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Anterix, Inc. (ATEX)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Natasha Vecchiarelli

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

Good morning, everyone, and welcome to the Anterix 2021 Investor Day. I'm Natasha Vecchiarelli, Director of Investor Relations and Corporate Communications. And on behalf of the entire team here at Anterix, thank you for joining us.

Presenting to you today from the Anterix team are Rob Schwartz, our President and CEO; Ryan Gerbrandt, our COO; and Tim Gray, our CFO. Before we begin, please note our Safe Harbor statement. During today's presentations, we may make forward-looking statements either in 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.

Next, a few housekeeping items. Following our prepared remarks, we will have an operator-led question-and-answer session, which can only be accessed using the call-in information shown on your webcast viewer's screen. In addition, at the conclusion of today's event, a video and transcript of our presentation will be posted to our Investor Relations website.

Now, let's turn to the exciting part. We have a great morning lined up for you. We'll start with a short video highlighting Anterix's recent achievements before turning it over to our CEO, Rob Schwartz.

Thank you, and let's begin.

[Video Presentation] (00:01:49-00:03:43)

Robert Schwartz

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

Good morning, everyone, and welcome to the Anterix 2021 Investor Day. It's been over two years since our last Investor Day. And as this is my first as CEO, I'm really excited to have this opportunity to share our vision of the future of Anterix. This is a vision that has been refined and improved over these past two years with our deep industry collaboration and experiences, our breakthrough successes and the resulting increasing market momentum and tailwinds, all fostering our mission to drive what has become a private broadband movement in the utility and critical infrastructure industries.

This is a vision that underpins our investment thesis. I'm very proud of our team having navigated the complexity of an FCC process, transforming our nationwide spectrum into a highly valuable unique asset. We've identified a high margin opportunity to monetize that asset. We have fostered and facilitated considerable demand for this asset. We have assembled a team of seasoned wireless, utility and infrastructure experts, all executing on a plan that has already removed numerous initial business risks, and a plan that can translate into what we believe can be significant near-term cash flow.

We'll also use this opportunity to further detail Anterix's progress to date with our target customers and the overall market and as a result, our strengthening position for execution in this next chapter of our growth. And ultimately, we'll talk about the resulting positive improvements to our business model and investment thesis as measured by accelerating cash flows, risk reduction of execution, opportunities for capital return, and options for future value expansion.

I'm proud to say that two years later, our focus on our mission not only remains the same, but with our breakthrough achievements since then, we believe we now have the significant momentum and tailwinds necessary to achieve this mission. And while our mission remains the same, from an investment perspective much has changed within the last two years. With our team's execution and achievements, we have removed significant risks, while simultaneously expanding on opportunity. Specifically, we have eliminated the question of whether we can convert our spectrum from narrowband to broadband. We also no longer have the question of whether there is a demand in the utility sector. We also demonstrated that we can monetize our spectrum asset at fair market value. And we're on a clear path to be fully funded.

We've demonstrated that we could educate and ultimately unify the utility sector in line with our vision. And then we've also brought together the technology sector to join in this movement and to centrally position Anterix for incremental value-creating opportunities. And ultimately, the utility and policy environment has changed significantly to our benefit.

So with that, let me elaborate on our vision, which guides me and my team on our journey. Leveraging the valuable nationwide low-band spectrum asset on our balance sheet, Anterix intends to become the de facto private wireless broadband solution provider to the utility and critical infrastructure sectors. This relationship starts with the long-term leasing of our spectrum to individual customers at fair market value, enabling each of these entities to build, own and operate the private broadband communications networks that are essential to supporting the rapidly changing industry monetization requirements that I'll expand upon shortly.

And as each of these utilities builds its individual private LTE network across their broadband service territories, we then see an organic opportunity to bring together these individual deployments into a nationwide federation of

networks. We call this the network of networks. And with it, utilities will capture the nationwide scale and scope to support current and increasing requirements and drive collective innovation.

As defined by Metcalfe's law, the value of a network grows exponentially with the number of users on that network. With our launch of the Utility Broadband Alliance, our Anterix Active Ecosystem Program and the many public forums where utilities are speaking out about the benefits of collective action at 900 megahertz, we are already seeing this growing industry desire to capture the scale network benefits with their trusted peers. This virtuous cycle can not only improve utilities collective cybersecurity, resiliency and decarbonization efforts, but will also continue to enhance the appeal of our Anterix offering and is already resulting in an increase in the 900 megahertz spectrum leasing interest in our pipeline.

This collective innovation supports the deployment of technology to [ph] sense and de-power – down power lines (00:08:57) to prevent wildfire and reduce the risks of electrocution. It enables two-way communication with the rapidly growing sources of renewable energy and battery storage, to minimize carbon production and reach more aggressive emission reduction goals. Further, this collective innovation enhances cybersecurity by separating the private network from the public Internet and enables additional customized layers of cybersecurity protection.

And while our primary goal will always be to maximize Anterix shareholder value, it's meaningful to me and my team that our vision addresses an urgent national need to foster and protect our nation's electric grid and support the robust introduction of renewable energy sources. Reaching aggressive carbon reduction goals over the coming years will require broad scale deployment of intermittent sources of power, including residential and industrial scale solar, wind and battery storage, as well as the electrification of numerous sectors including transportation.

Having resilient and secure communications networks to manage all of these new distributed energy resources will be critical to achieving carbon-neutral goals that address the climate crisis. And unlike some companies that need to shoehorn ESG requirements into their strategies, we are passionate about our vision including at its core the use of our spectrum to provide the connectivity that vitally supports the decarbonization and electrification requirements of our nation. And it's not just our mission, it's the absolute driving rationale for our product. Simply put, wireless broadband is essential to address the environmental reckoning that all utilities are facing. And this highlights an important sense of purpose to our Anterix vision.

As stakeholders, we should all feel great about this, not only because of the enhanced value proposition it provides for customers as well as the opportunity it presents for Anterix, but because of the vital role we serve in this vital mission. So in order to fully appreciate our Anterix vision, I'd like to break it down to three fundamental elements of our opportunity including the supply side, the demand side, and then the resulting business opportunity at the intersection for Anterix.

First on the supply side is our nationwide 900 megahertz spectrum asset. As most of you are aware, after nearly six-year pursuit of our petition at the FCC, just 13 months ago we received a historic rulemaking, setting up a clear process to allow Anterix to convert our nationwide spectrum holdings into broadband licenses. The purpose of our FCC journey and accordingly the need for broadband can be traced to the digitization of the electric grid, as the new use cases require a more robust communications platform. And this was even further confirmed by the FCC stating that we think the 900 megahertz band can be a source of innovation for electric utilities.

Licensed spectrum is the foundational element to build private and secure wireless networks. Our 900 megahertz spectrum is low-band, which is known as beachfront property in the wireless industry, because of its significant performance advantages and its scarcity. It's all been assigned by the FCC and it can't be reproduced.

Low-band means under 1 gigahertz, which based on the laws of physics can travel greater distances and better penetrate obstacles like walls than spectrum at higher bands. This translates into a fraction of the number of cell sites to cover comparable areas that would be required by higher bands of spectrum. The result is a substantial capital and operating cost advantage inherent in low-band spectrum like ours, and often as much as 50% savings for the total cost of ownership to our utility customers to build their private broadband networks. With this spectrum offering, combined with our experienced team and the ecosystem we've created, we're able to supply a solution tailored specifically to utility needs.

So now having defined the supply side, our unique spectrum asset, this leads us to the second element, the demand side of the equation. While we were pursuing this FCC ruling that allows us to convert our spectrum to broadband that can be used by practically any sector, we concluded several years ago that the highest and best use of the spectrum, the bull's-eye of our target is to enable electric utilities and other critical infrastructure providers to finance, build and operate private broadband networks.

Given the importance of what utilities do, they have always relied upon private networks to support these critical needs. The utility industry is a regulatory protected sector of valuable and mission-critical companies that provide the electricity that serves as the lifeblood of our nation's economy. The US electric sector generates over $400 billion in annual revenues and is projected to invest $140 billion in annual capital expenditures, and strongly demonstrate its resiliency through this COVID pandemic and resulting recession.

This is a sector going through immense change, fueled by unstoppable macro forces of decarbonization requirements, renewable energy generation and industrial electrification, while simultaneously facing growing cyber threats and frequent natural disasters. And reinforcing the need to address this change is a growing drumbeat of supporting statements, legislation and requirements from both the administration and the regulators of this industry. These include acknowledgments in multiple pieces of legislation that support a reliable, resilient and secure private communications solution.

Foundational to this utility grid modernization is communications, driven by the need for connectivity to provide situational awareness and allow for the command and control of millions of distributed assets across a growing utility footprint. This connectivity then enables data-driven intelligence that supports lifesaving and transformational new use cases. It is this need from utilities for private broadband connectivity that's propelling the demand side for Anterix's spectrum offering and is reflected in our growing list of [ph] pilots (00:15:34) and industry activity.

