

Anterix Inc. NasdaqCM:ATEX

FQ1 2025 Earnings Call Transcripts

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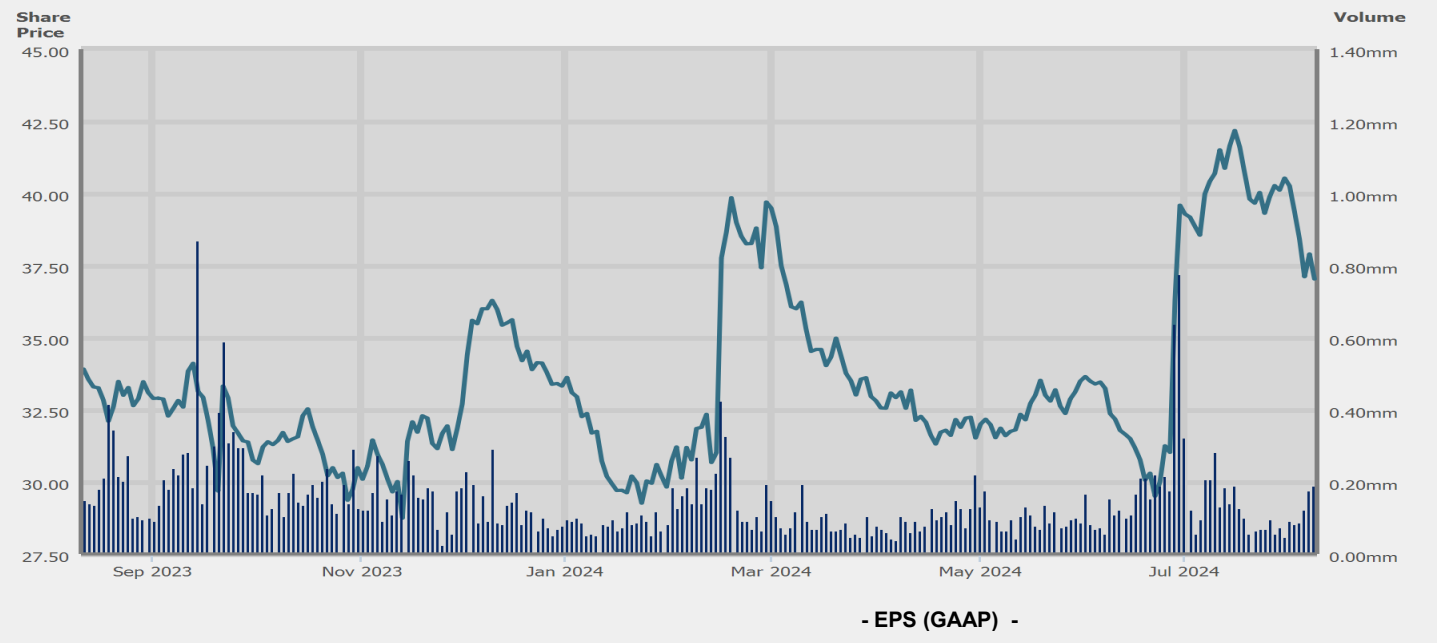
S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.45)	(0.84)	NM	(0.51)	(2.27)	(0.48)
Revenue (mm)	1.86	1.52	▼ (17.74 %)	1.86	7.59	6.10

Currency: USD

Consensus as of Jul-30-2024 2:26 AM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



	CONSENSUS	ACTUAL	SURPRISE
FQ2 2024	(0.62)	0.11	NM
FQ3 2024	(0.62)	0.02	NM
FQ4 2024	(0.42)	(0.50)	NM
FQ1 2025	(0.45)	(0.84)	NM

Table of Contents

<u>Call Participants</u>	3
<u>Presentation</u>	4
<u>Question and Answer</u>	7

Call Participants

EXECUTIVES

Christopher Guttman-McCabe
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Officer*

Natasha Vecchiarelli
*Vice President of Investor Relations &
Corporate Communications*

