Q1 2020 HC2 Holdings Inc Earnings Call

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TEXT version of Transcript

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Corporate Participants

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* Michael J. Sena

HC2 Holdings, Inc. - CFO

* Philip Alan Falcone

HC2 Holdings, Inc. - President, CEO & Director

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Conference Call Participants

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* Sarkis Sherbetchyan

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

* Garrett Edson

ICR, LLC - SVP

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Presentation

Operator [1]

Good afternoon, and welcome to the HC2 Holdings, Inc. First Quarter 2020 Earnings Conference Call. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the conference over to Garrett Edson of ICR. Please go ahead.

Garrett Edson, ICR, LLC - SVP [2]

Thank you, and good afternoon. We'd like to thank you for joining us to review HC2's First Quarter 2020 Earnings Results. With me today are Phil Falcone, President and CEO of HC2; and 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 also invite you to follow along with our webcast presentation, which can be accessed on HC2's website again in the IR section. A replay of this call will be available approximately 1 hour after the call. Dial-in for the replay is 1 (844) 512-2921 with the confirmation code of 10143550.

Before I turn the call over to Phil, 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 pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, among others, statements related to the expected or potential impact of the novel coronavirus, COVID-19 pandemic and the related responses of the government and HC2 on our business, financial condition and results of operations, and any such forward-looking statements whether concerning the COVID-19 pandemic or otherwise involve risks, assumptions and uncertainties.

These forward-looking statements are subject to certain assumptions and risk factors that could cause HC2's actual results to differ materially from these forward-looking statements. The risk factors that could cause these differences are more fully discussed in our filings with the SEC. 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 our 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 but not limited to, adjusted EBITDA, Insurance adjusted operating income and Insurance pretax adjusted operating income. Certain information required to be disclosed about these non-GAAP measures, including 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.

Now I'd like to turn the call over to HC2's President and CEO, Phil Falcone. Phil?

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

Thank you, Garrett, and good afternoon, everyone. Thank you for joining us, and we hope you and your families remain safe and healthy. It has been a challenging couple of months for everyone since our last call in March, as everyone has been touched in some fashion by this pandemic. We're especially proud of the tireless effort and dedication from our employees at HC2 and our subsidiaries, as they seamlessly work remotely and on-site when necessary to continue executing for our customers.

On today's call, I'll walk through the impact of COVID on our businesses as well as our recent progress on our top priorities of debt reduction and overhead costs. Our CFO, Mike Sena, will then provide more details on our first quarter performance and then we'll take some questions.

COVID-19 has had an unprecedented impact on the U.S. and the worldwide economy. We have evolved from when we last spoke in March from an environment that was clearly starting to implement targeted

lockdowns in select areas to one that saw the virtual shuttering of the U.S. economy and shelter-in-place [orders] for the vast majority of Americans.

What once looked like a temporary shutdown migrated into a nearly 6-week shutdown in most states, and while we are beginning to see states reopen, mainly in the South and Midwest, there are still a number of major states, including California and New York, that remain on lockdown for the foreseeable future. While we are all hoping for a V-shaped recovery, the ultimate impact continues to be increasingly challenging to predict, and as such, we and our subsidiaries are keenly focused on liquidity for the near-term future as well as our fundamental priorities of debt and overhead reduction.

In terms of our COVID-19 response thus far, we want to provide an update on each of our segments to give you some more granularity as to our expectations as we navigate through these challenges. At the parent company, I'm pleased to say that we continue to operate uninterrupted, and we've remained focused on working closely with the management teams of our subsidiaries to ensure we're aiding them in every way and to ensure they continue to operate as effectively as possible.

Given our near-term priority of liquidity, we've been taking action across the portfolio and at the holdco level to further rationalize costs and responsibly reduce spending. At Construction, DBM Steel Fabrication and Erection Group has seen minimal work stoppages to date as most states considers construction an essential business.

Demand is still there in the broader market, as we are receiving a significant number of RFP requests, but new contracts are still not being awarded at this time as customers await a clearer view of the pandemic impact. Fortunately, our substantial adjusted backlog of $781 million continues to remain near all-time highs, which will provide us significant cushion, but like most project-based businesses, that backlog needs to be replenished.