And to give you a better sense of these transformational changes that drive this demand, I'd like to share with you a short video of a discussion between our Executive Chairman, Morgan O'Brien and Colette Honorable, a leading voice of the industry as a Former Commissioner of the Federal Energy Regulatory Commission, a Former Chair of the Arkansas Public Service Commission and on the board of one of the nation's leading utilities.

[Video Presentation] (00:16:07-00:21:16)

So with this understanding of how the Anterix supply of unique nationwide spectrum meets this growing industry demand for mission-critical private broadband networks, let me now explain the Anterix business opportunity at this key intersection and some positive refinements to our business model.

In the simplest financial terms, our core business is converting our supply of valuable spectrum on our balance sheet into long-term contracted proceeds at fair market value with some of the most creditworthy companies in our economy, the electric utilities.

What I believe makes us a unique wireless company is this ability to enable private wireless networks for utilities without having to deploy the tens of billions of dollars of capital that traditional wireless carriers do every year. Our capital-efficient model leverages the balance sheets and desires of utilities to build and own these broadband networks and creates a high-margin business opportunity for Anterix. And this works because the investor on utility business model is fundamentally based on investing capital to earn a fixed rate of return. This is a really important point.

The marriage of our spectrum with their capital investment model sets us apart from all other wireless companies. As a real-world example, most recently in February, we concluded a spectrum purchase transaction with San Diego Gas & Electric, where they will pay $50 million for our spectrum in their service territory. And in December, we announced our first long-term $48 million 30-year spectrum lease with Ameren, the investor-owned utility in Illinois and Missouri. And as a further sign of progress, the FCC recently accepted our first broadband applications for Ameren service territory. This formally launched our process to convert our underutilized spectrum band of limited capability to a valuable spectrum asset.

When we laid out our business model two years ago, we set a target of contracting approximately 50% of our spectrum value by fiscal year end 2024, March 31, 2024. And after confirming our assumptions with these commercial achievements and our market momentum, we remain confident in achieving this important milestone. Based on our success to-date and on the market pricing we're seeing, we project that by fiscal year end 2024, we'll have signed agreements that will generate contracted proceeds of approximately $1.8 billion for the use of the spectrum. And with that, the other half of our spectrum value will still be an asset on our balance sheet to be monetized over the years that follow. And in addition, with our spectrum that has been leased, we will see the opportunity to monetize this spectrum through the residual values and renewals at lease end. As well, we'll be able to further leverage our role in this nationwide network of networks for capital-efficient value expansion opportunities.

As with our first two customer agreements, we continue to see an increasing desire for contract prepayment coming from discussions with the majority of our customers. This is driven by the needs of the investor-owned utility budget process and supported by their strong access to capital and low cost of debt. I want to make sure to highlight how beneficial this evolution towards prepayment is on our business model.

The result is a considerably earlier accumulation of cash than in our prior long-term lease payment assumptions and an elimination of funding risk. And with the visibility of this potential for increased near-term cash flow, we are actively evaluating tax-efficient and accretive ways to return this value to shareholders, which could include share buybacks or special dividends. With this trend towards prepayment, we believe the best measurement of our future success will be Anterix's contracted proceeds and free cash flow.

And also at this intersection of supply and demand, we see opportunities to further leverage these valuable relationships into additional product offerings. That in turn can make it easier for utilities to adopt private LTE. As you probably saw, we announced last month our Anterix Active Ecosystem Program. Then with 37, and now over 40 world class technology industry leaders, coming together to provide a full solution set for 900 megahertz private networks. These ecosystem members now have a vested interest in seeing us succeed in our mission. When you look holistically at these LTE broadband networks, a typical spectrum lease is less than 15% to 30% of

the total cost of ownership. The remaining 70% to 85% of this utility spend creates an opportunity for Anterix to identify low capital intensive ways to build incremental value for our shareholders.

We expect to hear more about these options for incremental product developments throughout this coming year. So before I pass the baton to Ryan to update you on our execution, let me close with some observations on the growing and positive market forces that ultimately support the adoption of private LTE networks by utilities. I described earlier the driving force of electrification, utility grid modernization, spurred by the necessity of decarbonization, cybersecurity and electrification. In this past year, these have become above the fold issues where every week there are both positive and negative headlines demonstrating the urgent need for transformational change of our utility infrastructure.

We've all read about utility caused wildfires, power outages, cybersecurity incursions causing catastrophic threats to our energy supply. At the same time on the positive side, we've seen a tremendously increasing focus on carbon emission reduction efforts from President Biden and Congress. We have worked closely with policymakers and thought leaders on a range of legislative bills and potential additional stimulus funding that could help accelerate these essential changes. This focus is also resulting in a more aggressive decarbonization goals coming from companies across industries and especially from utilities. Power utilities are committing to investing in gigawatts of renewable energy and battery storage projects nationwide. And this further enhances the need for communications for the command and control of all of these new distributed assets.

We're also seeing a greater government focus on rural broadband. And with this and understanding that the private wireless networks of utilities will include the construction of new towers in fiber in previously unserved rural areas, providing a powerful foundation upon, which to serve communities in need of broadband connectivity. And all of these new programs will require a foundation of resilient and secure communications to function. And we expect this growing focus to continue to provide substantial tailwinds to Anterix's business for the foreseeable future.

And lastly, I'd be remiss, if I didn't describe the team we've built that is executing on our commercialization strategy. In this past year, we've dramatically strengthened our organization including our board, our sales team, our technology organization, our marketing leadership, our government relations team and well beyond. We've assembled an experienced team that I'm proud to call Anterix, and they will lead us into this next exciting stage of our journey.

And speaking of leaders, I'll now turn it over to our Chief Operating Officer, Ryan Gerbrandt.

Ryan Gerbrandt

Chief Operating Officer, Anterix, Inc.

Thank you, Rob, and good morning, everyone. Picking up where Rob left off I will continue to build on our overarching message momentum and execution. Momentum is defined as mass times velocity, which is the perfect way to think about the growing size, volume and pace of deals in our pipeline. This is how we measure momentum. And I intend to share with you today how we are seeing the pipeline develop in the evolution of critical use cases and in the execution of our strategy and our confident plan to deliver it. There are many positive signs of progress I see. Signs of progress that I acknowledged to the outside eye can seem slow. But I could assure you these opportunities that makeup our pipeline are developing. Our relationships with both utilities and partners are rapidly progressing and Anterix has become a trusted partner at the heart of the private LTE discussion. It is this reality and our history of results that form the basis of my confidence in our ability to continue to execute on our committed plans just as we have today.

For 20 years after beginning my career working at a utility, I've been both a student of and innovator in this exciting and ever changing industry. An industry that provides the lifeblood that powers our everyday lives, our core national infrastructure and everything around us. It is essential. I've dedicated my career and made up my mission to enhance the important role that information, digitization and control can bring to our transforming industry, an industry under stress, the stress of needing to play an important role in decarbonization, adapting to environmental changes and staying resilient and reliable to a new set of external threats. I've always believed that through a focus on communication systems, their applications and the driving vision that one day there will be technology solutions to unlock the full potential of a clean, efficient, secure, and digital grid. As Gil Quiniones, CEO of New York Power Authority and Chair of the GridWise Alliance was recently quoted, we saw the megatrends of decarbonization, decentralization, and digitization in our industry. And so, at that time we decided to embark on a digital transformation journey at the power authority.

Now let me dive into our efforts at Anterix. My focus is on the electric utilities and our bull's eye are the investor-owned or IOUs as commonly referred. They cover the majority of the country's population and most of our spectrum value. IOUs are an ideal fit to our business model, seeking customers with large geographical footprints, having strong credit, and a desire and ability to deploy the significant capital necessary to build these private networks. For the purpose of today's conversation, I will characterize IOUs based on the potential value of the Anterix spectrum in their operating territory. As many of know, spectrum value is like property value, varies in price from market-to-market largely as a function of scarcity and usefulness.

The most basic premises spectrum value just like the price of a 1,000 square foot apartment will differ greatly, if you're in Manhattan, New York or Manhattan, Kansas. This reality is reflected in thousands of spectrum transactions that have occurred over the last several decades and it's an accepted tenet of spectrum valuation. Now I put this in perspective of our first two deals: Ameren, which serves Illinois and Missouri across the service territory spanning 64,000 square miles signed a 30 year agreement for $48 million.

Our second customer San Diego Gas & Electric with the service territory in Southern California covering roughly 4,100 square miles signed an agreement for $50 million. In both instances, the spectrum value fell between the historical 600 megahertz and AWS auction prices for the unique service area they cover. And this is what we consider to be fair market value. These two transactions highlight the nature of market specific spectrum value and suggest that we are on track to monetize our spectrum holdings at a value consistent with these two bookends. Applying this concept across our pipeline you'll see we have a range of deal values that relate to location and size.

