changed dramatically and as a result, our interactions with the sector have evolved. We're witnessing an expanding list of critical use cases that's fueling market demand for private networks. We are having deeper engagements across these organizations with growing involvement from the C-suites. We're helping them build compelling cases to justify to their boards and regulators the substantial value that comes from modernized communications.

Our growing position in this valuable sector is also reflected in the continued development of our industry ecosystem as part of our nationwide platform. As an example, just last week, we released a joint white paper with Schweitzer Engineering Labs, a preeminent technology supplier to the utility sector, documenting the success of their wildfire mitigation solution when deployed using Anterix 900-megahertz spectrum.

Their falling conductor solution de-energizes a broken electric line before it hits the ground, reducing the possibility of fire. This proactive approach to disaster mitigation is valuable for the growing regions of the country threatened by wildfires as well as other universal threats like increasing storms and falling branches. This Schweitzer project enabled by Anterix's broadband can truly be a game changer for the utility sector throughout the nation.

The Anterix Active Ecosystem Program, like our pipeline, continues to grow. We just recently announced a collaboration with Cisco, and we announced the introduction of additional 900-megahertz products from Sierra Wireless. We also recently launched within our ecosystem a cybersecurity collective with leading innovators focusing on the critical and growing security needs of the sector. These relationships will enable even more vital functionality and value for the users of our spectrum. In less than a year, the Anterix Active Ecosystem Program has virtually doubled from 37 to 72 companies, who are developing solutions, equipment and services that continue to enhance the value of 900 megahertz networks. This rapid growth is a sign of the expanding scale of commercial interest in serving utilities' needs as part of our powerful nationwide Anterix platform.

It's meaningful to me and my team that all of these elements of our efforts are coming together to address an urgent national need, to foster and protect our nation's electric grid and support the robust introduction of renewable energy resources to achieve our decarbonization goals.

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

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## Timothy Gray

*Chief Financial Officer, Anterix, Inc.*

Thanks, Rob.

Let me start with a significant announcement, which we are very proud. For the first time in Anterix history, we yielded positive free cash flow from operations. In the third quarter, free cash totaled roughly \$27 million and was driven by the receipt of the full \$30 million of contracted proceeds from Evergy and a \$17 million payment from Ameren. Our business plan continues to be fully funded and debt free with approximately \$128 million in cash on our balance sheet at December 31, 2021.

As you may recall, in September 2021, our board approved the \$50 million two-year repurchase program. I am pleased to share that during our fiscal third quarter, we invested \$12 million in share repurchases associated with this program, representing one-quarter of the total program, further underscoring our ongoing confidence in our ability to generate positive cash flow.

Turning to our fiscal year 2024 forecast, based on our market traction and current pipeline, we maintain our estimate of securing approximately \$1.8 billion of contracted proceeds. We also maintain our forecast of receiving initial prepaid cash proceeds of \$300 million to \$500 million associated with these deals by the end of March 2024, with the remaining over \$1 billion of contracted proceeds due from these contracts in fiscal year 2025 and beyond. So far, we've collected \$73 million to date from our three initial contracts, which totaled approximately \$129 million.

On to cash spent. As we've previously guided, we expect to spend roughly \$70 million per year through fiscal year 2024, including \$40 million of OpEx based on our lean operating cost structure and \$30 million in spectrum clearing costs. Through the third quarter of our current fiscal year, we have spent approximately \$27 million in OpEx and \$15 million in clearing costs, which include returning costs, spectrum acquisitions and anti-windfall payments, with an additional \$10 million in committed funds to clear spectrum.

I would also like to point out that we restated our second quarter 10-Q, which we filed today for this fiscal year to include a \$10 million non-monetary gain. This gain is related to the exchange of 900 megahertz narrowband licenses for 900 megahertz broadband licenses with the FCC. Using the accounting guidance ASC 610, we have determined that Anterix should've recorded – recognized the difference between the cost of narrowband licenses being returned to the FCC and the accounting basis of broadband licenses being issued.

Going forward, we will report this accounting gain or loss upon the grants of broadband county licenses by the FCC. The gain or loss considers the cost of the narrowband license, clearing costs and any anti-windfall payments. Based on the anti-windfall [Technical Difficulty] (00:11:38) set by the FCC in the May 2020 report in order, we are using the 2017 600 megahertz auction prices as the accounting basis for 900 megahertz broadband licenses. We do expect that virtually all of our narrowband to broadband license exchanges will be gains for Anterix. Due to the unpredictable nature of the timing of these gains or losses, we will not be providing guidance on them on a quarterly or annual basis.

