Q2 2019 HC2 Holdings Inc Earnings Call

McLean Aug 9, 2019 (Thomson StreetEvents) -- Edited Transcript of HC2 Holdings Inc earnings conference call or presentation Thursday, August 8, 2019 at 9:00:00pm GMT

TEXT version of Transcript

Corporate Participants

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* Michael J. Sena

HC2 Holdings, Inc. - CFO

* Philip Alan Falcone

HC2 Holdings, Inc. - Chairman, President & CEO

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Conference Call Participants

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* Nicholas Brown

* Sarkis Sherbetchyan

B. Riley FBR, Inc., Research Division - Associate Analyst

* Brad Cohen

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Presentation

Operator [1]

Good day, and welcome to the HC2 Holdings, Incorporated Second Quarter 2019 Earnings Conference Call. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the conference over to Brad Cohen of ICR. Please go ahead.

Brad Cohen, [2]

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Thank you, operator, and good afternoon. We'd like to thank you for joining us to review HC2's second quarter 2019 earnings results. With me today are Mr. Philip Falcone, Chairman, President and CEO of HC2; and Mr. Mike Sena, HC2's Chief Financial Officer.

This afternoon's call is being webcast on our website at hc2.com in the Investor Relations section. We invite you to follow along with our webcast presentation, which also can be accessed on the HC2 website, again, in the IR section in the PowerPoint presentation. A replay of this call will be available approximately 1 hour after the call.

Before I turn the call over to Mr. Philip Falcone, I'd like to remind everyone that certain statements and assumptions in this earnings call, which are not historical facts, will be forward-looking and are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain assumptions and risk factors that could cause HC2's actual results to differ materially from those forward-looking statements. The risk factors that could cause differences are more fully discussed in our filings with the Securities and Exchange Commission.

In addition, the forward-looking statements included in this conference call are only made as of the date of this call and as stated in the company's SEC reports. HC2 disclaims any intent or obligation to update or revise these forward-looking statements except as expressly required by law.

During the call, management will provide certain information that will constitute non-GAAP financial measures under the SEC rules, such as not limited to, adjusted EBITDA, insurance adjusted operating income and insurance prepaid tax, adjusted operating income. Certain information required to be disclosed about these non-GAAP measures, including the reconciliations with the most comparable GAAP measures, is available in the most recent earnings press release, which is also available on our website.

And finally, as a reminder, this call cannot be taped or otherwise duplicated without the company's prior consent.

With that I'd like to turn the call over to HC2's Chairman, CEO and President, Mr. Philip Falcone. Phil?

Philip Alan Falcone, HC2 Holdings, Inc. - Chairman, President & CEO [3]

Thank you. And good afternoon, everyone. Thank you for joining us today. As we did last quarter, I'm going to deliver a more high level overview of the quarter and then highlight a specific segment of our overall business to provide deeper insight into our strategy for that specific segment. Our CFO Mike Sena will then discuss the quarter's financial performance in more detail and then we'll open up the call for your Q&A.

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First let's take a quick look at our overall performance in a newsworthy and successful second quarter. Core Operating Subsidiaries adjusted EBITDA was $34.8 million, led by continued strong performance from our Construction segment, which generated a 49% year-over-year increase in adjusted EBITDA.

Another excellent quarter for our Insurance segment, which generated pre-tax adjusted operating income of $33 million bringing our 6 month total pre-tax operating income to nearly $62 million and net income for that same period to $64 million.

In our Life Sciences segment Pansend's portfolio company R2 Dermatology announced it entered into a strategic partnership agreement with Huadong Medicine, a leading pharmaceutical company in China. Huadong now has exclusive distribution rights to sell R2's products in the Chinese and Asia-Pacific markets.