In fact, half the prospects in our pipeline result in a potential prepaid spectrum value above $60 million and half are below. Now while our first two deals fell in the below $60 million category, we believe that upcoming deals will fall into both. Fueled by the momentum of our first movers and the clear need across our industry, our pipeline has now grown to include over 50 utilities with a total potential prepaid contract value of approximately $3 billion. And to give a further point of perspective, just the top five largest of these opportunities have a combined potential prepaid contract value greater than $1 billion.

I'm very pleased with our progress with multiple paths to convert this potential into approximately $1.8 billion of contract proceeds by end of fiscal year 2024. Let me now explain what's driving our demand and how and why we've built such a robust pipeline in such a short period of time. Number one, every wireless network must have spectrum. It's not optional. And nationwide licensed low band spectrum like ours is scarce.

Number two the utility grid modernization imperative is inherently digital and as a result is driving demand for broadband connectivity that cannot be met by narrowband networks previously available. The need for visibility

and control of millions of assets across a growing utility footprint is driving demand for private wireless broadband. In a private wireless broadband network built on 900 megahertz spectrum can provide the real-time coverage necessary to enable the digital and data-based innovation possible through applied machine learning, artificial intelligence, and levering – leveraging cloud computing.

And number three our 900 megahertz spectrum is low band, which means under 1 gigahertz. As a result a cell site using low band spectrum can provide coverage to a considerably larger area and penetrate obstructions better than comparable mid or high band coverage requiring a fraction of the sites to cover a similar area. As Rob referenced, but important to repeat the lower number of sites is significant because it directly translates into lower total cost of ownership for the utilities due to the reduced cost of building and operating towers.

Number four, we are pursuing standardized LTE with a path to 5G. The LTE standard is defined by the global 3GPP organization supported by global infrastructure vendors and carriers with billions of connected devices including the smartphone in your pocket today. For utilities joining this global standard ensures compatibility and reduces risks of obsolescence and provides a robust ecosystem of devices and solutions into the future. And LTE as defined long-term evolution has been purposely built to evolve just as the name suggests. It has being forward conceived to ensure a seamless migration to 5G when needed.

And number five, finally and in my opinion most importantly our licensed spectrum will enable the deployment of private LTE networks. Private means the utility can control all aspects of design, deployment and operation. Utilities have unique requirements, requirements that are met by network solutions purpose-built for them. And a private network will allow them to consider the priority of their use cases and build specifically for their need and when built on licensed spectrum will mean the utility does not need to compete for access when it's the most needed.

Now keep these characteristics of 900 megahertz at an LTE in mind as we discuss how they integrate to support not just today's use cases, but the ones that will be developed in the many useful years of this network service. Serving these new and evolving use cases will not be possible with the narrowband, single purpose networks utilities operate today. And it excites me that this evolution to standardize broadband creates an extended future value, value that will continue to grow as new use cases are created and added to the network in the future.

Let me share five of the dozens of real world use cases, we are seeing utilities currently pursue. First, reliability and resiliency are very important for utilities. Weather related events including wildfires are occurring at an accelerating pace. Falling conductor protection is an excellent example of a use case addressing the urgent challenge of a utility-caused wildfire. A private LTE network built using 900 megahertz has unique technical capabilities and supports the speed and bandwidth necessary to identity a broken line of electrical wire and de-energize it in the approximately 1.4 seconds it takes to hit the ground.

The importance was brought into focus when PG&E and Northern California recently had to pay $25 billion in settlement claims and ultimately filed for bankruptcy protection as a result of the wildfires. This solution offers a game changing outcome for utilities across the country, faced with the corporate risk and liability associated with potential utility-caused wildfires.

Second, monitoring, sensing and control are essential requirements for a digital grid. The ability to stream video, embed analytics with automated intelligence and machine learning unlocks new innovative solutions. Leveraging streaming data to analyze a video feed in real time or to deliver on the spot augmented reality or technical support to a new digital field work force. This requires a broadband communications platform. When deployed at a

substation or a generating station, it can detect operating anomalies or security breaches of our physical infrastructure.

And third, net-zero carbon goals, associated incorporation of Distributed Energy Resources and electrification of transportation will create a challenge for utilities. The fact is that renewables are intermittent by nature. They're spread throughout a utility service territory and require real-time monitoring and control. It is absolutely imperative that these dynamic renewable and distributed assets communicate with their peers, as well as other control systems in the grid to maintain stability and increase resiliency. Investigating and testing these real-world solutions is at the heart of what we in the National Renewable Energy Lab have been studying. The need for a communications network that offers territory wide coverage and meets the technical requirements to provide ubiquitous connectivity with full visibility, control and reliability can be met by a private wireless LTE network.

Fourth, another but different type of use case are those requiring mobility. As utilities recognize the need to evolve away from narrowband land mobile radio systems and technology developers design products to address that evolution, the value of private LTE could not be more obvious as consumers like us use this capability nearly every day. The moderate utility workforce is information based and mobile, whether it is the voice communications they need between crews or to connect the fieldworkers to the maps, work orders or equipment that require real-time information and control, private LTE will meet this need.

And fifth, tying all these use cases together are the overarching benefits of a more cyber and physically secured network. As we've seen again recently with the events surrounding SolarWinds and Colonial Pipeline, the public Internet is a gateway to nefarious actors, whom have given the access can-do-harm risking the provision of this critical service. A private network by design not connected to the public Internet aids in creating isolation and limits the touch points to these secured networks. Using an LTE standard allows utilities to extend their core security model into the field, creating an integrated view and better use of industry standard tools to monitor access and detect unauthorized behavior.

To highlight how private LTE is being utilized to address these use cases and to further reinforce our momentum and market progress, let us listen to insights directly from some of our current and future customers.

[Video Presentation] (00:43:16-00:45:05)

So, let me go deeper into the pipeline of customer opportunities and provide you with some details of the incredible progress we have been seeing. We've come a long way since the FCC decision last May and particularly in the last six months to eight months. We're working with more perspective customers in parallel than we ever have before, growing the pipeline to more than 50 in total, a pipeline as I said that now contains approximately $3 billion and potential prepay contract value and represents approximately 85% of our addressable market. Think about it, it's one thing to identify who our addressable market is, but it's quite another and much better when 85% of that addressable market is in our pipeline now and are actively engaged with us.

With my experienced sales team led by a seasoned utility industry executive, we have better visibility than we ever have had about our future customers which yields a much stronger understanding of each buyer, their influencers and the journey they are on. My team and I are confident in our understanding of their journey from interested, but uninformed to contract signing, which historic – with history has shown us will take between 18 months and 36 months. But fortunately, we are continuing to encounter utilities who have started this exploration even before we engage, thus shortening our time with them. In just the past year, we've experienced a dramatic change in the status of the journey with our customers.

To me, it's best described as the transition from a vendor to a partner. We're now jointly working with them on their desired outcome, including everything from helping them with internal deliberations to technology and vendor choices. And as measured by the increase of prospective customers in the pipeline, the mass education we are successfully delivering is clearly engaging more utilities into the journey with us. For our internal customer engagement tracking, we build this pipeline into three phases with the heaviest lifting occurring in Phase 1 and Phase 2. In the beginning, all our customers start with education and our relationship with them is best described as transactional. This is Phase 1. It is transactional in our exchange of information and knowledge as they are developing and understanding of the important role of licensed spectrum and the role private LTE can play in meeting their connectivity needs.

Before I would have described this as being about breaking down doors and trying to turn skeptics, but this has changed. Utilities are getting engaged, sharing knowledge, building experience and joining us directly in a campaign to a common goal. We've recently heard from a major utility President and COO after gaining awareness of Ameren's private LTE project, challenges team with, why don't we have one of these. Let's go figure it out. That is momentum and demonstrates the power of the utility voice with their peers. And this momentum is important to our progression. The deals we are working in Phase 1 today will be the deals from our funnel, which we believe will lead to more and larger deals in fiscal year 2023 and 2024.

But even more meaningful to me as the indicator of our progress is the evolution of Phase 2 pipeline relationships. I've seen it many times over the years. There's an imaginary line or a point in time in the utility buying psychology where we so clearly cross into a new relationship in this process. Just as I described the first phase is transactional, Phase 2 is transformational. We've seen a significant uptick in the number of prospective customers moving into this stage more than doubling of this category in the last six months to eight months. I want to repeat that the prospective customers in this phase alone has more than doubled in the last six to eight months, this is momentum.

In this Phase 2 category, we're potentially running pilots, assisting utilities through building their internal business case with internal stakeholder buying and supporting them across many other aspects of their plan development. Taking full advantage of our talented team in our Advisory Council, who's made up of a range of experienced individuals including public utility, FCC and FERC commissioners, the former head of FEMA, a two-term Governor, the former CTO of the Department of Energy and more. Due to the efforts of these incredible team members the combined potential prepaid contract value of the utilities in this advanced category alone has grown to more than $1 billion.