Robert H. Schwartz
President, CEO & Director

Ryan Gerbrandt
Chief Operating Officer

Timothy A. Gray
Chief Financial Officer

Tom Kuhn
Vice Chairman

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Jerome Gladwin Darling
*JPMorgan Chase & Co, Research
Division*

Michael Roy Crawford
*B. Riley Securities, Inc., Research
Division*

Walter Paul Piecyk
LightShed Partners, LLC

Presentation

Operator

Welcome to the Anterix fiscal 2025 first quarter investor conference. [Operator Instructions]

I would now like to turn the call over to your host, Natasha Vecchiarelli. You may begin.

Natasha Vecchiarelli

Vice President of Investor Relations & Corporate Communications

Thank you, operator, and good morning, everyone. I'm Natasha Vecchiarelli, Vice President of Investor Relations and Corporate Communications, and I welcome you to our first quarter fiscal year '25 investor update call.

Joining us today are Rob Schwartz, President and CEO; Ryan Gerbrandt, COO; Tim Gray, CFO; and Chris Guttman-McCabe, Chief Regulatory and Communications Officer. I'm also happy to share that Tom Kuhn, our Vice Chairman, is also joining us today.

Before turning the call over to Rob, I would like to remind you that during this conference call, we may make forward-looking statements regarding future events, such as our commercial outlook, future operations, our expected or potential performance and guidance. These statements are based on current expectations and assumptions and are subject to risks and uncertainties. Investors are cautioned not to place undue reliance on forward-looking statements.

We encourage you to review the company's SEC filings, including, without limitation, the company's Form 10-K and 10-Q, which identify specific risk factors that may cause actual results or events to differ materially from those described in these forward-looking statements. These files can be accessed on our website. Additionally, we do not assume any obligation to update any forward-looking statements. With that, I'll turn the call over to Rob.

Robert H. Schwartz

President, CEO & Director

Thanks, Natasha. Good morning, everyone, and thank you all for joining us. And a special welcome to our distinguished guest, Tom Kuhn, who as you know, joined us as Vice Chairman in January after 3 decades of leading the Edison Electric Institute. Since our last quarterly investor call discussing our Oncor agreement was just over a month ago, we'll keep today's remarks short. I'll start with a quick overview and then turn it over to Tom, who will share his industry insights and his perspectives on Anterix and our growing role within the utility sector.

Let me start with where we are as a company as we continue to enhance our position in 3 key areas: our utility customer base; policymaker advocacy; and shareholder value creation. Regarding our utility customer base, the 900 MHz utility broadband movement now stands strong with 7 utility customers across 15 states, the scale of which has a total footprint when combined, positions it as the fourth largest wireless carrier in the nation covering more geography we believe, than all other private wireless broadband enterprise networks combined.

We've developed a significant pipeline of customer opportunities measured in part by our demonstrated intent scorecard that provides measurable indicators of utility intent toward deploying a 900 MHz private wireless network.

We continue to collaborate with Anterix active ecosystem members to pursue the discovery and development of pioneering outcomes-driven products and solutions that harness 900 MHz networks like our CatalyX solution offering.

And just recently, we announced an agreement with the National Rural Telecommunications Cooperative along with Southern Company and Ericsson that leverages NRTC as an indirect channel to offer the benefits of our 900 MHz spectrum to their rural cooperative utility members.

This announcement underscores the growing nationwide demand for utilities for our offering regardless of ownership model or size and further demonstrates Anterix's role in helping to shape the nationwide network of networks landscape.

On the regulatory front, we continue to engage with key policymakers, both at the federal level, including numerous co-petitioners for the FCC 900 MHz 5x5 proceeding; and at the state level, working closely with utilities before various public utility commissions. With each, we are continuing to increase awareness of the significant benefits that 900 MHz private wireless broadband can unlock for the utility sector and we believe the messages are being well-received.