Our Energy segment subsidiary American Natural Gas completed the acquisition of ampCNG adding 20 new compressed nat gas or CNG fueling stations located in the southeast and Texas to its portfolio making it one of the largest owners and operators of CNG stations in the U.S. This acquisition was fully funded at the portfolio company level hence HC2 did not incur any new debt at the holdco level or contribute any cash. The ampCNG stations are highly complementary to ANG's existing station network as there is essentially no overlap. It also positions ANG squarely in the growing Southeastern U.S.

As we continue to expand ANG's footprint and grow CNG volumes, we remain very optimistic about the long-term possibilities for value creation as we believe the role CNG will play in the future will grow exponentially with respect to fueling commercial vehicles. Some questions have come up about the future role of the class 8 electric trucks in the space and whether they will put a dent in the CNG business. We think the right answer to that is twofold. One, such electric trucks are still a number of years away for a launch and even further for a rollout. And if anything they will most likely make a dent in the diesel business before anything else.

In addition, electric will still need additional infrastructure to be built to support electric vehicle routes. As buses and trucks continue to transition away from environmentally unfriendly diesel gas, the use of CNG for fueling and the emergence of renewable natural gas or RNG as a lower carbon footprint fuel source provide a viable cost-efficient clean emissions alternative to the status quo as electric continues to require significant upfront spend.

Let me also take a minute to update you on our liquidity at the holdco level. As I noted on our prior call, given the structure of our business, we pull cash from our operating segments up to our holding company throughout the year. On our last call I noted that for 2019 we expected to receive $60 million to $70 million in total dividends, tax share and management fees from our Construction, Telecommunications and Insurance segments and that is not changed. In the first half of the year we received nearly $33 million of that total.

Looking to the back half of the year, thus far in the third quarter we pulled up $2.6 million in net management fees from Continental. We also expect to receive in excess of $9 million from the BeneVir escrow later in the quarter. And as we move through the balance of the year, we expect to reach the liquidity levels we previously shared. And while our $15 million credit facility is fully deployed, we would remind you that our cash needs for holdco expense levels are typically more weighted toward the first half of the year, which should necessitate lower need for capital in the back half of the year. All in remain very comfortable that we will be covered from a liquidity standpoint.

On the Broadcasting side, we made significant headway in the quarter toward additional financing for this segment and hope to have some new news on that front in the coming days and weeks on how the final financing package will look. In the meantime the segment improved in the second quarter on a year-over-year basis as the restructuring initiatives we underwent last year had a significant impact.

Regarding Global Marine and the ongoing sales process, we continue to pursue multiple paths to maximize value, including the steps we've taken to separate the HMN joint venture from Global Marine. Since the last quarter when we discussed offering potential buyers the option of acquiring Global Marine either with or without HMN, we have experienced a much more robust sales process, having received multiple preliminary bids over the past month from high-quality acquirers including bids for Global Marine as well as separate and distinct bids for the combined Global Marine and HMN JV.

This process has attracted significant interest given our willingness to be flexible in how we maximize value and we are working with our long-term partner in HMN to -- and try to ensure a satisfactory outcome for all parties. As in prior quarters, we cannot comment further or answer questions at this time given it is still a very active and ongoing process.

We've also generated a considerable amount of exciting news in our Pansend Life Sciences segment. In June R2 Dermatology entered into a strategic partnership with Huadong Medicine, a leading pharmaceutical company in China. Under an exclusive distribution agreement, Huadong will distribute R2 products in Greater China and other Pacific countries. In addition, Huadong made a $10 million equity investment in R2 at a post-money valuation of $60 million that will fund the company's next phase product and market development. Huadong has committed to an additional $20 million in future funding and higher valuations upon the achievement of certain milestones.

We've invested $27 million in R2, and at this point maintain nearly 58% ownership on a fully diluted basis, even after Huadong's equity investment. And what's key is that while R2's products are positioned to succeed in a marketplace in excess of $20 billion globally, there are other novel potential medical and aesthetic applications and devices that could be created utilizing R2's core patented technology.