The final closing stage is what we call Phase 3. Expected to be the shortest phase in the process here our confidence in closing a deal is high. But it also remains the most difficult to predict the exact timing with accuracy. While prospective customers in this phase have made a solid commitment to 900 megahertz, they have a defined private LTE plan, we're now together finalizing their internal stakeholder engagement negotiating price, terms and drafting final agreements.

Well, we're under NDA, so I can't mention specific companies. Let me give a couple examples of prospective customers in Phase 3. One large customer with whom we've been working has completed their pilot and now in coordination with their CIO we're working to align their deployment schedule priority and focus with our commercial offer. The result of this will be an integrated plan and finalized business case for their internal committee approvals.

A second utility after completing their internal due diligence regarding their private LTE network plan is now finalizing the review of a broader integrated network study to conclude the timing of a variety of critical network

investments. As we see commonly, private LTE is part of an integrated grid modernization or digitization project with many related, but independent components.

As I said earlier, with both these examples we feel there is solid support of 900 megahertz as their foundational spectrum choice and we're now working through as partners to assist them through their internal process and this final phase.

Let me now share two examples that I feel demonstrate the activity and excitement that is fueling our pipeline and driving the momentum that is progressing customers through these phases. First, the pilots, when you get down to the basics of why utilities run pilots, it's usually either about proving technology or to confirm assumptions. For my years of experience, I've seen the progression that is taking place here before. Bluntly, utilities are no longer pursuing pilots to confirm private LTE as a technology, but now we're using pilots to build support, building supporting facts to underpin their business case, building internal support with pilots to showcase this for the [ph] sea (00:52:16) level and building support through demonstrations to the regulators.

As of today, we've seen 11 experimental licenses granted by the FCC for our 900 megahertz spectrum and I'm happy to announce the 12th was just filed last week with Avangrid. Eight of the 12 are directly with individual utilities including Amarin and now SDG&E, who notably did not pursue a 900 megahertz experimental license prior to our deal. One of the remaining four is with the National Renewable Energy Lab, who includes an advisory council of utilities working with us in the lab, focused on energy research, development, commercialization and deployment of renewable energy and energy efficiency technologies. All told, there are now 14 utilities that are or that have participated in private LTE networks, and we have additional utilities exploring more.

Another indicator of attraction could be seen in the emergence of Anterix Active Ecosystem Program and for the solutions it will deliver. For any investment, utilities must demonstrate value, a positive business case and ultimately provide a reliable, clean and affordable product to us as customers.

Solutions designed for utilities demonstrate this value. This is one of the foundational reasons we formed and launched the Anterix Active Ecosystem with now over 40 market leaders in the device, services and solution space, including leading companies like GE, Cisco, Motorola, Nokia, Ericsson, Qualcomm and many more. The goal of the program is to provide a collaborative environment, where technology leaders can investigate and develop utility focus 900 megahertz solutions.

This benefits not only its participants, but also the utilities in Anterix. For the utilities, it is easier to consume integrated solutions and it enhances the value of private LTE investment adding additional use cases and accelerating the integration of these solutions.

For the technology developers, the use cases that the utilities identify on their own and through the Utilities Broadband Alliance could be investigated and addressed together through the Anterix Active Ecosystem Program.

And for Anterix, it creates an easier path to yes and now captures the enormous sales and marketing power of the combined ecosystem. And it also creates a low capital-intensive platform for us to explore and develop potential new revenue opportunities with partners. The one thing that is common connecting the entire Anterix Active Ecosystem together is the de facto standard that is forming around our 900 megahertz spectrum. Let us now hear from some of the large founding members.

Let us now hear from some of the large founding members.

[Video Presentation] (00:55:09-00:58:20)

So what does this all mean to our current and future shareholders? The size and number of potential deals that reside in our pipeline, our deep understanding of where customers are in the process and the assisting fuel of a developing and supportive ecosystem gives us a range of paths to achieve the accelerating year-over-year growth necessary to deliver on our approximately $1.8 billion fiscal year 2024 forecast and having roughly 50% of our spectrum put to work.

In the near-term, we have a robust steel funnel that makes me confident in delivering on our two to three customer contracts later in this fiscal year. And, specifically, we forecast more than doubling last year's results, yielding at least $200 million of contracted proceeds in this fiscal year. And, finally, before I hand it over to Tim, I wanted to address a very important element of our efforts to meet customer needs.

Investor-owned utilities are regulated companies, and just to keep it simple operate under a business model that creates a capital rate base approved by the public utilities commission in their operating state or states, of which utilities can then earn a rate of return on that capital investment. This means utilities have a strong preference for capitalizable assets.

We've partnered with several utilities to help find a solution that addresses their financial and regulatory accounting needs specifically. Prepaid leases have proven an excellent solution to this unique utility challenge, and Tim will discuss in a minute the benefits to Anterix. It's a true win-win. Our industry needs private wireless broadband connectivity. We at Anterix are no longer the only one saying it. As you can certainly already sense, there's a convergence of real need and opportunity.

We have built and are continuing to build on the trust of our customers and the pipeline prospects of putting us as the literal bridge between the mega sectors of telecom and energy. Our ecosystem sees the emergence of the de facto standard that 900 megahertz private LTE networks will be and we have a vested interest in realizing the acceleration of end-to-end private LTE network adoption across the nation.

We have delivered on our mission today and we are confident in our team and our execution into the future and our business plan puts us at the heart of the grid modernization imperative, crucial to America's safety, economy and future.

And with that, I'll pass it over to Tim Gray, our Chief Financial Officer.

Timothy Gray

Chief Financial Officer, Anterix, Inc.

Thanks, Ryan, and good morning, everyone. As CFO, I'm excited to share with you, how our momentum and execution that you've heard about today translates into value for our shareholders. I'm extremely proud of our achievements, providing us with the opportunity to make positive updates to our model, which I'll review with you today.

Let me start by highlighting the three pivotal concepts I'll be focusing on. We expect to capture an important segment of customer demand for private wireless networks, and therefore forecast contracted proceeds of approximately $1.8 billion by the end of our fiscal year 2024. To be clear, that's less than three years from now. We believe the majority of our contracts will be prepaid in full over the first three to five years of the term to meet our customers' needs, bringing significant cash to our balance sheet sooner than previously anticipated and

allowing us the opportunity to begin to return value to shareholders within the next two calendar years. We anticipate the value of our future contracts will be consistent with our first two customer agreements, both of which represented fair market value for the service territories covered.

Now, I'll spend some time expanding upon each of these critical areas of our plan. Afterwards, I'll discuss updates of the cost structure of our business. Today, you've heard the indicators of growing customer demand for private wireless networks, collectively highlighting the integral need for private spectrum to serve as a foundational layer of these networks. As a result of this increased demand for our proprietary 900 megahertz spectrum offering, our pipeline has seen a meaningful increase in opportunities with an associated prepaid monetization opportunity of roughly $3 billion. With the evolution of our customer conversion process on track, we reiterate our short-term guidance of signing two to three customers with over $200 million of contracted proceeds later this fiscal year. So let me repeat these very important facts about this fiscal year. We have a current pipeline value of roughly $3 billion, and we believe we will sign two to three customers with over $200 million of contracted proceeds later this fiscal year.

In addition, based on the growing demand and expansion of our pipeline, we are forecasting to contract approximately $1.8 billion of our spectrum value by the end of fiscal year 2024. Our confidence in this value is supported by publicly known spectrum transaction comparables, the actual pricing discussions we are having with our customers, as well as our knowledge of the low band spectrum resource on our balance sheet, which becomes more valuable as we convert narrowband spectrum to broadband licenses.

We previously forecasted timing payments of our contracts to be annualized over the lease term. What we are now forecasting is primarily upfront payments of the entire agreement over the first three to five years of the lease. That means as we contract with prepaid customers, we'll receive significant incoming cash flows much faster than previously projected, strengthening our balance sheet and reducing risk.

Customer prepayments will likely continue to be made similarly to how our contracts are structured with Amarin and SDG&E, including a down payment, and then aligning the remainder of the payments with the timing of our delivery of broadband, spectrum coordinated with the deployment requirements of their private wireless network.

Based on our forecast of contracts over the next three fiscal years, and the corresponding prepaid terms associated with these deals, we forecast to receive proceeds of $300 million to $500 million by the end of March 2024, which does include contracted amounts due from Amarin and SDG&E. Also keep in mind, after fiscal year 2024, there's projected to be over $1 billion in contracted proceeds that will be due to be collected from executed leases under our plan. We'll have roughly half our spectrum values still on our balance sheet and our sales team will be working to convert those assets to valuable contract. We firmly believe we are fully funded, when factoring in our remaining contracted proceeds to be received from both, Amarin and SDG&E of $77 million, future operating expenses, estimated costs associated with spectrum clearing and the projected cash payments associated with future spectrum transactions.

Anterix has a debt-free balance sheet and a strong starting cash position of $117 million as of March 31, 2021, which includes $20 million received from SDG&E in our last fiscal quarter. Accordingly, there is a great opportunity to begin returning value to shareholders earlier than anticipated and within the next two years as we execute on our customer plans.