Our Industrial Services group has been somewhat impacted as nonessential maintenance and repair services as well as various planned maintenance and CapEx projects included in the backlog have been pushed out as certain facilities have been temporarily closed. While we expect the COVID-19 impact will cause the steel and construction segment to see some reduction in adjusted EBITDA for 2020 compared to 2019, we remain confident in DBM's long-term potential once the pandemic impact dissipates. Importantly, at this time, there have been minimal effects in accounts receivables collections, which is a credit to DBM's high-quality customers.

Turning to Energy. Our compressed nat gas operation, ANG, continues to operate without significant issue. While we've seen a drop-off in volume at certain stations and by certain customers, a significant number of ANG's larger customers are consumer staples, suppliers and grocers, which have seen increased demand in recent weeks. A number of our contracts are also under a take-or-pay structure, which requires a minimum fueling requirement regardless of whether those customers fuel with ANG, which helps to insulate ANG against short-term volume fluctuations. With the recent downward trend in oil prices, it is conceivable that the adoption of natural gas vehicles could slow near term, but we continue to believe that clean energy from CNG will become the primary alternative to diesel for commercial fleets.

At Broadcasting, we believe our broadcast distribution platform remains a significant growth opportunity for HC2 given the broad geographic reach of our station group and the ongoing acceleration of cable cord cutting across the country. At Network Group, however, Azteca America or Hispanic Network, will be impacted by the pandemic as certain ad spend has been deferred and will affect the top line in that unit. In addition, while our capacity lease deals, which are the bulk of our contracts, remain unaffected, some of the expected benefits from our revenue share agreements, such as with beIN SPORTS and Cheddar News will be delayed.

In our Life Sciences division, we remain very optimistic for both MediBeacon and r2 Technologies. The recent additional $10 million equity investment from Huadong at post-money valuation of $90 million further validates the viability of r2. That said, the current environment may create a slight delay in r2's

expected commercial launch. While the pandemic has not affected the regulatory process at MediBeacon, we could potentially see delays that could slow MediBeacon's progress towards regulatory approval. That being said, it has not changed our long-term belief in the value of those entities. And in fact, one could argue that the issues discussed around COVID-19 and its effects on the kidney could prove that MediBeacon is more valuable than previously thought.

In addition, as a reminder, both r2 and MediBeacon have recently received new equity investments to fund ongoing activities. And as a result, we currently do not anticipate a need for further capital investment from HC2.

Finally, at Insurance, the Continental continues to be well positioned with approximately 94% of its book comprised of investment-grade securities. As with any asset book of this size, we expect certain rating agency downgrades, which undoubtedly will result in higher capital charges on these securities. But the impact will be greatly mitigated by CGIC's strong RBC rating heading into the COVID pandemic. At this stage in the pandemic, we've not experienced any significant deviations from standard liquidity needs.

Given the challenges COVID-19 has presented to all of us, we expect there will be some near-term impact on our income statement. However, our overall strategic priorities have not changed. And to that end, we continue to make progress towards significantly improving our capital structure and reducing holdco costs. In doing so, we continue to believe we will be able to fully pivot post pandemic and be well positioned to execute on our growth and innovation strategy.

At the end of February, we completed the sale of Global Marine Group and used a large portion of the net proceeds to redeem approximately $77 million of the 11.5% notes at the end of the quarter. In addition, we expect to close on the sale of our 30% ownership in HMN to Hengtong in short order. As a result, we will utilize the net proceeds that HC2 receives from the sale to further reduce the amount of principal outstanding on our 11.5% notes by over $50 million. All-in, after the next partial redemption, our 11.5% notes will have a principal amount of approximately $340 million, a 28% reduction from where it stood at the beginning of 2020.

The paydowns also allow us to realize approximately $15 million in annual interest savings, while still retaining a 19% put option or over $30 million to HC2 after taxes and customary transaction fees at today's valuation on HMN that is exercisable in 2 years. We are very pleased with the ongoing process for HC2, as we reach the finish line on HMN, as the entire strategic process for Global Marine is a testament of our expertise and capabilities to effectively navigate through the complexities and roadblocks in order to realize stockholder value.

Furthermore, beyond our Marine Services divestitures and the reduction of debt, we wanted to provide a brief update on our current strategic processes. With respect to Continental Insurance, we continue to progress in our discussions with our counterparty and have extended exclusivity to sell Continental but are not able to comment any further at this point in light of the ongoing discussions. As we discussed in our previous calls, closing on the sale of Continental will allow us to continue with our long-term goal of debt reduction, while focusing on and simplifying our overall corporate structure.