And just last week, we announced that MediBeacon, our other Pansend portfolio company entered into an exclusive commercial agreement with Huadong granting Huadong exclusive rights to MediBeacon's portfolio of assets in Greater China. Under the agreement, MediBeacon will receive royalty payments on net sales in Greater China and other Asia-Pacific countries. In addition, Huadong will make an initial equity investment of $15 million valuing MediBeacon at a post-money valuation of $315 million.

This will fund the company through upcoming FDA pivotal clinical trials and the FDA approval process. Huadong will also make a second equity investment of $15 million at a post-money valuation of $415 million upon MediBeacon achieving U.S. FDA approval for its TGFR measurement system. Having secured new funding with minimal dilution to Pansend's equity, we have derisked the investment and are now positioned to not only complete the clinical trials through the FDA approval process, but also maximize the value of MediBeacon. We believe that once the company receives FDA approval, it will be more valuable than one still in the clinical trial process. Therefore, we are deliberate in our approach, which we believe will add significant value.

For those of you new to Huadong Medicine, they're a terrific blue chip partner in China and the broader Asia-Pacific region that is providing us with access to markets that are challenging to enter without a local partner. In China alone, they have already established sales-force of 6,500 sales reps. Further, Huadong has the resources and regional presence to extend the reach of both companies into other key Asia-Pacific markets. This makes them the ideal strategic partner and mitigates the inherent risk and challenges of building a sales-force and operations in Greater China and other Asian countries.

Currently Huadong has a significant focus in both the nephrology and aesthetic markets. We believe this will be a tremendous benefit to both R2 and MediBeacon in achieving required local regulatory approvals, commencing the commercialization process and ultimately distributing the products across the broader Asia-Pacific region. We are very excited about these investments, having Huadong as a partner in the Asia-Pacific region and the continued progress David and [Tereen] have made as we look to maximize value to shareholders.

All of that said, delevering the holdco remains our top priority. While global is clearly at the forefront of this process, we continue to evaluate additional paths with our other global portfolio companies. The [HCT] model works, yet it does require patience and as we show progress in improving our balance sheet, we believe investors will be able to see the value we are creating and the benefits of a diversified portfolio.

As we did on our last call with Broadcasting, I want to highlight this quarter and go into greater depth on our Insurance segment. As we've consistently noted, we're always looking for opportunities to enter into markets and industries where we see dislocation and where we believe the right strategy and our expertise can add significant value. One of those markets was in long-term care insurance. For those who may be unfamiliar with long-term care, I will give you a brief overview. Long-term care insurance policies have been commonly targeted for purchase by 50 to 60-year-olds. The purchaser enters into a contract paying a monthly premium, which provides the policyholder with benefits to cover costs associated with nursing homes, assisted living facilities and home health care that they may incur at some point in the future.

Policyholders typically become eligible for long-term care benefits if they are unable to perform 2 or 3 of the 6 specific activities of daily living. The length of time policyholders can receive benefits depends on the contract, but usually ranges from a couple of years, which are considered capped contracts to their entire lives uncapped. It provides vital coverage and financial protection for individuals to be cared for as traditional coverage does not cover most long-term care services. And it is important that the policies be serviced properly for the sake of both the policyholders and the insurance.

Rising health care costs have created a tremendous amount of uncertainty and has precipitated in the LTC insurance business with little to no reinsurance capability. Hence, no way for underwriters to get the risk off their books. This inability to reinsure not only ties up capital, but also left them at risk of rating downgrades, which of course could potentially result in an increased cost to their other lines of insurance. Because of the complex nature of these policies and the uncertainty around effects on ratings and future increased health care costs, there were very few willing buyers to take them on.

As certain insurance carriers with these long-term care portfolios became more willing to sell their blocks have now considered noncore portfolios at steeper discounts, we believe it was an opportune time to get our arms around the industry. We ultimately entered the space in 2015 with the formation of Continental Insurance Group, closing our first acquisition, which was a run-off portfolio of approximately $1.5 billion.