We intend to consider the use of cost-effective and tax-efficient ways to return value to shareholders, which could include share buybacks and/or special dividends. While the timing of cash proceeds has significantly improved, since our initial guidance in May 2019, there are a series of additional elements of our financial forecast that

remain intact. Those include; our key assumptions of contract terms, where we continue to target, having a portfolio of customer agreements with average maturities of around 20 years, annual pricing escalators and long-term renewal options.

As an illustration, let's look at a spectrum lease with associated proceeds of $100 million paid annually over 20 years, including an annual 3% escalator and compare it to a spectrum lease for $100 million prepaid over the first four years of the contract term with the annual escalator reflected in the NPV of the agreement in a lease structured with annual payments and in annual 3% escalator, the initial proceeds would be approximately $4 million in year one and go to $6.5 million in year 20.

Under GAAP, we would recognize revenue on a straight line basis at $5 million per year for each of the 20 years, now taking that same 20-year contract and converting it to fully prepaid over a four-year term requires the less order present value, the annual cash payments. Given that our utility customers are financially strong with some of the best investment grade credit ratings, we can use a range of single-digit discount rates when calculating the present value of the contract. So the present value, again applies to the same lease converts to $100 million paid over a 20-year term to roughly $45 million to $65 million of upfront prepayment, paid over the first four years of the lease, using the middle of the range in this example Anterix [ph] got (01:07:50) $55 million on our balance sheet fully received four years after signing the contract, instead of only $16 million in the first lease scenario with the residual payments being made over 20 years. Under GAAP, we would recognize $2.75 million of revenue annually, which is roughly half of the annual revenue associated with the long-term payment lease. Again, an influx of cash being paid upfront and far sooner than originally anticipated is a welcome opportunity.

Looking more broadly, we will recognize revenue as our spectrum is delivered and available for use by our customers. Our goal is to put our spectrum to use as quickly as possible as it is cleared. Based on our two contracts executed to-date, we expect to recognize revenue associated with these deals this fiscal year. As a result of our customers' choice to prepay, we are pleased with the positive changes to our forecast. Going forward, we will focus our discussions on contracted proceeds and free cash flow. Accordingly, our previously projected contracted annual run rate revenue may no longer be an appropriate indicator of our business.

As a result of the changes in timing of cash proceeds, we believe that Anterix should be valued on free cash flow. Securing cash upfront reduces risk, strengthens our balance sheet and helps to ensure there is no need to go out to the capital markets for additional funding. It also provides us with the opportunity to return value to shareholders earlier than anticipated based on our execution. There's also substantial residual value to be captured after the initial lease periods when either customers choose to renew their leases for additional pre-determined terms bringing in new proceeds or Anterix reclaims the spectrum to be used for another purpose.

Now, we'll turn to the cost structure of our business. Our operating expenses are estimated to run between $37 million and $40 million per year through fiscal 2024, which includes spend to evaluate potential value adding opportunities that is not considered material. Following the report and order, we gave a range of $130 million to $160 million for spectrum clearing costs and we're right on track. This range includes spectrum purchases, moving incumbents out of the broadband segment as well as any necessary anti-windfall payments to the FCC to deliver broadband licenses.

As a reminder, we issued a letter to our shareholders that provided all the relevant details associated with our spectrum clearing obligations and [ph] costs (01:10:27), which can be found on the Investor Relations page of our website. I'm pleased with the progress we have made since receiving FCC approval of the rules almost a year ago.

Since our last Investor Day in May 2019, we have completed deals to clear approximately one-third of the incumbents in the 900 megahertz band. In our last fiscal year, we spent $14 million through contractual arrangements with incumbents. Going forward, we expect to spend approximately $30 million for clearing efforts per year for the next three years as customer acquisitions ramp-up. As previously noted clearing cost could be decelerated or accelerated based on customer demand. So, when combining our projected operating expenses and clearing costs, we'll be spending approximately $70 million per year through our fiscal 2024 year end.

Lastly, on the cost structure, I'd like to address taxes. The prepaid nature of our leases will increase our taxable income sooner than previously planned, because these proceeds must be recognized as taxable revenue within the first two years of receipt. However, based on the projected timing of our cash receipts and expenses and the $250 million of federal NOLs, we've accumulated as of March 31, 2021. We do not anticipate being a federal taxpayer through fiscal year end 2024 as we utilize those NOLs.

Now, I would like to spend a moment reviewing the value of what we own, our 900 megahertz asset. Broadband spectrum is valuable. And recent FCC auctions have significantly exceeded market expectations in terms of dollars per megahertz pop. Our customers' value dedicated spectrum and have already started investing as evidenced by the $175 million spent by 11 utilities in the CBRS auction, plus nearly $100 million spent for 900 megahertz by two utilities with us. SDG&E an innovative force in private networks has invested in both, 900 megahertz and CBRS. And we anticipate others will make similar decisions to leverage the complementary benefits of low-band and mid-band spectrum.

Spectrum is scarce, and therefore, reinforces our confidence that future contracts will reflect the benefits and value of our foundational low-band broadband spectrum. We believe that 900 megahertz will continue to garner fair market value, consistent with the expectations set for two years ago and demonstrated in our initial two customer contracts. Both Amarin and SDG&E fell within the book and range of the 600 megahertz and AWS auctions or what we see as fair market value. Continuing to monetize our spectrum within that range should result in a multi-billion dollar opportunity for our spectrum asset, which is more reflective of the average of our prospective future contracts over time.

Going forward, we believe our contracts will be bespoke and will reflect fair market value for the service territories of our customers. In conclusion, for much of the seven years I've been here at Anterix, my role as CFO has been focused on ensuring that we have sufficient capital to support our long-term business. Our forecasted $1.8 billion of contracted proceeds by end of fiscal year 2024 expands that focus. Those proceeds would represent only half of our spectrum value translating to about $100 of contracted proceeds per outstanding share. I'm pleased to say that as a result of our experience and monetizing our 900 megahertz asset, my focus will expand to include identifying the most efficient ways to return this value to shareholders. I look forward to elaborating more on these plans with you in the future discussions.

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

Robert Schwartz

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

Thank you, Tim. Before we jump into questions and answers, let me summarize just why I'm so excited about this Anterix opportunity at this moment in time. You heard a lot today about momentum, momentum that in my view is translating into a movement, no longer in our voice it's in their voices, the voices of utility executives, legislators, technology leaders, all identifying this tremendous need for private broadband networks to solve mission-critical use cases.

And that intersection with our business model, a different kind of wireless company, where we're leveraging the balance sheets and capital investments of utilities for very capital-efficient model for long-term leasing of our spectrum translates into our ability to project these contracted proceeds and near-term cash flows and also allows us now to talk about the potential for returning substantial value to shareholders. And the continued execution on this unique business opportunity is what excites me and my team.

Thank you. And with that, I'll turn it over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Thank you. And our first question is going to come from the line of James Ratcliffe with Evercore ISI.

James Ratcliffe
Analyst, Evercore Group LLC

Q

Good morning. Thanks for the question. Two if I could, first of all, Rob, could you give us- and/or Tim, could you give us some color on kind of the investments you're talking about to drive adoption? I mean are these opportunities that are high ROI on their own or are these more investments that facilitate the sale lease of the spectrum portfolio?

And secondly, just looking at the capital returns and the costs, if my math is right $120 million in cash now add $300 million to $500 million by end of FY 2024, it's a [indiscernible] (01:16:41) by three years at $70 million that would still leave you with $200 million to $400 million in cash at the end of FY 2024. So I guess the question is, why not push the capital returns sooner and in greater size? And also could you just mention what you mentioned tax concerns what potential tax concerns that could be around capital returns? Thanks.

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

A

Thank you, James. Good morning. On your first question about the incremental investments that really what we talked about as the incremental opportunities for our shareholders, I want to be crystal clear. Our focus as a company today is on the execution of building the contracted proceeds what we talked about, right the accumulation of that through this fiscal year and through 2024 and well beyond, right? We're only monetizing half our spectrum through 2024 as we're talking about and still have half the spectrum of balance sheet to be able to build more value and the residuals, the renewals of those leases beyond that.

The incremental aspect of us investing in additional businesses, we're really looking at things that are low capital-intensive, right? As we have built these relationships, especially you saw it most recently in all of the follow-on announcements as part of our Anterix Active Ecosystem Program. Right, where we had 37 and now have over 40 leading technology vendors that ecosystem, right turning our spectrum into a solution is where we see opportunity to capture additional value. And those are low investments from our standpoint most of which is already included in all the numbers that you're hearing from Tim as he forecasted. Tim, maybe you want to take the financial question.

Timothy Gray
Chief Financial Officer, Anterix, Inc.

A

Sure. Thanks, James. Thanks for the question on capital return. One of reasons why I was excited to have this meeting was to be able to talk about returning capital to shareholders sooner than we had earlier anticipated. The math you did was right, and so that's why I said we anticipate being able to return capital within the next two calendar years. So, you'll hear more about that as we move forward and we're going to try to do that in the most tax efficient way as possible for our shareholders. So you'll hear us talk about potential for dividends, the potential for a share buybacks as we move closer to being able to come through on those promises.