And now turning to our shareholders. At the heart of our strategy and our mission to actualize it, we maintain our focus on efforts that enhance shareholder value. Our #1 priority is continuing to drive our customer pipeline towards spectrum transactions. With that, we also remain focused on continuing development of our team, including our 3 newest Board members, targeted use of our share repurchase program and identifying opportunities within the product and solution space.

Our goal is to continue to enhance our position within each of these 3 areas by executing on our mission, delivering secure, scalable solutions enabled by private wireless broadband connectivity for the benefit of utilities and the communities that they serve. And with that, I'll turn it over to Tom.

Tom Kuhn
Vice Chairman

Well, thanks, Rob, and good morning, everyone. It is a great honor for me to join you today as Anterix's Vice Chairman and to share some thoughts. And I've got to say that, even before joining in January, I have seen a growing need in the utility industry for the more secure and resilient broadband communications solution Anterix is spearheading. I am very excited to help make it a reality.

My experience leading the Edison Electric Institute for more than 3 decades created a tremendous amount of pride in the electric power industry and pride in the industry's people at every level to make incredible things happen every day. Throughout my EEI career I said many times that the electric power sector is leading a profound transformation.

This transformation continues to unfold every day. Today, carbon emissions from the U.S. electric power sector are now as low as they were nearly 50 years ago, while electricity use has more than doubled. The industry's commitment to advancing security, preparedness and resilience also has never been stronger.

Furthermore, demand for electricity is rising strongly, with forecasts calling for even more growth. Data centers, artificial intelligence, electric heating, electric transportation and the renaissance and domestic manufacturing all mean that demand will increase more rapidly than at any point in the past 3 decades.

Enabling this transformation with cleaner, more resilient, more secure and more electrified economy requires tremendous investments. Despite the headwinds of higher inflation and interest rates, the electric power sector continues to make record high capital investments.

Over the past decade, U.S. investor-owned electric companies alone have invested more than \$1 trillion critical energy infrastructure. This includes about \$170 billion in 2023 alone to make the grid stronger, smarter, cleaner, more dynamic and more secure.

These investments reflect the industry's deep commitment to transforming our energy economy. And with the uncertain macroeconomic conditions we are all facing, how utilities prioritize their capital investments is more crucial than ever for these investments to bear the most fruit.

I believe that private wireless broadband investments are among the most critical investments for utilities to make at this juncture of the transformation. The solutions that utilities can provide a broadband-enabled electric grid will advance the resilient clean energy future electricity customers want and expect.

For more than a century, our nation's utilities have been in the business of serving customers and communities. The challenges of effectively meeting their customer expectations today and for the years and decades ahead are causing utilities to look at every part of their operations as a candidate for transformation.

Altogether, these considerations help to describe and unpack what we mean when we say that the modern grid requires modern communications. From a technology perspective, the 900 MHz movement is making broadband connectivity a reality for the modern grid with enormous implications for every part of the system.

This powerful technology or family of technologies, united and empowered by private broadband networks helps utilities to address their greatest challenges and opportunities. 900 MHz private wireless broadband networks help to enable diverse use cases that range from enhancing cyber and physical security, to defending against wildfires, to enabling greater interoperability, doing power restoration and mutual assistance activities and integrating more carbon-free energy resources. In this way, utilities are able to use their networks to target their mission-critical objectives.

Fundamentally, this broadband movement is well underway and I believe that it is foundational to achieving the growing requirements of the modernized electric grid to effectively serve the needs of our communities, including security, resilience and decarbonization goals. And I am very, very excited to be in a position to help Anterix continue its efforts to actualize these important outcomes for our nation's utility industry.

With that, I'll turn it back over to Rob.

Robert H. Schwartz
President, CEO & Director

Thanks, Tom. Anterix's overall strategy to date has enabled us to deliver game-changing solutions to many of our nation's leading utilities. And as a result, we're primed to continue to successfully execute on our mission. Anterix has the right people, the right partners and the right solutions to help our nation's utilities on their electric grid modernization journeys. We're proud of what we've accomplished to date and are excited about what's in store for the future. With that, I'll turn it over to the operator to open the call for questions.