The acquisition also included a servicing platform based in Austin, Texas that predominantly focuses on the servicing of long-term care policies, which is the critical part of the business. In building this business, we prioritized industry expertise, bringing both management and actuarial consultants onboard that had experience in the long-term care space, enabling us to ascertain the risks of the various portfolios available in the market. The risks around these portfolios depend on a number of things including, but not limited to, the length of the benefits and what is covered and what is not.

In addition, the creative structure that we have in place allows us to limit our corporate potential exposure while ensuring cash flow through management fees servicing the portfolio. Keep in mind these are all run-off books, meaning we are not underwriting new policies, and consequently have no concern around ratings, unlike a traditional insurer. As long-term care became a noncore segment for many insurers over time, more of these portfolios have come to the market creating a unique opportunity to purchase at attractive levels with little capital risk.

When identifying and assessing a block, Continental has 3 top criteria. First, getting comfortable with the level of reserving and how well capitalized the block is. This is critical to Continental's continued financial stability and our combined success. Second, focusing on the structure of the transaction. Long-term care blocks that are separated into their own legal entity are much cleaner to acquire. Third, how are the policy benefits structured and defined. Policy benefits and policy language can have large impacts on actuarial assumptions we model and the ultimate economic outcomes. Continental reviews the history of prior claims adjudication on a block and when necessary reads and understands each policy form prior to concluding any final assessment to ensure actuarial assumptions are not based on improper or unsustainable claims handling.

After closing our initial acquisition, the team spent considerable effort and energy continuing to build and improve upon the platform. We streamlined the corporate structure and locked costs and capital efficiencies. While doing this, the team remained committed and disciplined in identifying the next block that would be a match for us. That ultimately led to late 2017, where after extensive due diligence, Continental announced it was acquiring Humana's LTC business, KMG America.

We viewed the transaction as a win-win as we were able to provide the seller with the solution for a noncore asset, tripling the size of Continental's portfolio while increasing our surplus capital with very conservative actuarial assumptions. Throughout the process, our platform and our existing expertise was a key attribute to help secure that transaction. We completed the transaction in the third quarter of 2018 and in the first half of 2019 alone, we've already generated nearly $62 million in pre-tax AOI.

This was driven in large part from the incremental contribution of the Humana transaction as well as from an increase in net investment income earned from our legacy run-off block and from the benefit of certain claims reserve releases. I would note that while the improvement in AOI has been impressive, we believe that overall growth in total adjusted capital serves as a greater validation of this acquisition and strategy, having grown from nearly $80 million at the time of our initial acquisition to approximately $331 million at the end of the second quarter.

As of June 30th, we held cash and invested assets of over $4.4 billion. As a reminder, this is a highly regulated industry and the liabilities are ring-fenced. Consequently, holdco does not guarantee the long-term liabilities. We believe we maintain a healthy level of conservatism in our reserving relative to the sector and we will continue to apply the same level of rigor in pursuing future opportunities. As a reminder, the holdco receives net management fees each quarter. And as we continue to acquire and grow the Continental platform, the fee income will continue to rise, providing near-term returns on our investment and ongoing value to HC2 shareholders.

We've been very pleased at the value created by Continental in just 4 years and especially in the first half of this year and we think they're just getting started. Consider this, there are approximately 7 million long-term care insured lives in America. And our share is about 75,000 or 1%. While there are certainly blocks that will not meet our rigorous standards, the opportunity to grow is quite exciting.

Insurance is a textbook example of the value inherent in our strategy. We started with a plan on paper. We then evaluated the industry in the competitive landscape and built a great platform business with a fantastic management team. Since that time, the team and business have grown and thrived under the HC2 umbrella. We expect insurance will be a major value creator for HC2 in the years to come, as Continental continues to grow and succeed.

