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Anterix Inc. NasdaqCM:ATEX

Earnings Call

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Call Participants

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Michael Roy Crawford

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Presentation

Operator

Good morning, and welcome to the Anterix Fiscal Year 2025 Second Quarter Earnings Call. [Operator Instructions] Please note this event is being recorded.

I would like now to turn the conference over to Natasha Vecchiarelli, Vice President of Investor Relations. Please go ahead.

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 second quarter fiscal year '25 investor update call.

Joining us today are Scott Lang, our newly appointed President and CEO; Tim Gray, our CFO; Ryan Gerbrandt, COO; and Chris Guttman-McCabe, Chief Regulatory and Communications Officer.

Before turning the call over to Scott, I'd like to remind everyone that during this conference call, we may discuss forward-looking statements related to our commercial outlook, future operations and expected performance. These statements are based on our current expectations and assumptions, but they do carry inherent risks and uncertainties. We advise investors not to place undue reliance on these forward-looking statements.

We encourage you to review our SEC filings, including our Form 10-K and 10-Q, which outline specific risk factors that could cause actual results to differ materially from those discussed today. These documents are available on our website. Please note that we do not undertake any obligation to update these forward-looking statements.

With that, I will turn the call over to Scott.

Scott A. Lang

CEO, President & Director

Good morning, everyone, and thank you all for joining us today for our second quarter fiscal year 2025 earnings call.

Today marks a special milestone in my professional career as this is my first earnings call as the newly appointed President and CEO of Anterix. It is truly an honor to be leading this great organization, and I'm excited with all that lies ahead for the company. Since taking the helm in early October, I've enjoyed getting to know our team and getting an in-depth appreciation for our company, our product and our offering. I've also had the pleasure of meeting with a number of investors and analysts, some new faces and some that I have worked with before as well as a range of current and future customers.

On today's call, I want to focus on two of the recurring questions I've been asked throughout these conversations, which I think will provide all of you with the picture of Anterix as I see the company and the opportunity. The first question is, why am I excited to take this job? And the second is, why would the Board choose me?

Let's start with why I would take this job. Think about it. Put yourself in my shoes. I am taking over a company that has established itself as a preeminent technology solution for the utility sector. It has zero debt, a great balance sheet, and expansive \$3 billion pipeline of customer opportunities, a seasoned thought leadership position and an exceptionally talented and committed team, and we're just getting started.

Dig a little deeper, and it gets even more clear as to why I or anyone would want this job. First off, it's really about our customers. They're going from the lab to actual deployments that are driving real results,

validating our product offering. And they are becoming our greatest advocates as we witnessed again last week at the Utility Broadband Alliance event.

Next, it's about our spectrum asset. We have managed to enhance the value by making it 5G capable and have jointly filed with 9 other organizations a petition with the FCC to expand our offering from 3x3 megahertz to 5x5 megahertz.

And regarding our market positioning, AMI became a movement that nearly touches every home and business with advanced technology. It unlocked ways for utilities to deliver a better experience and more value to every customer in the United States.

There is a similar movement underway that we will look back on fueled by artificial intelligence and edge computing, that won't only touch every home and business, but also every device that controls, monitors or protects the flow of power across the United States. The powerful connectivity that Anterix provides will enable this movement to happen. The totality of what I see is incredible. All of this with a market capitalization that I believe is far below the value of what this company has achieved. The opportunities that are in front of us to drive growth and enhance shareholder value are significant. It was an easy decision for me to say yes to the Board.

So why me? Without sounding boastful, I believe I am uniquely qualified. I've been here before. I understand the complexities of working with the utility sector, but also recognize the incredible opportunities that this sector can deliver for our customers, for our partners, for our company and absolutely for our shareholders. And I know how to run a company that is driving technology change. The experiences and relationships that I have cultivated over my career have allowed me to step into this role with a road map and a vision for success.

I have been working around the energy and telecom space for over 30 years. During my tenure as CEO and Executive Chairman of Silver Spring Networks, I helped guide the development of the smart grid network evolution for utilities and created deep, long-lasting relationships within the sector. Ultimately, this led to successfully positioning Silver Spring as an innovative leader within the utility sector, placing advanced wireless metering into more than 50 million homes and businesses across the country while working with almost every utility in the nation. Silver Spring went public in 2013 and was subsequently purchased by Itron in 2018, with the technology still being used today.

We have moved from the smart meter to the smart grid. Anterix is perfectly positioned to enable this smarter future. Just this week, the Wall Street Journal featured an article about the need for this smarter future and for me, highlighted the opportunity it presents for Anterix.