Question and Answer

Operator

[Operator Instructions] And our first question comes from Mike Crawford of B. Riley Securities.

Michael Roy Crawford

B. Riley Securities, Inc., Research Division

Could you just tell us a little bit more about this new NRTC partnership? How did that affect your DI scorecard? And are there any pricing mechanisms involved in this agreement that would facilitate easier individual negotiations with any particular rural utility?

Robert H. Schwartz

President, CEO & Director

Sure. Thanks for the good question. Look, we're excited about the NRTC agreement on multiple levels. First is, it really is an expansion of our 900 MHz capabilities into rural America. And for us, the cooperatives play a key role in the fabric of the energy sector across the nation. And so this important relationship with NRTC brings a lot of that. And just NRTC as a party has been around for decades, happens to be led by some former Nextel folks that we know well from our past experience.

But importantly, they really serve a broad level of capabilities. And they're specifically driving to the needs of rural utilities and the communities they're serving. And that's shown success in the past as they pushed the appropriate AMI solutions in support of them. They were one of the largest distributors of one of the primary vendors of AMI in earlier years.

They have supported rural fiber and other key communications build-outs. And so as an operating partner to their cooperative members, of which as you saw, there's 1,500-plus members, that's been a critical part of their role. We're excited about it too because we're partnering in that relationship also with Southern Company, who, as you know, I always described as the crystal ball is really the leader in deploying and capturing the important critical value out of private LTE and also their key vendor, Ericsson is part of that relationship as well.

And so I think between all of us, we're really excited about providing an easier solution, leveraging 900 MHz to that full community. I think a couple of other key points there that I think they think that are critical. The way in which these services are going to be offered, you asked about pricing. We will continue to garner what we believe to be fair market value for our spectrum in these future transactions as they move forward.

And so we have a -- this is really a cost-effective indirect channel for us as we look at the ability to get to thousands of utilities through this valuable channel and relationship that we have here and really be able to continue to stitch together the fabric of a nationwide network of utility networks.

So that's maybe in summary, Ryan, anything you want to add to that?

Ryan Gerbrandt

Chief Operating Officer

Yes. Just a couple of things. What excites me about this that Rob highlighted, is the ability to effectively capture kind of

the go-to-market strategies for a channel with some 1,500 members across the co-op landscape in the U.S., the NRTC organization just has such a strong track record and a relationship. They're a co-op themselves. So they're a member-driven organization that has strong relationships and ties.

And there's some unique needs. When you start moving down market from the IOUs where our front-end focus is really on, there are some new ways that really co-ops need to look at how they ultimately embrace and go forward with a solution like this. And that's where NRTC's expertise is, putting those pieces together.

And so we're very much looking at it that way in terms of how we help build scale, putting NRTC in the front end as a channel. And so as a result, we don't see it having a direct impact to kind of how we manage our direct channel through DI. We're going to keep that still focused on our IOUs. And as we get some work underneath us and behind us with NRTC, we'll establish how we want to continue to keep progress reporting on that channel.

Michael Roy Crawford

B. Riley Securities, Inc., Research Division

Okay. Just one final question for me, maybe more for Tim, but it's nice to see you got in the first \$10 million from Oncor. Is the company still expecting just another \$10 million of cash coming in from spectrum deliveries in this fiscal year and then a \$34 million early or \$39 million, I think, early in next fiscal year?

Timothy A. Gray

Chief Financial Officer

Yes, Mike, you're correct. So it's about \$10 million for the rest of this fiscal year, but we've got a significant amount coming in next year, including about \$92.5 million from Oncor of the total of about \$176 million that we have not collected yet. So we're going to see all of the proceeds from Oncor in by the end of our next fiscal year.

Operator

Our next question comes from Walter Piecyk of LightShed Partners.