Operator: And our next question is going to come from the line of Simon Flannery with Morgan Stanley.

Robert Schwartz
Chief Executive Officer, President & Director, Anterix, Inc.
A

Good morning, Simon.

Alexis R. Roper
Analyst, Morgan Stanley & Co. LLC
Q

Hi. This is Alexis on for Simon. Can you hear me okay?

Robert Schwartz
Chief Executive Officer, President & Director, Anterix, Inc.
A

We can. Thanks.

Alexis R. Roper
Analyst, Morgan Stanley & Co. LLC
Q

Okay. Great. I guess one question on the pipeline that you previously talked about I guess 70%, 80% of the pipeline in Phase 1. How should we think about or kind of how that cohort has shifted and how the customers are moving through the pipeline? And then another question, have you seen potential customers walkaway at this point? And then another question is are you hearing anything in terms of utilities, contemplating other service providers or anything of that sort or are that kind of just coming to you is the only option?

Robert Schwartz
Chief Executive Officer, President & Director, Anterix, Inc.
A

Yeah. Alexis I'll take that last question. Maybe Ryan can answer the other two. On another alternatives, the key thing that we talked about in our prepared remarks was about this driving demand for private communications, right? And private really has some essential aspects that aren't available from commercial networks. And a number of us came from the carrier world, so we've got tremendous respect in a great business model of carriers. But when you're a utility and you got to realize utilities for decades have run private networks for their own needs and why have they done it, they've done it because they need a level of control of those networks, right. The ability to build these networks to their standards with the backup requirements, with the battery requirements. And additionally they build it where they need it, a lot of assets of utilities are in places where there aren't people intentionally, substations, high power transmission lines. And so that coverage aspect is another key area of why they want private and why they're not looking to carriers.

There's also a long history of issues that utilities have had with carriers in the past. And you can go through hurricane after hurricane or storm after storm of where their needs weren't prioritized, and so that gets into the with the private that the prioritization of their capacity over anyone else's is essential especially in the time of need during those storms.

And lastly before I turn it to Ryan is about really the cybersecurity aspects. Needless to say, you're reading about this every day in the paper about all the incidents that are happening and a lot of which are pointed at these utilities. And so the ability to build a system first of all that's private, meaning separated from the public Internet is a critical piece of their focus, but also being able to layer on additional cybersecurity layers of applications and software as they need and this is a changing environment, it's dynamic. And so it's not a one-time build it's the ability to own their network and let it evolve as these continued threats occur.

Ryan, you want to take the other question?

Ryan Gerbrandt
Chief Operating Officer, Anterix, Inc.

A

Yeah. Absolutely. Let me just add actually to that point before I come back to the pipeline, Alexis. One of the recently filed experimental licenses that I spoke about was with Avangrid. So, Avangrid is up and up in New York up in New England area and their use case really highlights a lot of the attributes that Rob was talking about. I think is a great example. I'd encourage you to go look at to really hear it from the voice of the customer about what drives their considerations as they think about exactly that challenge and at the intersection between the options that they see driving private networks versus some of the other options. But what they really focus on comes down into three main components.

They talked about a hardened network, which is something that we've seen in the past where hardened to utility means they had special requirements. They had special requirements for how they need to operate for the capabilities the backup power supplies that may go with the towers and the sites that they're building. And that drives them to a level of customization. And this is part of the feature of control that utilities are really looking at when they're building their private networks.

And the next piece really comes down around coverage, utilities coverage footprint obviously can be quite different than what they see in terms of some of the options that they get from the carriers. Obviously, they don't have the luxury of only servicing 80% of their service territory or a fraction of their overall customer base. They're absolutely obliged to be able to provide that coverage to every square mile of a service territory, which we see a lot in the United States can include quite a bit of remote rural service territory and being able to have that flexibility in their specific design requirements is a big attribute of why they drive private.

And then the third piece is to highlight Rob said is really this idea of how to improve and increase the level of cyber and physical security as they can see advantageously through the adoption of a private LTE network being able to establish as we call it the air gap between the public internet and what they can do in controlling the connectivity to their OT or their operational technology devices, which is where a lot of the sensitivity is. And the further that they can go to isolate that the better they are off in terms of being able to protect themselves from the nefarious actors that can come in through the public internet.

Now let me come back to the pipeline. So, what we've been seeing just relative over time as I highlighted is growth in a variety of areas. Obviously, we've seen growth in the overall size of the pipeline moving up to 50 total customers who are active with us. And I think it's important to recognize, we're quite stringent in terms of how we think about the development and who and how we enter new customers into the pipeline. These are what we call qualified customers.

Obviously, there's a lot more customers who we may hear have an interest or who may be on the sidelines starting to consider that. But we really want to make sure that we got a thorough process in terms of how we

qualify and enter those onto the pipeline in the first place. So, seeing that growth is actually fantastic frankly from my experience it's faster than I would have predicted it. You know in terms of seeing that more in the mass stage of adoption in terms of how that evolution has played out.

As I said what, the key that I'm really focused on right now, because this is my indicator and this is what I am looking at, as I am thinking about building the pipeline and what comes as we move forward, it's 2023 and 2024, is what's happening in the evolution of Phase 1 to Phase 2 customers, and you know being able to see the doubling of the amount of customers that are working that way into stage 2 in the last six to eight months is absolutely a phenomenal sign to me. You know both momentum and just the general way that the conversation is extending itself and continuing to carry on in the market.

And it makes me confident. You know, it makes me absolutely confident in terms of the options that I see in various ways that we can ultimately get to both the $200 million in this fiscal year and then building what is the clear accelerating pipeline needs as we go to the goal in fiscal year 2024.

Operator: Thank you. [Operator Instructions] And our next question is going to come from the line of Phil Cusick with JP Morgan.

Philip A. Cusick
Analyst, JPMorgan Securities LLC

Q

Hey, guys. A follow-up and then another one. Can you just to push on this again, can you quantify the number of potential customers in each stage. How many are in that final stage. And what was the number six months ago?

Ryan Gerbrandt
Chief Operating Officer, Anterix, Inc.

A

Yeah. Thank you for the question. I'll take a start at that one. I think what we've been looking at big picture is just the overall growth. I'm laser-focused on really what we're trying to do in terms of the options and how it ultimately works its way through. The question on Phase 3, obviously there's sensitivities when we get into Phase 3. We completely appreciate the question. But I want to be very careful. Obviously when we get down to that phase as I said, we're at a smaller, the low-end or the bottom end of the funnel, however you want to think about it. You know, but in terms of that's where we're finalizing the agreements in both from a strategic and from a competitive perspective, there are some sensitivities there that I want to be careful with. But coming back to the overall, what I'm primarily looking at it is the overall growth of the pipeline. We were at [ph] 40 (01:27:10) before when I last talked about it, over [ph] 40 for now over 50 (01:27:11). And the biggest change has been really then into what we've seen in terms of the doubling of the size into Phase 2.

Philip A. Cusick
Analyst, JPMorgan Securities LLC

Q

Okay. Okay, that's helpful. And then you mentioned additional value-add services. It's something you're not ready to be specific. But can you give us some general ideas as to what those might look like and the type of upfront cost we should anticipate?

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

A

Sure, Phil. Good morning. I think I touched on rightly before. There's a few different ways in which you can think about this, right. We've defined all the different companies participating in our Anterix Active Ecosystem Program.

You can get idea of the kind of needs of the utility ecosystem and their needs for a solution, right? So spectrum is the underlying foundational element.

But you obviously need equipment, right. And that's both the infrastructure and the endpoints, both of which were playing a role with those vendors. You saw the follow on announcements we had with Ericsson, Motorola, and Nokia, all critical vendors, global scale vendors, distributing band-aid equipment today around the globe each of them. Endpoints, the opportunity that we bring to deliver in this concept of a network of networks of scale, right, so focusing developers on applications and devices. One great example in that ecosystem is GE. GE has a product called the Orbit. It's probably the leading fixed wireless device, a router that sits on a pole to connect machine critical devices.

That product now in their marketing materials says Anterix Active, right. So that the idea of this ecosystem, first drives awareness and knowledge of the ecosystem that we have and the importance of our spectrum, but when you get to incremental opportunities, we see things like tower infrastructure as an example, right. And if you think about each individual utility, these are big electric utilities, but they're small wireless footprints. When you think about in the scale of national footprints, they don't have the economies of scale of negotiating and purchasing. And they don't have the expertise either.

So, we want to bring that centralized capability negotiating on behalf of the nationwide utilities for a master lease agreements with towers as one example, for equipment, for development creating that scale and scope value for them and in doing so creating opportunities for us to translate that into additional value for our shareholders. We think the investment requirements in there. A lot of it's already built into what we're doing because we're driving these ecosystems. But I would describe it today as de minimis. It's marginally incremental to what we're doing already. And it's low capital intensive from my standpoint.