Bottom line, the reason I'm here is because I see significant opportunities for Anterix, for the utility sector and for our shareholders. As I outline my near-term priorities for the coming months, I want to share a few key areas of focus. I have worked very closely with our sales team to understand the current position of our pipeline. It is incredible to think about the success we've had and yet recognize the amazing opportunity still in front of us.

So what is next? Turning to my top near-term priorities, first, we are going to be laser-focused on driving spectrum transactions. We are revisiting every element of our sales process. A key priority of mine is to expand relationships with both existing and prospective customers. Our strong customer base represents a powerful opportunity to advocate for our technology and enhance our brand visibility within the industry.

Next, I've asked Tim to review our operating budget to identify opportunities for efficiencies and reduce our overall annual cash spend. We're then going to execute on these findings. And as we continue to focus on the task of driving contracts and reducing spending where it makes sense, I see an opportunity to increase our share buyback effort.

We have a robust buyback plan in place. I want to make sure that we pursue every opportunity to put that plan to work. At the current share price, I believe this is a great use of our contracted proceeds and can help drive significant shareholder value.

Before I wrap up, I want to share that these last 2 weeks alone confirmed everything I thought about the company when I said yes to this opportunity. The UBBA Summit took place last week, where leading utilities and the industry ecosystem come together with a specific and valuable focus of sharing experiences, use cases and plans to build private wireless broadband networks.

This year, Evergy, an Anterix customer, hosted this dynamic sold-out event, which took place in Kansas City with over 600 participants in place, including representatives from more than 30 utilities and increased C-level participation. To put it into perspective, the utilities that were in attendance represented more than 60% of our spectrum value. The summit featured insightful discussions on the vital role of private networks with many of our customers sharing their journeys in adopting 900 megahertz private wireless broadband as the backbone of their network deployments. Our booth highlighted several mission-critical use cases, reinforcing our leadership position in this space. The event was invaluable and provided a platform for collaboration and innovation, setting the stage for our future growth.

And earlier this week, I attended the Edison Electric Institute Financial Conference in Florida. It was awesome to be there and to visit with many of the utilities and people that I have worked with throughout my career. In these conversations, we discussed how Anterix is perfectly suited to meet the challenge that they now have in front of them to help them continue to deliver secure, reliable, cost-effective service for every customer in the United States.

And so when I said earlier that these events confirmed everything that I believe about this opportunity, it is these personal conversations that reinforce my excitement to be leading the Anterix team.

With that, I will turn over to Tim, and then we'll rejoin to share some closing remarks.

Timothy A. Gray
Chief Financial Officer

Thanks, Scott. Before I begin, I want to share that I've had the opportunity to get to know Scott over the course of the past few weeks, and I am truly looking forward to working with him as we execute on the priorities that he outlined. It's also important to note that our balance sheet and our future incoming proceeds will continue to provide the opportunity for us to enhance shareholder value.

Turning to our results, Anterix concluded its second quarter of fiscal year '25 in a strong financial position. We detailed these results in our 10-Q, which was filed yesterday and is available on our website. I will spend a few moments here reviewing some of the key highlights from this quarter.

We ended our second quarter of fiscal year 2025 with more than \$43 million in cash and no debt on our balance sheet. We continue to strongly believe that being debt-free is a significant advantage for Anterix. It is also important to note that we still have more than \$168 million in contracted proceeds to be received over the next several years related to signed contracts with roughly \$110 million to be received by the end of our fiscal 2026, which positions us to continue to return value to our shareholders.

Turning to some of the priorities that Scott mentioned. With regards to our share repurchase program, we will be pursuing additional opportunities to increase cash flow to fund additional buybacks in the near term. One example of this is that our team is actively working with certain customers at their request to deliver spectrum earlier than contractually required, which will help accelerate payment timing into this fiscal year.

In addition, we're also taking a hard look at our operating expenses to drive efficiencies. I expect to have more to share on these initiatives on our next quarterly call. Let me conclude by reiterating that with the cash on our balance sheet and roughly \$168 million in contracted payments to be received over the next several years, we're clearly in a solid financial position.

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

Scott A. Lang
CEO, President & Director

Thanks, Tim. With the right people, strong partnerships and innovative solutions, we are committed to supporting our nation's utilities in their electric grid modernization efforts. We take great pride in our accomplishments to date and are excited about the opportunities that lie ahead. I look forward to sharing more insights with you on our upcoming discussions.

With that, we'll now open the call to questions. Brian and Chris will also be joining Tim and I to provide additional perspectives as well.

Operator, please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from George Sutton of Craig-Hallum.

George Frederick Sutton

Craig-Hallum Capital Group LLC, Research Division

First, Scott, welcome. And in our intro call, one of the points you made, I thought was helpful, and I'd like you to go into a little more detail, is that Silver Spring, you were working with a lot of these same utilities who had no tech at that time, you were providing them some initial tech. You are now in a position to take old technology and deliver to those same customers new technology. Can you just talk about the differences in those 2?