Walter Paul Piecyk

LightShed Partners, LLC

I don't know if Chris is there, but maybe you could just kind of frame up for us, remind us what it was like under a Trump administration in terms of programs that would help to upgrade the infrastructure in our country at utilities? Just like many things is obviously very bad. And then similarly, what you may know of who Kamala could put in the key positions that might have, again, situations where there's incremental funding or perhaps sticks to try and improve our infrastructure?

It just seems odd that under the current administration, there hasn't been more given kind of the demands where they want EVs to be and where the existing infrastructure is today. So I just -- I was hoping that if Chris could just give us like a 10,000-foot view on how that might play out under either administration.

Christopher Guttman-McCabe

Chief Regulatory & Communications Officer

Yes. Yes, I would say, first of all, what we're working -- let me take it down to Anterix for a moment. What we're working on is incredibly not political. I mean, our first [vote] original report and order was under a Republican administration and it was a 50 vote. The processing of all of the licenses in the last several years have been happening under a Democratic administration at the FCC and that's been fantastic. So we don't see any difference, whether Kamala Harris wins it or

Donald Trump wins the election.

Now I think that's probably also true with regard to infrastructure, the goals of driving infrastructure investment. Now we probably will see less federal money coming in if Donald Trump wins. I think the Republicans weren't super excited about the bipartisan infrastructure legislation that brought in hundreds of billions. So I think we'll probably see less focus in terms of tax-based revenue dollars flowing to public companies. But I do think you could see things like tax credits and other ways to drive and stimulate infrastructure investment.

But my guess is you're going to see -- particularly over the next several months, you'll see another tranche of funding coming out from the GRIP funds. And so you're seeing a lot of that money that was built up sort of behind the dam is starting to flow out from infrastructure projects. And those are net benefits to us, whether a utility gets it to deploy private wireless or it helps offset something that we're going to use capital for in another area and it frees up capital for private or it's about deploying new transmission lines or new distribution lines.

All of those things are going to benefit and are going to be enhanced by sort of a private wireless or wireless broadband network. So we're excited whenever dollars go out to the utilities because we think it's a net benefit for us. And I think we sort of look at the future as either party winning is going to be fine for Anterix.

Walter Paul Piecyk

LightShed Partners, LLC

I guess I understand that in the context of what you were saying under the Trump administration, but I think to kind of drill down on the Kamala administration, I mean, it seems to me that under Biden agencies weren't filled for weeks, months, years. It was just kind of -- I don't know what the politically correct term is. But I guess things weren't getting done.

Is there -- is she drawing on the same people? Or are we going to have some improvements and maybe some more proactivity that is going to ultimately benefit you guys that really push on some upgrades in the utilities? Is there any reason to be incrementally optimistic that you have a more competent administration potentially?

Christopher Guttman-McCabe

Chief Regulatory & Communications Officer

Sure. And saying that we're always operating in the political realm, I won't -- I will say that Walt said that he hopes for a more confident, I would...

Walter Paul Piecyk

LightShed Partners, LLC

[Indiscernible] perspective for improvement out where you think the baseline.

Christopher Guttman-McCabe

Chief Regulatory & Communications Officer

Yes, yes, yes. No, no, no, I know. I know. I'm teasing. But the reality is she will absolutely benefit from having the starting point of the Biden folks in the agencies and then can replace if she desires at obviously her own pace, right? She'll begin with a full FCC, she'll begin with a full FERC, an already operational and operating DOE, Department of Energy, things like that.

So that's the net benefit that she would have as if Biden was still running and he won. So she can begin with that

underpinning and then go from there and change out what she wants and accelerate the areas where she wants to accelerate activity. Certainly she can do that, but she is beginning at the 50-yard line, right?