Operator: Thank you. And our next question is going to come from the line of Mike Crawford with B. Riley Securities.

Mike Crawford
Analyst, B. Riley Securities, Inc.

Q

Thank you. Just to be clear in terms of timing in the next three years. So, you are saying two to three customers signed this year, and then I would imagine it's 5 to 7 next year and then 10 or more and in the year after that which is fiscal 2024, which ends in March of 2024 not too far away?

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

A

I think you've got – the gist of it correct. I want to be clear on something and Ryan can fill in the details. What we're really focused on is this concept of contracted proceeds and cash flow. As you heard from Ryan, the diversity and size of these customers makes it challenging to say just how many because there're so many different ways you can make up the targets out of our pipeline – our growing pipeline now with over 50 customers. And so it's hard to say, it's going – we're targeting, yes two to three this year to get at least $200 million of spectrum proceeds. And as we said fiscal year 2024 a target of getting $1.8 billion of contracted proceeds, but beyond that specific number of the mix as you can imagine given the scale of under $60 million, over $60 million we've talked in the past about your tens of millions to hundreds of millions of dollars. The combination could be less or more of the number of customers so we're focused more on the contracted proceeds.

Ryan Gerbrandt
Chief Operating Officer, Anterix, Inc.

A

Yeah, that's absolutely right, Rob and yeah I mean to call it what it is, I mean we see a hockey stick and ultimately it's a progression of what we see absolutely supported by the growing footprint that we have in the pipeline, but I reflect back. I think this is helpful to think about how that journey plays out, not – little over a year ago, May last year, really through the FCC report in order was when we had a product, as I think about it available to us as a company for the first time and having the capability to deploy and ultimately promote the broadband licenses. Now 10 months after basically through the first transactions that we had later that last year. We've been able to promote that or progress that to the $100 million of contracted proceeds that we saw through Ameren and SDG&E. And to me that's just phenomenal in its own right, in terms of a sign of traction in the progression now forecasting through this year into more than doubling that again to go over the $200 million that we see in this fiscal year just absolute signs of what we're seeing and kind of that growing and accelerating pace of volume and value ultimately into these deals.

And then as Rob said it's as I look at the over 50 customers that we have in the growing pipeline, covering over $3 billion already of a potential contract value. What I see as options. What I see and there is various pathways that could make up different volumes and sizes of accounts to ultimately continue to flesh out as we work them through the process as we look to really 2023 and 2024. And that's why I just come back to again why I'm so focused on kind of that evolution as I talked about in that progression of Phase 2. Some of those deals are absolutely going to be candidates as we think about this year. But I'm really focused on how do we build that momentum? How do we really capture that voice and what's going on in the industry as we get set up to execute on 2023 and 2024.

Mike Crawford
Analyst, B. Riley Securities, Inc.

Q

Okay, okay. Thank you. And then just regarding the CR spectrum, so you own 60% of these 399 contiguous channels of former B/ILT spectrum that's been moved to this private LTE allocation by the FCC report, but you characterize Anterix is the largest holder of FCC licensed spectrum in the 900 megahertz band. But where does that put NextNav which owns 8 megahertz in LMS band, between 919.75 and 927.75, actually, right between your paired spectrum?

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

A

Yeah. Good question, Mike. I think when we make the statement about being the largest holder, [ph] really time of the largest holder (01:34:08) within the 10 megahertz band that we've identified and was part of our FCC petition. So as you know the rules require in each of the individual licensing applications. And as we've stated earlier, we're proud to have just filed our first broadband license for the Ameren service territory. NextNav uses their spectrum for a different business or a different purpose not broadband used for the same thing. So within our band the 10 megahertz of which were – the FCC in their May ruling has allowed us to use 6 megahertz that – for broadband the remaining for narrowband. We're the largest holder within that band nationwide by far.

Mike Crawford
Analyst, B. Riley Securities, Inc.

Q

All good. Excellent. Thank you very much.

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

A

Thank you, Mike.

Operator: And our next question will come from the line of Walt Piecyk with LightShed.

Walter Piecyk
General Partner, LightShed Ventures

Q

Thanks. So the 50% for $1.8 billion obviously implies based on simple math approaching $2 a megahertz pop. Your first two transactions, which were very different obviously were what a $1.07 and $2.31. So when you think – about let's just look at the first year the $200 million. Obviously you don't know – you answering previously, you don't know how many is going to be and it could obviously vary as you have a rural guy come in versus a metro guy. But just – if thinking them out like the next over the course of the next year to hit the $200 million and then more broadly to hit – hitting the 50%, how wide of a range do you think, in terms of price per megahertz pop that those deals will be?

And then similarly these are great validation points. Obviously those first two were great validation points for the company. Are you going to announce everything so if there's a smaller utility that might – may have a lower price for megahertz pop is rural small? What is the materiality that you see is necessary to report each transaction as we kind of move forward here?

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

A

Yeah, thanks for the question. Well maybe I'll start and Tim can fill in on some of those details. Just generally, our approach to the spectrum, we talk about this idea of fair market value in their thousands of public market and private market transactions that we use as reference points. And as you can imagine, these are long term deals, Ameren for example, right, a 30-year lease. It's a significant negotiation. There are bookends as we talk about between the 600 megahertz spectrum auction, AWS-3. But it's worth noting that in the time, since those auctions we're seeing rising spectrum prices increasing, increasing demand and more scarcity of low band spectrum right. The C-band auction most recently while not directly comparable is showing that increasing demand and higher price point.

So for us remember, we're also talking about a lease, right. So the dollars that we're negotiating for is for the use of the spectrum during the lease term. For Ameren, it's 30 years. Typically, we're looking at 20 years and so that says that there's also renewal value after the end of that lease term as well.

But we're expecting and I think we flashed up a chart pretty quickly, but really indicated the idea that those two, it does vary as you pointed out dramatically by county, right. We're licensed by county throughout the US, where – as Ryan talked about in Manhattan-Kansas versus Manhattan-New York, you're going to see tremendously different megahertz pop values. But yeah, when you get to the average between them, we do see that we're going to be falling within that that midpoint between those two bands and see that continuing through our current conversations to bridge that.

Timothy Gray
Chief Financial Officer, Anterix, Inc.

A

Yes. And Walt at this point...

Walter Piecyk
General Partner, LightShed Ventures

Q

So Rob, your point is – your point is Rob that if announcement, let's say, the next deal for whatever reason, the one you get across the finish line is more rural and it ends up being whatever a $1.25, that – like that's we should still expect that type of variability because obviously every utility is different and they're in different locations that the band will still be fairly wide and the end goal would be to kind of end up at around $2 a megahertz pop for this first 50% of spectrum.

Timothy Gray
Chief Financial Officer, Anterix, Inc.

A

Yeah, I think you had it right, Walt. It's about 50%. It's going to be a dichotomy of deals and they're going to be up a little bit all over the place. But we expect that average to get closer to $2 that you talked about overtime.

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

A

Yeah, your point is important, Walt. Though you...

Walter Piecyk
General Partner, LightShed Ventures

Q

And so the attractions – so the attraction of your spectrum, obviously to utilities knows no population density balance, meaning that a rural guy, obviously is interested in protecting their network as it – as a metro market guy. So when I think about this, the second 50% over the years beyond your kind of 2024 timeline, is there any reason to think that the valuation should be differently? Or when you kind of look back at – you look at your pipeline that you're thinking that maybe that first 50% is going to be more population dense and then you'll get to more rural areas in the second 50%?

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

A

Yeah, I think, Walt, it's a little different from the – what we learned in the wireless world of having got rural properties and urban properties. These utilities own -the big investment utilities have multi-state territories and they're everything from rural to the statewide. So they've got rural. They've got urban in their footprints. So you'll see, in these larger transactions the coverage of both ends of that equation. So it's not that we're going to close urban areas and leave rural behind. I think you're going to see already like with Ameren, for example, that's got Missouri and more populated areas of St. Louis and some of Illinois as well. And so, you're going to have a pretty broad mix of that, I think and what we see in our pipeline. And so, yeah, there'll all be other smaller entities in areas. We see the opportunity eventually for co-ops and municipal utilities as well. NYPA as an example, right, New York Power Authority is a – Gil, who we quoted earlier, their CEO, was very active in the space, talking about the necessity for private broadband for the digitization of their grid. They're serving a vast territory within New York all the way from rural New York down to New York City. And so the needs on both ends is what I expect to see in the transactions that we're seeing in the pipeline.

Timothy Gray
Chief Financial Officer, Anterix, Inc.

A

And I don't see any differentiation moving from the first 50% to the second 50% in valuation.