Scott A. Lang

CEO, President & Director

George, thanks for that. I appreciate it. It's great to be here.

Yes, I remember the conversation we had and back in -- it was 20 years ago. Sometimes it's hard to imagine it was 20 years ago, that we truly pushed the limit of technology that was available to us. We leveraged the unlicensed spectrum of 902 to 928. And that technology is still in use today has touched, as I mentioned in the prepared remarks, more than 50 million homes and businesses across the United States.

And the movement we saw was very real. And now we're seeing even more demand, more use cases, a higher bar that customers have of what they expect from the utilities and the solutions that we have now to extend that to make it more secure, more robust are really unlocked with the bandwidth that Anterix has and our 5G capability that was not available 20 years ago.

So when I've started these conversations and having these conversations with our current clients, with prospective clients, the light goes on. And I think that the challenges that we faced getting the utility the momentum to move from very low technology prior to 2004 to embracing change and crossing -- I used to think of it as crossing the bridge, it never crossed. And the bridge was connectivity to their point-of-sale device.

I couldn't imagine back then ever running a business that you weren't connected other than a monthly manual read to your point-of-sale device, that changed. Now the bar has gotten higher and the needs and the demands for customers to protect the grid is much more valuable and is a higher risk today.

What's available in the market? Solutions available in the market can be unlocked with the kind of capability that Anterix brings to the table with 5G connection. I think that kind of captures some of the conversations you and I had, George. And since then, that was week 1, about a month ago. And since then, those conversations have become real conversations just earlier this week on the back of EEI, and I believe it is a natural progression that they really understand that.

George Frederick Sutton

Craig-Hallum Capital Group LLC, Research Division

Super. My other question is for Tim. And I have been on record as a believer that a more aggressive share buyback program makes sense. So I'm interested in hearing about the delivery of spectrum earlier than contracted. Just can you walk through the economic logic behind that? Is it much different? I just wanted to make sure we fully appreciated this concept.

Timothy A. Gray

Chief Financial Officer

Yes, George, it's really being driven by the customer and their desire to move their networks along faster, deploy the spectrum faster. And so we've had customers proactively ask us to deliver faster than was contractually obligated, which will result in cash flow coming in earlier. So right now, our current projection is that in our fourth quarter of this current fiscal year, we'll receive another roughly \$35 million that we had planned on to come in next fiscal year. So with that additional cash flow in this fiscal year, we feel stronger that we can be much more aggressive with the buyback program in the near term. And I think you'll see those results bear out as we release our numbers going forward over the next few quarters.

Christopher Guttman-McCabe

Chief Regulatory & Communications Officer

George, it's Chris. And Tim referenced this, and I know you know this, but one of the things that makes our offering so unique is the ability to do exactly what Tim just described, right. The ability to be flexible to sort of turn on a \$0.10 if a customer wants to accelerate or evolve their delivery decisions. And it's one of the things that, again, makes our offering unique is the ability to match but we deliver to what the utility directly needs.

Operator

[Operator Instructions] Our next question comes from Mike Crawford from B. Riley.

Michael Roy Crawford

B. Riley Securities, Inc., Research Division

Just to follow up on that. Tim, that \$35 million you're talking about in fiscal Q4, is that plus the \$10 million that had been expected in that quarter or \$35 million altogether in that quarter?

Timothy A. Gray

Chief Financial Officer

So it's \$35 million altogether in that quarter, Mike. So we've already received about \$18 million this year and the \$35 million will put us in the low 50s for the fiscal year on what we know based on contracts that we've signed, we'll be receiving this fiscal year.

Michael Roy Crawford

B. Riley Securities, Inc., Research Division

Okay. Excellent. And then Scott, can you share any low-hanging fruit that you've identified as you revisit your sales process?

Scott A. Lang

CEO, President & Director

What was the first part of the question, Mike? Can I share any what?

Michael Roy Crawford

B. Riley Securities, Inc., Research Division

You said you've revisiting every element of your sales process. So as you embarked upon this investigation of your sales process, is there anything that you've identified already that you think you can improve upon?

Scott A. Lang

CEO, President & Director

Yes, there it is. One thing that comes to mind is when we met as an entire group a couple of weeks ago, and we were going around the room and the testimonials I was hearing them talk about with our current clients and our prospects, while they were good, as I hoped on that, the real story started to come out as we layered that back and say, "Well, why was it fantastic? What was unique about us?"

And we started to come up with these very long examples of why Anterix was uniquely positioned that nobody could offer the kind of security, the kind of ubiquity, the kind of control and protection that Anterix

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has with our 5G platform. It reminded me of many of the things, the challenges we faced at Silver Spring 20 years ago when everybody thought this would just be a carrier-led solution.