The \$10 million gain in our amended second quarter 10-Q relates to the first 12 900 megahertz broadband licenses we received from the SEC in August that were not marked up at the time. And we have, therefore, identified the material weakness in our internal control over financial reporting related solely to this matter. Remediation efforts are well underway, and more information can be found in our 10-Qs filed today.

I'll conclude by saying that Anterix continues to be well-positioned for continued success, allowing us to be in a position to return significant value to shareholders. We proudly achieved our first positive free cash flow quarter, are fully funded with a substantial cash balance, remain debt-free and are poised for a growing balance sheet stemming from our forecasted contracted proceeds.

Now, I will turn it 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 Simon Flannery. Your line is live.

**Simon Flannery**

*Analyst, Morgan Stanley & Co. LLC*

Q

Right. Thank you very much. Thanks for the commentary. I want to just, Tim, touch on the guidance. I know that Rob mentioned the \$200 million for this year upfront, but are you removing that as part of your formal guide at this point?

**Robert Schwartz**

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

A

Yeah. Hi, Simon. This is Rob. How are you? [Technical Difficulty] (00:14:07-00:14:12). Can you hear me?

**Simon Flannery**

*Analyst, Morgan Stanley & Co. LLC*

Q

Yeah.

**Robert Schwartz**

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

A

Okay. Good. So, look, on the guidance, we're confident we're going to [Technical Difficulty] (00:14:17-14:21). Yes, that's a possibility. But I've got to say, week over week, we're directly seeing the continued progress. And while there may be uncertainty on the precise timing, I believe there's certainty on the outcome. So, we're really confident that we're going to close these deals and bring them the proceeds to Anterix.

I don't know, Ryan, you want to add any color to that?

**Ryan Gerbrandt**

*Chief Operating Officer, Anterix, Inc.*

A

Yeah, I'd be happy to, Rob. Thank you. And as you said, definitely, we're actively working a variety of deals here still before the end of the quarter, Simon, all hands on deck in there. As we've talked about before, kind of the complexity in how we engage with deals and as our teams [ph] are facing (00:15:05) across really a variety of the different touch points of these organizations. In fact, just to share some color, I'm actually out in the field here today with one of these potential customers and that's been a nice change of pace to be able to be back out in the field, building some of the relationships that are extremely helpful and necessary as we continue to help them to get to close.

But just as Rob said, I'm also a realist and while we're feeling confident about where we're at, I feel good that the path we're on can absolutely lead us to the contracted proceeds that gets us to the fiscal year 2022, \$200 million commitment that you referenced. But as you said at the same time, we've seen already what can happen to the timing of these deals as we get to the close and can't rule out the alternative of that the agreements may push beyond March 31 either.

But overall, Rob referenced kind of what we've seen in the building of the Phase 3 pipeline, which has increased to be a more than \$400 million potential contracted proceeds in this phase alone. And just to refresh on what that phase is, the closing phase, it's where we've got a relative established alignment with the customer. We have a certain level of commitment and are working towards the final agreements. But as we've seen, there's certainly still work that we have to be pushing on to be able to close.

And to give you a sense of the types of items that our teams are engaged across these different potential customers right now, we're really focusing in with them, again, under the premise that there's an alignment to do [ph] PLT (00:16:35) on a general acceptance around the role of our spectrum in 900 megahertz. The work where we really engage with them and where a lot of our strength shine is the ability to help them with their business plans, their deployment plans, stakeholder engagement, executive positioning and paper of the agreements, all activities that we're helping to guide them through and be able to address any roadblocks and stuff as they bring them all up.

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**Simon Flannery**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. That's helpful. And I guess, Tim, just for you, great to see the buyback kicking in. Are you able to share – did you do any buybacks since the quarter-end?

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**Timothy Gray**

*Chief Financial Officer, Anterix, Inc.*

A

Yeah. Simon, we're not going to report on buybacks kind of intra quarter. We'll do that when we get to the end of the quarter and put it in there. But as I've said before, we expect to be active throughout the life of the program and we see value here at the stock price for us to...

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**Simon Flannery**

*Analyst, Morgan Stanley & Co. LLC*

Q

Do you have a grid in place like automatic or is it really discretionary?

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**Timothy Gray**

*Chief Financial Officer, Anterix, Inc.*

A

We're using a little bit of both, discretionary and grid, to be able to -automatic grid to be able to buy in the marketplace. So, again, we expect to continue to be active and we'll report on that at the end of each quarter.