Walter Piecyk
General Partner, LightShed Ventures

Q

Got it. And then just one more, if you don't mind. On the services business, which, obviously, you've got some level of SG&A target at that. I mean, you've had a lot of announcements, Motorola Solutions, obviously, in my view, at least, a great one just because of their similar targeted customer base. We have also, I think, Ericsson and a couple of the other vendors. How do you see that kind of ecosystem playing out in terms of monetization? Or is it more just like, okay, we've created this ecosystem where you've got highly respected vendors that are developing solutions, putting those R&D dollars into your spectrum, obviously, critical and that helps you monetize the spectrum? Or is there also some specific revenue opportunity in these ecosystem partners that you think is available to Anterix? Thank you.

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

A

Yeah. I'll kick that off and then pass it to Ryan. But I think you hit it right on it Walt that there's a big opportunity first for that to be an accelerator, right. So to have the research and development of these global scale companies, you can't take that for granted. Motorola is very powerful in the two-way radio systems that these utilities are already using and they're looking at the way they transform those systems to evolve them into broadband and LTE.

In – they're all coming together also through the Utility Broadband Alliance, right. And so their willingness in this sector, very different than other sectors, to share that information. So when we go through a pilot with SDG&E and you saw in our agreement, there's a big collaborative element of what they're doing there, in which they're offering to help not just the State of California with their wildfire mitigation plans, but also want to help the rest of the nation to build this scale and scope, right. This nationwide network of networks is no longer our concept. It's something that you're hearing. If you heard Caroline Winn, the CEO of SDG&E and she just spoke on a webinar that was on Public Utilities Fortnightly, one of the leading magazines in the trade, she talked specifically about that, about the need for this collective action for scope.

And simple examples of a truck roll in a storm or a wildfire goes from one utility territory to another, those communication systems are not compatible today. They don't have that interoperability. The devices don't work on each other's systems. And so this idea of collective action of coordinating that, it builds a lot of value for them first as a solution and that means faster adoption potentially and that – the idea of kind of that viral aspect of adoption as well. But within that, we definitely see opportunities. And yes, Walt, with your question within the ecosystem of areas where we can be part of that, right, helping drive the optimization of those devices, the applications of software and participating in the economics of the sale of those devices and those software and other elements of it. So that's something we're still evaluating, identifying where we can find low capital-intensive ways to be able to drive that, and we do expect to come back later this year talking more about that.

Ryan Gerbrandt
Chief Operating Officer, Anterix, Inc.

A

Yeah. Excellent. I'll just add one point to that, Walt. Obviously, utilities are looking for a solution. So to the point of an accelerator or added fuel, I mean, being able to help build that and pull it together, as we're working with these customers, helps them move faster. It helps take them out of the integrator role, help puts more of that burden on us and the ecosystem really as we're pulling all those pieces together. And kind of being a solutions-orientated business in terms of how they evaluate value and how they get to business outcomes that ultimately underpin their business models is critical to be able to help them through that.

But where the opportunity comes in, one thing I've seen in the utility space and one thing we're investing heavily in terms of why we're looking at our sales engagements as really about relationship engagements, how do we build credibility, how do we build trust, it's such an important part of the selling process. But in that, you overcome really that risk barrier. That risk mentality that you get on utilities, you get to the other side of that conversation. And once you overcome that opportunity, they start looking to you to do more.

They want to see you input. They want to see your help, because, frankly, it's less risky. They have a trust and we've been able to deliver and being able to continue to work with us, and we get these questions today already from customers who have seen what we've done in the emergence of the ecosystem really query us and look for our input and guidance as they're making their tough decisions around what they're doing across the various pieces of the infrastructure and we can be a somewhat honest broker. We can really be transparent and helpful to them to evaluate and consider what their choices might look like, taking full advantage of the knowledge that we're building and the full capabilities of the system.

Walter Piecyk
General Partner, LightShed Ventures

Q

So, do you envision that being more of a recurring revenue managed service type of relationship or a sell pieces of the puzzle on behalf of the ecosystem partners and kind of one-time sales situation?

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

A

I think it's too early to tell, Walt, but I think you could probably see a combination. As you know, the utilities have a desire as we've talked about to prepay even for long-term services. So, there could be services that are rendered over a while, but also I wouldn't be surprised if you see them paying in advance for them. But I think we'll see opportunities on both sides of that.

Walter Piecyk
General Partner, LightShed Ventures

Q

Right. Thank you.

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

A

Thank you.

Operator: And our last question for today will come from the line of George Sutton with Craig-Hallum.

George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

Thank you. Well, what a difference the two Analyst Days make and, of course, I'm referring to Tim having taken the aggressive [ph] SOC mantle (01:46:05) from Rob this time. I had two quick questions. One, I'm impressed with the 40-member ecosystem number. I'm just curious if you can point to what the commitment is to be part of this ecosystem. Number two, as we look at some of the use case examples cyber risks and Texas disaster and what's you're referring to relatively to the carbon emissions? And as we talked to utilities and they have a very long strategic to-do list, are any of these things meaningfully elevating your private broadband network opportunity up the curve? Thanks.

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

A

Thanks, George. I'm going to take your second question first and then maybe Ryan can fill it on the first one. As far as, are the incidents changing the environment, you heard my comments earlier. Look, from my standpoint, we're in an accelerating environment of incidents, whether they're cyber-related, whether they're weather-related, whether they're honestly manmade, as we saw in some of the forensics that happened in some of the California wildfires. And so from that, we're hearing, again, the voices of legislators as an example, right, the awareness that as part of whether there's an infrastructure bill or just state regulation to allow the spending on these kind of things, the imperative that these have to happen is just blatantly obvious.

And so we used to and you made reference back to our Investor Day, and thank you for [ph] the SOC (01:47:52) reference as well. I appreciate that, George, it wouldn't be an Investor Day without your [ph] SOC (01:47:55) reference. But going back then when we were talking about these issues, this was not a mainstream issue, right. We were the ones beating the drum going into regulators, going into customers, talking about the necessity and really connecting the dots, right.

So these are big issues, right. Decarbonization is mission-critical. But do regulators understand that in order to connect all of these millions of devices, distributed energy sources, intermittent energy sources that you need an underlying communications network, a one that's robust, that's secure and able to provide the security under these cyber issues. It wasn't their awareness, but now there really is. And we've done dozens of visits on Capitol Hill. We're part of now the GridWise Alliance, a seat at the table in helping them shape the vision of how legislation should come forward to help support the investment, not just in infrastructure, but investment in modernizing utilities and they specifically define the wireless infrastructure that's necessary to be able to enable that to happen.

So, absolutely, we see that the unfortunate events that are happening, and they're really unfortunate. But the good news is that we're seeing the wakening of – across the board from legislators, utility executives, industry associations that are going to drive near-term solutions. And that all for us is tailwinds. We don't need any legislation to happen to already feel the strength of those tailwinds that are driving a lot of the conversations at all levels.

Ryan Gerbrandt
Chief Operating Officer, Anterix, Inc.

A

Yeah. Thank you. I'll add one point to that. I'll come back to the first question. There's a great place you can go look. I mean, obviously, there's a lot of different filings that are happening within the individual state regulators that are really focused on forward-looking plans that are intersecting with a lot of these issues. And they'll take the forms of capital – long-term capital expenditure plans. They'll take the form of storm protection plans or integrated resource plans that are looking at the synergy between all these different topics that we've talked about. And what we see in that and there's 22 of those that we've actually been looking at who are acknowledging the intersection between those initiatives and the important role at some level that communication plays is an underpinning component of what that forward-looking plan would look like. And we look at those for indication, just general connection to some of the points that Rob said at the macro level where some of these things drive back down to what we're focused on.

But – so coming back – we come back to the ecosystem now. So as we've talked about really what we're bringing together in the ecosystem really at this point is frankly the like-minded interest that comes through collaboration around a common cause. And the reality of it, when you look at the intersection of this being kind of what we're

trying to drive with 900 megahertz and private LTE, you need – there's the necessity to having the ecosystem, having a commonality to the vision and the ultimate outcome that we're trying to go. It helps the whole ecosystem, frankly, in terms of putting those pieces together, talked about joint R&D in terms of building the solutions, driving the integration, pushing for FCC certifications, whatever they are that help expand that portfolio faster. And that's something that's a common that we're looking for in terms of all the members in terms of their participation.

And what goes along with that is really kind of how we participate in joint marketing, selling that. There is a uniformity to our voice. There is a common understanding about what we're trying to do, because all of our goal as an ecosystem is the same. Our goal is to accelerate the market. We want to help customers get value faster through the adoption of private LTE. And that's really the baseline of where it's at right now. And that's as we've talked about, we'll be exploring other ways to be able to participate directly through integration and testing all the things that we're doing with them right now. But that will expand undoubtedly with time.

George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

Thanks, guys.

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

A

Thank you.

Operator: Thank you. At this time, there are no further questions. Mr. Schwartz, I'll turn the call back over to you.

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

Thank you, operator. And thank you, everybody, for your time and interest in really following us through this Anterix journey. We're excited to have shared all this with you. We look forward to talking to you again soon. Thanks, again.

Operator: This concludes today's conference call. You may now disconnect.