And the fact is utilities love to own their private networks. They love to be able to call upon that connectivity when they need it the most. And carriers cannot offer that. And carriers cannot offer the flexibility of pricing that we can offer. So those were some of the things, Mike, as we started to get into it and get into the details of the use cases, the benefits, the value that Anterix has.

And so that was really something that stands out to me, that we are going to work on and take into the market. And then that builds upon the -- getting our clients to be our biggest advocates. And I've seen this movie before. Utilities, they don't necessarily compete with each other but they really do like to use each other's reference and brag about the things that they're doing. And this company has a great opportunity to put our customers on stage explaining how they're taking this from the lab to actual deployments, which we saw last week at UBBA.

And I'm going to ask who Ryan was there. We had a lot of folks there. Maybe, Ryan, you want to add a couple of those stories that you heard from UBBA.

Ryan Gerbrandt

Chief Operating Officer

Yes, I'd be happy to. Yes, UBBA, I mean, as you guys know, we've been tracking for a while, a trade organization that we founded with some like-minded partners several years ago now and then turned it over as a non-profit with the utility-run board has just continued to be a real remarkable organization where the entire life cycle of this conversation and the ability for utilities to share their testimonials, their experiences, their lessons learned, frankly, has been fantastic. And last week in Kansas City was no exception.

And like with anything, the organization has really evolved with the life cycle as we've seen these deployments played out. So the conversations that we were having 2 years ago were really about understanding technology. This year, I got to say the focus was really on trying to learn and experience the successes that so many different customers are having by having their networks being deployed, having devices in the field and getting applications onboarded.

Evergy as the host utility did a remarkable job really sharing their experiences and the key applications that they saw. They had a booth on display that everybody was surrounding and able to engage with and talk to them about showcasing real applications that they're already taking value of, that 900 megahertz LTE was able to unlock.

And these fall in the domain, Mike, of things like SCADA, FLISR, which is fault location, isolation and service restoration, really an advanced kind of grid application. They were showing security cameras, device management, pole tilt sensors, different line sensors. These are kind of the building blocks of the bread and butter of what we think about when we articulate smart technology that needs to get enabled on the grid, and there will be thousands and thousands of these kinds of devices as the grid continues to modernize and utilities put them on it.

And that's just one example of the many conversations we had over 3 days in Kansas City. But I'm excited by Scott's idea as well. I've said it before, there's no better salesperson in the industry than your past customer who's raving your successes. And our ability to capture that excitement, get that voice out there in front of the next in line is going to be a very powerful tool for us to lean into.

Scott A. Lang

CEO, President & Director

And Mike, I'll just pile on. Some of the exciting use cases that are now going in the lab and will ultimately be deployed are around AI and intelligence at the last mile of the grid. And what is exciting for me to see is the technology we deployed unlocked a manual occasional data point to hundreds and thousands of data points per day.

The AI chips that are being tested at the endpoint that we enable because of our spectrum and our security and that connectivity takes it to millions. And the amount of information that unlocks, the value that, that brings, the security of the way utilities can now protect their grid is very exciting. And I think that we will continue to see that deployed and tested and talked about as the utilities start to embrace it in their deployments.

Michael Roy Crawford

B. Riley Securities, Inc., Research Division

One last question for me. Any changes in perspective from the FCC under potentially a Brendan Carr led administration as you look to seek approval to offer 5x5 LTE instead of just 3x3?

Scott A. Lang

CEO, President & Director

Chris and I have had some great conversations with it, and he and his team are doing a terrific job. Chris, why don't you respond to that, please?

Christopher Guttman-McCabe

Chief Regulatory & Communications Officer

Yes. Thanks, Scott. And Mike, I think the first thing to recall is our initial 3x3 was a 50 vote. And one of the commissioners that voted for it was Commissioner Carr. So I don't see anything about our multiparty petition that is political in nature. And I'm excited to see the movement of the petition through the process. And I believe we will very likely get the support of Commissioner Carr if he moves into the acting Chair and ultimately, the Chair role. So I'm excited.

He and his team have been strong supporters of what we were able to do. You could just go back to his statement 4 or 5 years ago where he said, "This band is small, but we, at the FCC, could help make it mighty." I think we've delivered on that. So as the evolution happens on January 20, I think we're well positioned, not just Anterix, but our 9 co-petitioners to help move this forward.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Scott Lang for any closing remarks.

Scott A. Lang

CEO, President & Director

I would like to conclude today with thanking all of you for your support and stay tuned. We're excited to be here. I'm excited to be here and look forward to following up with many of you over the coming weeks. Have a great rest of your week, everybody.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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