Walter Paul Piecyk

LightShed Partners, LLC

Yes. And then, Rob, I don't want to try and create a new concern in the market, but I think it's -- I just want to ask the question because I've seen an impact impacts us in many other names, but the constellations that are getting built, I mean, primarily Starlink, maybe Amazon and Kuiper gets going, but it just -- there's -- I think, it's sometimes an investor perception that it just wipes out all forms of connectivity and some of the concerns are here pretty aggressive in that regard. Can you just refresh us on in your conversations with utilities, how they view that as a piece in their overall puzzle of making sure that their -- they've got the right connectivity in their network? And what risk, if any, that provides to you guys?

Robert H. Schwartz

President, CEO & Director

Sure. Absolutely. It's a great question. Look, you and I have been around long enough for decades watching the cycle of focus on various forms of communication to serve the nation, whether it's wireline, fiber, wireless, satellite. In my view, all play an important role in the solution-set for industrial users. But there's nothing that as a substitute provides the level of control, low latency broadband capabilities for the specific needs of the utilities as well as wireless.

But I'm certain that satellite as fiber does today, as wireline has in the past, will play a complementary role, from my view, in getting to coverage in some ways in some of the areas. Clearly there's a heavy competition in that space, as you said, with all the different parties that are moving forward and trying to provide solutions to bring mobility solutions to kind of the fringe areas where there isn't capabilities now.

But I think from a cost effectiveness and a resiliency and importantly, latency because a lot of the things we're talking about from a solution standpoint have to have latency that often is greater -- lower latency, faster path of data travel than satellite can offer, I think those are all part of the reasons why utilities are choosing to build and operate and control their own networks in the way they are.

So I think satellite is a great technology, but it will be a complement more than anything else. And I think just like other solutions that we add to our toolkit, I could see in the future that that would make sense for us and our customers to look at using that as a complement to where they don't have wireless built-out.

Christopher Guttman-McCabe

Chief Regulatory & Communications Officer

And Rob, it's Chris [indiscernible].

Tom Kuhn

Vice Chairman

I think that I would certainly agree with Rob and Chris that we work on a bipartisan basis. And -- but we have bipartisan support. We're building infrastructure. The electric companies are spending a record amount this year, over \$190 billion to do it. We are accelerating that even more with respect to the infrastructure -- bipartisan infrastructure bill and The Inflation Reduction Act. And I think that we're working with both -- with both Republicans and Democrats on their conventions and on their campaigns to get the messages across.

What's really going to propel things so much is 2 things. One is the accelerating the electricity growth as Rob indicated,

some data centers and...

Walter Paul Piecyk
LightShed Partners, LLC

No, that's why I was asking the question because we all have to own generators now because -- I mean -- but despite all that investment you just referenced, everyone's electricity is constantly going down and we only want to put more demands on it with additional EVs.

Tom Kuhn
Vice Chairman

Absolutely. Absolutely, Walt. And I think that in addition to that, you see the extreme weather where -- which is a challenge for utilities too. And the modern communications really helps to deal with it with respect to mutual assistance programs and on wildfires and on integrating new sources of electricity into it, whether or not it may be virtual power plants or demand-side management programs or the all the different -- so there's going to be a debate over clean energy and how much clean energy versus fossil fuels we're going to use, but quite frankly, utilities are going to need both to move forward here to meet this increasing demand.

And I think that Anterix is very, very well-positioned because they have the relationships in the industry. They have the technology and they know how to address the use cases that the customers are going to want.

Operator

[Operator Instructions] And our next question comes from George Sutton of Craig-Hallum.

George Frederick Sutton
Craig-Hallum Capital Group LLC, Research Division

I wanted to address my first question to Ryan. Obviously no changes in the DI scorecard quarter-over-quarter. I know that doesn't mean there hasn't been movement. We had talked previously about things like fire mitigation really driving potential demand and a speedier process, things like Hawaii and others not wanting to go through an event like that. Have those had any impact on the speed in terms of the discussions that you're seeing?

Ryan Gerbrandt
Chief Operating Officer

Just to quickly back on the DI side, you're right, we didn't see any change in what we reported. And again, this has changed over just the last several weeks since we all connected on the Oncor deal, but just kind of reflecting on kind of where we're at, continuing to have 18 utilities sitting above the DI threshold, about \$1 billion and we did report in June, a set of new indicators, there is 10 new DI indicators accumulated through that time. We've had about 3 more in a short period since then.