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**Simon Flannery**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. And I know Chris is on the line. It'd be great to just get some updated thoughts on the infrastructure funding and what to expect from the NTIA on this middle mile and how that might help the utilities, et cetera.

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**Chris Guttman-McCabe**

*Chief Regulatory & Communications Officer, Anterix, Inc.*

A

Sure, Simon, and great to talk to you. We've had great meetings with the Department of Energy and with NTIA. We're very happy with the language that came out of the infrastructure legislation and the opportunities for utilities, both the middle mile and the other sections, the resiliency and grid flexibility sections and wildfire mitigation sections in the legislation. In total, it approaches \$10 billion in funding that utilities could go after to support the modernization of the communications component.

So, we're very excited. Both of the agencies are moving forward with their processes and both of them have, like, notice of inquiries out there asking questions, and we're going to be active throughout the process, both individually and with several of the trade associations.

**Simon Flannery**

*Analyst, Morgan Stanley & Co. LLC*

Q

So, when do you think that money starts to flow? Is it like the broadband stuff in, like, mid-2023 or something like that?

**Chris Guttman-McCabe**

*Chief Regulatory & Communications Officer, Anterix, Inc.*

A

Yeah, Simon, I think we're all – we would all sort of be guessing to some extent. But I anticipate that we'll see money begin to flow early fall, maybe late summer. But sort of late summer, early fall potentially begin to flow out. I think what the programs are looking for is transformational opportunities. And I think what we are advocating for and at the core of our business, I think, we're perfectly aligned with where the administration and the departments and the agencies want to go.

**Simon Flannery**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thanks for the color.

**Chris Guttman-McCabe**

*Chief Regulatory & Communications Officer, Anterix, Inc.*

A

Certainly.

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

**Amir R. Razban**

*Analyst, JPMorgan Securities LLC*

Q

Hi. This is Amir for Phil. It looks like this quarter, the Ameren deal added about \$200,000 in revenue versus what we thought it would be like \$500,000 per quarter. Is this more of a timing issue and what should Ameren be contributing per quarter in revenues going forward?

**Timothy Gray**

*Chief Financial Officer, Anterix, Inc.*

A

Yeah. Remember, there is a ramp up to get to full steady state. We were delivering a 1.4 before a 3.3 for a certain amount of counties. So, to get to a steady state revenue, it will be a couple of years before we fully deliver all their spectrum and then you see a straight line from there. So, in the current set of quarters, it'll be about \$150,000 per quarter for the next four to six quarters.

**Amir R. Razban**

*Analyst, JPMorgan Securities LLC*

Q

Okay. That's helpful. And I just wanted to make sure on the guidance of – of the previous guidance of \$125 million to \$150 million in run rate revenues exiting fiscal year 2024, is that guide still in place? Or has that now been kind of replaced by the \$200 million?



**Timothy Gray**

*Chief Financial Officer, Anterix, Inc.*

A

Yeah. So, yeah, we replaced that – yeah, I was going to say we replaced that guidance at the Investor Day we had in June. That was based on 20-year payment streams of leases over time and now that we've got the prepaid model, we've really kind of adjusted our guidance and what we've talked about to cash proceeds with a focus on free cash flow. So, we're not using that \$125 million to \$150 million, but we're really looking at the \$1.8 billion that we expect to sign by our fiscal 2024. Rob, did you want to add something else?

**Robert Schwartz**

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

A

No, Tim. I think you covered it well. Thank you.

**Amir R. Razban**

*Analyst, JPMorgan Securities LLC*

Q

That's helpful. Thank you.

**Robert Schwartz**

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

A

Yes.

**Operator:** Your next question is coming from Walter Piecyk. Your line is live.

**Walter Piecyk**

*Analyst, Lightshed Ventures*

Q

Thank you. Rob, you've made some OpEx investments in developing, I think, a services business. There's been an ecosystem that's developed; you've had some announcements there. When you think about the \$400 million of potential that's in Phase 3, is there going to be any – aside from the spectrum portion of that – of those contracts, do you anticipate 2022 being the year or you're going to start to see some notable service business associated with those contracts? Or conversely, with your existing customers, has there been any movement in that direction in developing a services business on top of what you're doing on the spectrum contracts side?

**Robert Schwartz**

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

A

Yeah. Thanks, Walt, for the question. I think, look, a couple things. You mentioned the investment that we're making. I look at really that investment two ways. First, it's really about continuing to position us and our company as the trusted advisor to these utilities as we're working day to day and the pipeline customers that you've mentioned in that \$400 million of that Phase 3, we're helping them think about exactly how to approach this, from their first understanding of what is broadband and LTE. Remember, these are sophisticated customers that know electric networks well, but really don't know a lot about broadband networks.