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To sum up, our results in the quarter show continued strong operating performance, and we remain well-positioned to take advantage of our diverse hybrid portfolio strategy of solid cash-generating businesses such as construction insurance and meaningful value creation at Global Marine, Energy, Broadcasting and Life Sciences.

With that, I'll now turn the call over to our CFO Mike Sena, who will discuss some of our second quarter 2019 financial highlights. Mike?

Michael J. Sena, HC2 Holdings, Inc. - CFO [4]

Thank you, Phil. And let's get right into our second quarter performance. Consolidated total net revenue for the second quarter 2019 was $518.6 million, a 4.4% increase from $496.8 million in the prior year period, driven by higher revenues from our Insurance and Construction segments.

Net income attributable to common and participating preferred stockholders for the second quarter of 2019 was $9 million or $0.12 per fully diluted share, compared to net income of $54.7 million or $1.08 per fully diluted share in the prior year period. It's important to know prior period results benefited from $102 million onetime gain from the sale of Pansend's interest in BeneVir. At the company's Core Operating Subsidiaries, which comprises HC2's Construction, Marine Services, Energy and Telecom segments, adjusted EBITDA for the second quarter of 2019 was $34.8 million, compared to $40.2 million in the prior year period as the decline in Marine Services was partially offset by strong improved year-over-year performance at our construction segment.

Total adjusted EBITDA, which excludes our Insurance segment grew 22% to $27.7 million in the second quarter of 2019, compared to adjusted EBITDA of $22.7 million in the prior year period. Year-over-year adjusted EBITDA was driven by the improvement at Construction and reduced spend at Life Sciences, Broadcasting and Non-operating Corporate.

Let's just take a couple of minutes to go into a bit more detail at our largest segments. At Construction, we recorded adjusted EBITDA for the second quarter 2019 of $23.1 million, up 49% from the prior year period. Construction continues to perform well for us driven by certain large-scale DBM Global commercial fabrication and erection projects as well as contributions from GrayWolf Industrial.

As of June 30, 2019, backlog was $468 million comprised of $387 million of backlog at DBM and $81 million of backlog at GrayWolf. Adjusted backlog which takes into consideration awarded but not yet signed contracts at DBM Global and GrayWolf was approximately $661 million, which comprises of $547 million at DBM and $114 million at GrayWolf. Construction's adjusted backlog is effectively unchanged from the prior year period despite strong project execution and revenue recognition in the second quarter of 2019.

Meanwhile, at Insurance we generated pre-tax adjusted operating income for the second quarter and first half of 2019 of $33 million and $61.7 million respectively. The improvement from the prior year was driven by higher net investment income and policy premiums from the addition of Humana's long-term business and higher net investment income related to the legacy CGI block of business. Further contributing to the improvement were reserve adjustments taking as a result of higher policy terminations, policyholder elections that reduced benefits driven by changes in premiums and favorable claims activity.

As of June 30th, Insurance had cash and invested assets of $4.4 billion, total GAAP assets of $5.5 billion and an estimated $331 million of total adjusted capital. As Phil noted in his remarks, Insurance has been an excellent value creator for HC2 and we continue to expect it will be a strong driver of cash flow for HC2 moving forward.

Finally, at Marine Services we recorded adjusted EBITDA for the second quarter of 2019 of $9.6 million, compared to $20.4 million in the prior year period as the core business and HMN JV reported comparably stronger results in the prior year period. As noted, projects that had been delayed for a couple of quarters began to commence in the second quarter of 2019. As a result, we expect improved adjusted EBITDA performance in the back half of 2019 compared to the first half of 2019.

With a robust backlog of approximately $406 million as of June 30, 2019, including approximately $92 million of installed backlog, which is $59 million greater than the prior year, we continue to believe Marine is well-positioned to grow adjusted EBITDA over time.

As of June 30, 2019, HC2 had consolidated cash, cash equivalents and investments of $4.5 billion, which includes cash and investments associated with HC2's insurance segment.