As it relates to DBM Global, we continue to explore all options, including both the sale and subsidiary refinancing to ensure that we deliver appropriate value to address our capital structure, liquidity and strategic plan as we move forward. And as we've noted consistently, we are always exploring other opportunities within the portfolio as we are sharply focused on continuing to improve our capital structure, particularly in these uncertain times.

I will now briefly run through a few highlights of our first quarter performance. Core adjusted EBITDA for the first quarter 2020 was $13.2 million versus $14.2 million first quarter 2019. Our Energy segment performed nicely in the quarter, as it nearly doubled the amount of gasoline gallons equivalent from the prior year period, thanks to 2019 acquisition of 20 additional CNG stations. The segment was also partially buoyed by the alternative fuel tax credit, which we will continue to be able to utilize through 2020.

At DBM, construction was somewhat impacted in the first quarter by timing of commercial project work under execution as well as seasonally lower contribution from maintenance and repair work. But as a reminder, the first quarter is typically the lightest quarter from an adjusted EBITDA standpoint. And while there will be impact from COVID, as I noted before, we would still expect adjusted EBITDA to be a good amount higher in the second quarter of 2020 compared to the first quarter.

At our Life Sciences segment, in April, r2 Technologies received an additional $10 million in equity investment from Huadong at a post-money valuation of $90 million to further fund the company's efforts as it gets closer to commercialization. As a reminder, under an exclusive distribution agreement, Huadong will distribute r2 skin lightening devices and products in Greater China and other Asia Pacific countries.

And at Broadcasting, we increased the number of operating stations to 218 at quarter end, of which approximately 165 are currently connected to our Central Cast or cloud-based system. During the quarter, as previously announced, we reached carriage agreements with both DABL, a CBS Television distribution lifestyle diginet, and Cheddar News, an Altice USA Company.

Finally, in terms of our corporate overhead, we further reduced recurring SG&A by over $1 million on a year-over-year basis. Importantly, I believe our assets continue to have untapped value, and we have the right long-term strategy in place to drive stockholder value.

To reinforce my full and clear alignment with stockholders and desire to create value for HC2, I took the additional voluntary step a couple of weeks ago of committing to forgo any potential bonus payments I may be eligible to be rewarded in respect of 2020 or any future year performance until our stock reaches an average trading price of at least $7.50 per share over a 30-day period. This commitment is further proof of my complete alignment with our stockholders to successfully execute on HC2's growth and innovation strategy.

As we look ahead, despite the pandemic and the effects it will assuredly have in the near term, we remain excited and energized about our longer-term future and the prospects for a streamlined, sharply focused and financially flexible HC2. We continue to believe that by focusing on our unique higher growth and innovation strategy at HC2 of energy, broadcasting and life sciences, while we continue to explore strategic options on DBM Global, we will be best positioned for the long term to strengthen our balance sheet and maximize the full potential value of our businesses.

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

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

Thank you, Phil. Let's review our first quarter performance. Consolidated total net revenue for the first quarter 2020 was $444.8 million compared to $449 million in the prior year period, as lower revenues from the Insurance, net of eliminations and Construction segments were partially offset by increases in revenue from the Telecommunications, Energy and Broadcasting segments.

Net loss attributable to common and participating preferred stockholders for the first quarter of 2020 was $83.5 million or $1.82 per share compared to a net loss of $1.6 million or $0.05 per share in the prior year period. First quarter 2020 net loss attributable to continuing operations was $0.85 per share compared to the first quarter net income attributable to continuing operations of $0.04 per share.

At the company's core operating subsidiaries, which now comprise of HC2's Construction, Energy and Telecom segments, adjusted EBITDA for the first quarter of 2020 was $13.2 million compared to $14.2 million in the prior year period, as improvements at Energy were more than offset by reduced contributions from Construction and Telecom.

Total adjusted EBITDA, which excludes our Insurance segment, was $1.4 million in the first quarter of 2020 compared to an adjusted EBITDA loss of $2.2 million in the prior year period. The improvement in year-over-year adjusted EBITDA during the first quarter was driven by reduced losses at the Broadcasting and other segments and a $1.1 million reduction in nonoperating corporate adjusted EBITDA losses.