And so, starting with what we did by launching UBBA, the Utility Broadband Alliance, and bringing them through the knowledge and sharing that goes on there, it's honestly one of our best marketing channels, the idea that we have the industry driving forward, educating each other about the value of broadband. We're investing in those things primarily initially because they really drive demand. And so, for us, the catalyst of the investment first of creating the demand side for our customers and helping them go through the – what's a complicated process from a standing start to having an operational model.

A lot of the things we're doing, like the Anterix Active Ecosystem I talked about, now with over 70 companies there and a lot of notable companies, but a lot of companies also they are really innovators, like the ones that are in cybersecurity collective, that's making the compelling elements of broadband that much more valuable. These utilities aren't buying technologies. They're buying the outcomes that the technologies bring, the application, so stopping wildfires, being able to be more resilient in storms, being able to stop the increasing cybersecurity events. So, that's really – we're driving the visibility of those solution sets for utilities. So, in the front end, it's easier for them to make the cases to adopt these networks.

Does that drive us further up the value chain? We believe so. I think it's early for us to really predict what the impact of that's going to be, but we are absolutely looking at ways in which we can continue to monetize beyond spectrum. And today, we're working with utilities closely helping advise them and through that process, we're getting to understand how they approach it and identify where we think these other opportunities are within the value chain. But I think it's probably a bit early for us to talk about the magnitude of that, but we absolutely are focused on developing those additional opportunities.

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**Walter Piecyk**

*Analyst, Lightshed Ventures*

Q

So, at some point as 2022 or maybe 2023 progresses and obviously there's some level of investment that helps in the sales cycle, right, as a service – as almost a free service in order to continue to get sales closed. But there might be some incremental investment that was – that you were hopeful perhaps historically to generate a services business. At what point is it not too early to consider cutting back on the investment in that area if you're not seeing incremental revenue?

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**Robert Schwartz**

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

A

I think we're very satisfied with the investment to-date. I think Tim described it as being our lean operating expenses. We've got a small but very effective team that's really developing those services today. We really have a model where we're leveraging partnerships, right? The reason why we have over 70 companies is because it's their capabilities that are helping translate into those valuable services.

Can we make money from them selling services? We can. We're a great channel into utilities and all these big companies are joining in our ecosystem to have great access to this very valuable customer base. And so, I do think that translates into incremental economic value for us. So, it's not that we're not investing. We're doing it, I think, on a very prudent way. With that, we really believe we can bootstrap our way into being accretive in building that business opportunity.

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**Walter Piecyk**

*Analyst, Lightshed Ventures*

Q

Okay. And then, in terms of the three phases, I may have missed this in the prepared comments, but can you specify either in terms of number of utility companies or dollar size, perhaps? Because I know you gave an aggregate dollar size of – I don't remember, I think it was \$3 billion of potential value. How much of that or how much increase, if at all, occurred in Phase 1? Meaning like what new discussions have you had with utility companies that have entered Phase 1 in terms of pipeline? Express it as dollars or number of utilities, however you want.

**Robert Schwartz**

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

A

Yes. So, I'm going start. Then, I'll let Ryan fill in. But we talked about a couple things. One is that we gave the scale of the increased Phase 1 for us of being \$400 million – for Phase 3 of our pipeline. We did also talk about the increase of the number of utilities in the overall pipeline to 60 utilities and that's increased from where we previously talked about it.

The overall scale has gotten bigger. As I mentioned, we're well in excess of that \$3 billion now. And so, for us, it's not about – the size is great and we've got the lion's share of the marketplace within that pipeline. Now, it's about bringing it through the pipeline and seizing those customers and, obviously, getting them through Phase 3 to close as well.

Ryan, anything you want to add?

**Ryan Gerbrandt**

*Chief Operating Officer, Anterix, Inc.*

A

Yeah. I think your question is really focused, Walt, on kind of the 10 that Rob talked about. And so, I think what we're seeing there is certainly kind of new entrants to the conversation. And so, through – a lot of this is a result of some of the other kind of market tailwinds as we call about it. We talk about it. It's expanding the reach and the conversation that we're seeing in PLT. The ecosystem certainly drives in new participants with those existing relationships. And think about the ecosystem from the perspective of every one of those companies literally now into marketing channel, driving the conversation and trying to push awareness into their portfolio of customers around the potential role of PLT.