Moving to the Insurance segment, consolidated cash was just under $54 million. Finally, we once again reaffirm guidance at our Construction segment for the full year 2019 of adjusted EBITDA between $75 million and 80 million.

Thank you for your time today and I'd now like to open up the call for your questions. Operator?

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Questions and Answers

Operator [1]

(Operator Instructions) The first question will come from Sarkis Sherbetchyan with B. Riley.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [2]

So you reaffirmed the guide for the Construction segment, now it implies roughly $40 million-plus in EBITDA in the second half. Can you share what you're seeing in your backlog? Maybe changes in the margin profile of your business being booked? Maybe what's kind of going on with regards to the health of the end market served either pluses or minuses? And I have some follow-ups.

Philip Alan Falcone, HC2 Holdings, Inc. - Chairman, President & CEO [3]

Yes. Sure. As we kind of explained in previous calls, we fully expected the backlog to come down as we focus more on the smaller deals, smaller projects. We're not necessarily seeing a margin -- any sort of substantial margin increase. But there's just a phenomenal consistency that we're seeing in the number of opportunities out there. And clearly we don't take every project that's put in front of us. And I think we've -- [Rustin] and the team have proven that many times before. So where we could no doubt have a larger backlog, there's just certain projects that we don't want to do that from margin perspective are not doing it for us, but from a visibility perspective things are kind of going as we expected. We haven't seen any deterioration in margin quite frankly at all. So it's just kind of, I don't want to say business as usual [at shop], but things are going quite well.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [4]

Good. That's helpful. Just kind of switching gears here to Marine Services, I know it's under strategic review, you gave us a little bit of color in the prepared comments. And Mike, I know you mentioned you'd expect the second half EBITDA to improve versus what we saw here in the first half. And if I look at the backlog disclosure it appears the installed projects are up nicely. Can you maybe you help us understand what kind of the second half contribution could look like? And then I have a follow-up as well there.

Philip Alan Falcone, HC2 Holdings, Inc. - Chairman, President & CEO [5]

Yes. I think because of the sense there -- because of the sensitivity around the sales process, we can't really discuss specifically the numbers, but that being said, we are very excited about the second half. I think clearly the install backlog increasing is a big plus. The maintenance business of course is the maintenance business, which continues to perform as expected. We haven't seen much of a pickup in the offshore energy of course because of oil, but at least it's not deteriorating. And there continues to be a what we continue to believe is a sizeable opportunity in offshore power.

So it's -- I'm kind of trying to give you some insight as to the excitement on the second half without going through numbers and we just can't do that. But we are very pleased of course with the sales process and the changes that we've made there. I think what you're seeing from a activity perspective is indicative of what we expected upon making those adjustments from the first go around. But listen, we're still very excited about this business. It's -- the -- it ebbs and flows, but not by virtue of issues in the business, it's just ebbs and flows because of projects and complexity of the projects and the timing of the projects. As you've seen last quarter they had a $20 million quarter -- not last quarter, but last year this quarter. That volatility is unfortunately part of this business. And I think the buyers realized that and again, it's the good news is what you have to really focus on is that backlog and the backlog is probably as strong as ever.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [6]

And I think just touching on the sales process, you did mention multiple preliminary bids and attracting interest. We have seen that it's been kind of widely reported that Huawei wants to sell their stake in the HMN JV. Can you kind of comment on how that may impact Global Marines' process?

Philip Alan Falcone, HC2 Holdings, Inc. - Chairman, President & CEO [7]

Yes, I think it's from a public perspective we've kind of -- everybody has seen who they are in discussions with and the progress there and the -- again, the interest around that project, around that company. I can't speak for Huawei and what their plan is, but clearly the HMN JV, if you really look under the hood it's an extremely valuable company. And so there's no question that whether it's the existing buyers at Huawei may or may not have lined up because of the attractiveness of the business and the backlog build and the -- just the ongoing demand in that sector, there's no question that -- my opinion that they would see interest from others if they didn't have the one entity kind of I don't want to say locked in, but at a point where they are in their discussion. It's just a -- it's a great business actually.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [8]

And I guess moving to the Energy segment, I think you added some stations here and you did it at the [subco] level. Can you maybe give us some color or comments on the incremental sales or EBITDA the add-on stations brought to the segment? And maybe if the economics are kind of similar to your existing footprint or if it's better or worse?