Let's just take a couple of minutes to go into a bit more detail in a few of our segments. At Construction, we recorded adjusted EBITDA for the first quarter 2020 of $9 million compared to $12.4 million in the prior year period. First quarter 2020 results were impacted by the timing of commercial project work under execution and seasonally lower contribution from industrial maintenance and repair project work.

As of March 31, 2020, reported backlog was $486 million. Adjusted backlog, which takes into consideration awarded but not yet signed contracts, was $781 million, mainly consisting of smaller- to medium-sized projects and provides Construction with significant visibility. As a reminder, the first quarter is typically the lightest for Construction in terms of generating adjusted EBITDA. Thus, we do not believe the first quarter is indicative of the run rate for adjusted EBITDA, which is consistent with what we generated in the prior year.

At Energy, we recorded adjusted EBITDA in the first quarter of $3.8 million compared to adjusted EBITDA of $1 million for the prior year period. As Phil noted in his remarks, the segment continued to benefit in the quarter from the renewal of the alternative fuels tax credit, or AFTC, which had not yet been approved in the first quarter of 2019 as well as ANG's acquisition of 20 CNG stations at the end of the second quarter 2019. The AFTC is in effect through December 31, 2020. As a reminder, it is typical that the AFTC is only renewed for the current year and 1 year forward rather than for multiple years in advance. But we remain optimistic that compressed natural gas continues to receive support on Capitol Hill. The gross tax credit which equates to $0.50 per gasoline gallon equivalent is shared with our customers as an incentive for them to continue the conversion of their fleet to CNG, and over time, larger CNG fleets would mean greater volumes for our stations.

Meanwhile, at Insurance, we generated pretax adjusted operating income for the first quarter of $6.6 million compared to $28.7 million in the prior year period. The reduced pretax AOI was primarily driven by favorable claims activity recognized in the prior year period and unfavorable claims activity. Claims activity for purposes of reserves is forecast on a linear basis, while actual claims activity is not. And as such, periods of favorable and nonfavorable claims activity is normal.

Insurance also incurred larger expenses due to increases in headcount to support the segment's growth. As of March 31, 2020, Insurance had cash and invested assets of $4.2 billion, total GAAP assets of $5.3 billion and an estimated $347 million of total adjusted capital. At the end of the first quarter, HC2 had consolidated cash, cash equivalents and investments of $4.2 billion, which includes cash and investments associated with HC2's Insurance segment. Excluding Insurance, consolidated cash was $64.6 million.

Corporate expenses for the first quarter of 2020 were $5 million, a $1.1 million reduction from the prior year period, as we continue to focus on significantly and responsibly reducing overhead at the holdco level, particularly in the face of the pandemic. Our first quarter corporate expense is typically higher than other quarters due to normal year-end activity such as our audit. In addition, subsequent to the end of the first quarter, we announced additional measures to further reduce CEO and Board compensation moving forward.

At the end of the first quarter, we completed the partial redemption of our 11.5% notes, reducing our note principal by $77 million. Upon the closing of the sale of our 30% interest in HMN, which we expect

imminently, we will announce another partial redemption from HC2's portion of the net proceeds, which we expect will further reduce our note principal by over $50 million. The redemption will be completed in compliance with our 11.5% notes indenture and the combined decrease in aggregate principal outstanding will provide us with annualized interest savings of approximately $15 million.

For our June 1 interest payment, we will acquire a little under $25 million in cash. With cash on hand, our new $15 million credit facility we entered into last month and upstream cash we will receive in the second quarter, including $14 million to be received from DBM later this month, we are comfortably capitalized to make this June interest payment.

Our plan for 2020 to upstream over $40 million in cash from our subsidiaries remains unchanged. While we have the capacity to upstream additional cash from our subsidiaries if the need arises, we currently intend to keep capacity at our subsidiaries as they and we execute on our strategic plans.

We remain comfortable with our overall liquidity position in 2020, while we continue to focus on further expense reductions and pursuing our strategic initiatives to reduce holding company debt and unlock value within the HC2 portfolio.

I'd now like to open the call up for questions. As you know, we are here to talk today about the company's earnings announcement and not the pending consent solicitation and proxy contest with one of our stockholders, and we ask that you focus your questions on the company's first quarter earnings. Operator?

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Questions and Answers

Operator [1]

(Operator Instructions) Our first question comes from Sarkis Sherbetchyan of B. Riley FBR.