We're also seeing kind of the increases of the voice that organizations like UBBA, EEI, and UTC have – who have a much broader perspective in terms of the utility audience. But that's where a lot of utilities, we find, go out to get their information and attract learnings around some of the new evolving things that we may just not have touched yet, frankly, through some of the direct sales relationships in the team that we've been able to build. I'd say so...

[indiscernible] (00:29:08)

**Walter Piecyk**

*Analyst, Lightshed Ventures*

Q

I think I understand. I think I understand all those. I think I understand all those points. But what I was specifically trying to figure out or understand, if you are available or making it available to us, is specifically how much it did increase in terms of new relationships into – that kind of entered into what you define as Phase 1, either in terms of number of utilities or dollar potential.

**Robert Schwartz**

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

A

Yeah, that's the 10 utilities, Walt. 10 new utilities.

**Walter Piecyk**

*Analyst, Lightshed Ventures*

Q

Got it. 10, okay.

**Robert Schwartz**

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

We're up to 60 in the pipeline.

A

**Walter Piecyk**

*Analyst, Lightshed Ventures*

I clearly missed. I clearly missed that. I appreciate that. Thank you.

Q

**Robert Schwartz**

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

No problem.

A

**Operator:** [Operator Instructions] Your next question is coming from George Sutton. Your line is live.

**Adam David Kelsey**

*Analyst, Craig-Hallum Capital Group LLC*

Hi. This is Adam on for George. Thanks for taking my questions. Rob, we noticed the other week that Texas State was out with an announcement discussing the completion of their new facility and the beginning of testing of about 100 use cases of 900 megahertz. I would love to hear if there is any updates around that effort and project and if there are any new partners that you expect to join Texas State in the near term.

Q

**Robert Schwartz**

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

Sure. Thanks, Adam. And I think I'll pass one to Ryan. But just quickly, the Texas State program for us, the CIEDAR program, is a great test bed of various communications technologies, but also broader. It's about the use cases for utilities, and there's a vibrant ecosystem there that those licenses and the efforts they recommend – but represent – but you want to add to that, Ryan?

A

**Ryan Gerbrandt**

*Chief Operating Officer, Anterix, Inc.*

Yeah, happy to. No, I know there's a lot of exciting things going on out there, Adam. The one recently, I think, that triggered perhaps the announcement, one thing what happened is kind of a general macro point, too, kind of the advancement of what's being largely described as EMI or smart metering Phase 2. And one of the applications that Texas State was able to pull in, leveraging the 900 megahertz, was a use-case demonstration of kind of what the advanced next stage can be about really pulling [ph] LTE (00:31:20) under the glass it's called – literally being enabled to embed an [ph] LTE (00:31:25) chipset underneath the glass of the meter. But they're continuing to attract interest in terms of sponsorship to members into the program.

A

We do anticipate there'll be continued access to either members through the Anterix Active Ecosystem Program or direct relationships with Texas CIEDAR that we're going to continue to see exercises there. But coming back to our goal for CIEDAR, kind of why we wanted to get involved in the first place, is see the university infrastructure and really what Texas is trying to drive is trying to push really the cutting edge of getting out into the advanced applications and use cases, the ones that utilities might not be thinking about today, to be able to really drive innovation and promote the next generation.

**Adam David Kelsey**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Great. And one more for me. Is there any other additional details you could share on the Phase 2 component of the segment? Are you seeing people move faster through that or certain types of utilities begin to move with a sense of urgency for some reason?

**Robert Schwartz**

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

A

Yeah. I can talk on that one, Adam. Yeah. As we said in the prepared remarks, I mean, we've been seeing growth actually or development which would translate to in all of the three phases. So, while we've been seeing kind of the growing of the funnel, as we just mentioned, the additional 10 coming into the top end, we've been seeing equal kind of growth as we move through Phase 2 and, ultimately, as we noted, with the \$400 million in Phase 3. So, we're seeing all the right maturation as we'd hope as customers start working their way through that process; anticipate continuing to be able to see that and hopefully the signs of some of the indicators that we're starting to sense in terms of sources of acceleration as the year continues to progress.

**Adam David Kelsey**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Great. Thanks.

**Operator:** [Operator Instructions] We have no further questions coming from the lines at this time.

**Robert Schwartz**

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

Thank you, Catherine. So, just in summary, as you all heard, we strongly believe that Anterix has unique and valuable asset around which we built a unique opportunity. Our laser focus remains on capturing this value. We appreciate your patience as we do so, but we see the tremendous opportunity to return it to our shareholders, and we believe we're on a great path to do so. So, thanks, everybody, for joining us today.

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

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