Philip Alan Falcone, HC2 Holdings, Inc. - Chairman, President & CEO [9]

Yes. I think one of the things in the ANG business is that you always want to increase your customer-base. And clearly we've increased capacity with the addition of the 20 stations, which means increasing the customer-base. And the possibility of those customers having distribution centers in -- now in territories that we -- where we have stations. And one of the things that we mentioned is that there's very little, if any overlap. And that could be very accretive if you've got amp having -- that has a customer in their existing territory and they also have that customer in our territory, but we don't have the contract with them nor are they doing business with amp because amp doesn't have a station in our territory. So I think you're going to see and you could see some benefit, clearly some benefit from that.

You've got your standard synergy because they're almost identical businesses in increasing capacity. And people -- the bigger you get in this space, the better quite frankly because of who you're dealing with, they want the wherewithal, they want to be able to know that they can expand to other distribution centers. And while we have our station base today of 60-plus, even though that sounds small, it's one of the top, it's one of the most sizable in the industry and especially as it relates to CNG alone. So we like the model, we like the formula. The margins are very strong.

And keep in mind we're not operating anywhere close to capacity and quite frankly not operating at even 50% capacity. So if you can -- if you're generating EBITDA, positive EBITDA at 30% capacity or 20% capacity, as you fill up those stations and get more volume, the EBITDA contribution will be pretty phenomenal. So that's the -- one of the rationales behind the acquisition. And the fact that we were able to do it and finance it down at the operating level without any means of financing from holdco I think is a big plus. And [Anthony] down there has very strong relationships with some of the lenders and I think that's kind of typical of people getting comfortable with that space and looking at those stations and understanding the value behind them.

So we think it was a great acquisition. We now are kind of positioned in the top 1 or 2 or 3 of them at the most, but I think you'll see some real excitement there going forward. We're very enthusiastic about that space.

Operator [10]

(Operator Instructions) The next question will be from Nick Brown with Zazove Associates.

Nicholas Brown, [11]

You obviously have spoken on lots of recent conference calls about the importance of paying down holding company debt. I'm just sort of curious, I mean obviously the Marine Services sale is -- the timing sort of not necessarily under your control, but what about -- what (inaudible) -- when you pulled any of the other levers you have at your disposal to reduce the principal of your debt or do you need all those levers just to make the semiannual interest payments?

Philip Alan Falcone, HC2 Holdings, Inc. - Chairman, President & CEO [12]

No. I mean there's no question we have other levers. We feel confident in what's happening at Global Marine. It's a very good business. Clearly there were some nuances out of our control when we first launched. Outside of the market being a horrendous market in December and January, the whole Huawei association quite frankly spooked a lot of people. So we took measures to alleviate any concerns around that. And there's enough interest and enough momentum where we feel pretty comfortable. Now obviously there are no guarantees, but the good thing is we do have a few other levers and quite frankly you asked a good question, there we will do what we have to do to get this debt down. And I know I sound like a broken record on that, but we're determined and we don't feel like we need to announce that we're going down an alternative path just because of the progress we're seeing at Global Marine.

Nicholas Brown, [13]

Okay.

Operator [14]

Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Phil Falcone for any closing remarks.

Philip Alan Falcone, HC2 Holdings, Inc. - Chairman, President & CEO [15]

Great. Well, thank you everybody for participating in the call today. As you know we are always here to answer questions and we will answer however we can within the metrics of what we're able to do. But thanks again and hopefully you'll be hearing from us soon on other exciting things happening here. Thank you.

Operator [16]

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