So definitely continuing to see progress in deals that are both sitting above the line and opportunities that are sitting below the line as we're continuing to develop them through.

Now to the macro forces, kind of what I think Tom and Robert just were speaking about, I think, fit right within that lens as well. Kind of wildfires are another one where certainly we've talked a lot about the role that broadband played in support in San Diego and their wildfire mitigation strategy. I think it's fair to say every one of those initiatives that sits on the front of the mind of many of the executive officers within utilities, it starts to build momentum around how do they proactively get themselves ready to be able to address it. But I'd add kind of the other environmental factors absolutely

do the same thing.

When we see hurricanes come through, unfortunately, you're probably seeing it still play out in the media in Texas right now after Beryl came through and the impact that it had in Houston and CenterPoint Energy, that drives another conversation in the industry, which is helpful to be able to extract the areas of focus that we have as a company and how by putting modern solutions together built around broadband can really be supportive to address so many of these critical issues.

And that brings stakeholders to the table which helps our conversations with all of these folks as we're continuing to develop the market opportunity.

George Frederick Sutton

Craig-Hallum Capital Group LLC, Research Division

Got you. The next question, if I could, for Tim. Probably the most common question I get from clients is why not a more aggressive strategy to buy back the stock, with the thought being given what we have in our pipeline with obviously a pretty good sense of the future, you would argue the stock should be materially higher once these things are announced. You have money coming in from very high creditworthy customers. So extensively, you could even lever up a little bit to accelerate the process. Just curious why we haven't been more aggressive there?

Timothy A. Gray

Chief Financial Officer

Thanks, George. Thanks for the question. As we've previously said, we're going to base our quarterly purchases off of cash receipts coming in each quarter, looking at what we've got on our future spend, et cetera and that's going to move up and down on a quarter-by-quarter basis where some quarters like this most recent one are at the lower end and some quarters like the previous 2 were at the higher end of the scale that we've had in the recent past.

We're going to continue to move forward with that positioning, although I wouldn't rule out any leveraging or anything that we may do to try to be more aggressive as we move forward. But as of right now that's not in our immediate plans. We'll continue to move forward as we have.

Operator

Our next question comes from Jerome Darling of JPMorgan.

Jerome Gladwin Darling

JPMorgan Chase & Co, Research Division

Could you provide an update on what you're seeing in terms of 5x5 proceedings? Anything you can share in terms of the return comments sentiment around the process would be helpful.

Robert H. Schwartz

President, CEO & Director

Thanks, Jerome. Chris, that's a perfect question for you to take.

Christopher Guttman-McCabe

Chief Regulatory & Communications Officer

Yes. Thanks, Rob, and thanks, Jerome. Everything to date has been very positive. About 30-plus companies weighed

in, in support of the proceeding. No one opposed it. A few entities did what they should have done, which is just make sure that they get ultimately protected from an interference perspective, which obviously we would and will and have done. And so all positive.

We've had a few more positive comments trickle in over the last couple of weeks. And now we're working with the FCC and our goal is to get out the next phase, a notice of proposed rulemaking as soon as possible.

But everything is moving in a positive direction at the moment, fingers crossed. I've been doing this for a long time. I've not seen a proceeding where you've had no opposition. And so we've just got to -- we've got to keep moving forward. And our goal is really to get this front and center with the chairwoman and try to get a notice of proposed rulemaking out as soon as possible.

Operator

I'm seeing no further questions, I'll turn the call back over to Rob Schwartz.

Robert H. Schwartz

President, CEO & Director

Thank you, Paul, and thank you all for joining us this morning. We look forward to talking to all of you soon and we're excited about our progress and looking forward to continuing to announce more successful activities in the future. Take care.

Operator

That concludes today's conference call. Thank you for joining and have a pleasant day.

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