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

I'll start off with the Construction segment first. I know you said the adjusted backlog was $781 million, nearing all-time high there. And how can we kind of reconcile that against the new -- no new backlog awards stated on the call?

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

Well, that's the number as of March 31. I'm not quite sure how -- when you talk about reconciling?

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

So I think I heard in the commentary that you expect higher EBITDA in the second quarter versus the first quarter. Is that correct?

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

Yes. That's typical. If you look back over the last number of years, that's not atypical. First quarter is typically the lightest from an EBITDA perspective.

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

Yes. So the reason I'm using the word reconcile is because of the kind of pandemic update. So just trying to understand -- I understand what's typical from 2Q versus 1Q, but given kind of the details released on Construction and the pandemic and the lower industrial services situation, kind of help us understand if this time, the second quarter is going to be in line or better than the first quarter?

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

Well, I think as it relates to refilling the backlog, that is more important for beyond the second quarter and the third quarter. If you get -- for instance, in April, you get something -- if you're rewarded a contract, it's not like you start in May, so -- and that one of the things with the backlog, there's very good visibility for over the next 12-plus months. But there's a lag time between getting the contract and then starting up that business. So at some point -- we believe we're in good shape now. But at some point, you have to fill up that backlog for future months or future quarters. I think -- I'm not sure if that answers your question or not.

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

Yes. And then also, if you kind of step back and think about the historical margins that the Construction business has generated, do you still think that margin profile is still kind of something that we should take into consideration? Or has that kind of been under pressure? Can you help us there?

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

Yes. From our best estimates, and from our knowledge, we haven't seen any margin contraction per se. Again, it remains to be seen how future months and what that looks like. There -- but we haven't seen anything to give us pause or cause for concern around that.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [10]

Okay. And I'll just switch gears here into the Broadcasting segment. I know you mentioned lower advertising kind of -- from heading into the pre-COVID situation. And if we kind of try to get a sense for when you'd expect Broadcasting to breakeven kind of given this changing environment?

Philip Alan Falcone, HC2 Holdings, Inc. - President, CEO & Director [11]

Yes. I think, as I mentioned, from a first -- hold on for a second. As I mentioned, from the perspective of broadcast, one of the reasons you've seen increased -- somewhat increased expenses is the number of stations coming online. For every station that comes online, you have expenses associated with it. You've got your utilities, you've got your tower rent. You've got your backbone expense. So if you bring on a tower or bring on a station today, you're going to be charged, you're going to incur additional expenses today. And by the time you fill that up, there's again a lag time.

So the business -- from a model perspective, we've actually built a lot more stations than we expected. I think that the -- as I mentioned, the number as of March 31 was 218 stations. I think we've built maybe 80 to 90 plus stations over the past number of months. And it takes time to fill those up. So it has slowed down getting to cash flow breakeven, but that's the reason. And our objective is not necessarily -- we're -- the key part of this is getting the platform complete. And our goals are getting to the 250 station mark.

So you will see some added expenses, but that's from a growth perspective in building out the stations. It's -- from a breakeven perspective, we've got a massive amount of capacity that we've got to fill up. And we are doing a number of things, including working with various consultants on that. And -- but there is a tremendous opportunity. I don't want to give you a specific date. But that number of -- the negative number is not dramatic and is not unexpected. It is not an aberration from our goal. If anything, it's our engineering department doing much better than we expected. And I got an e-mail today of a number -- a few more stations coming online.

So I don't think you're going to see anything dramatic on that bottom line, positive or negative, over the number of -- over the next number of months. But the -- if you look at it from a -- again, from a station build perspective, we've been ahead of schedule on that end. And as a result, it has slowed down our breakeven number, but we're awfully, awfully close. But I just -- I don't want to be wrong and give you a bad time period. But it's not necessarily an aberration from what we expected internally.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [12]

That's fair. And I noticed there's kind of like over 30 active projects underway. And if my calculation serves correct, like over 50 stations need to connect to the Central Cast system upgrade that you've basically been deploying. Maybe if you can kind of state how much capital you'd expect to spend either kind of here in 2020 for Broadcasting to achieve all of that? And then kind of how would that be funded given kind of the lack of cash flow here?

Philip Alan Falcone, HC2 Holdings, Inc. - President, CEO & Director [13]

Well, I wouldn't say there's a lack of -- how you have to look at it as -- we do have cash on the balance sheet. We do have some flexibility with regards to the build-out and slowing down the build-out to make sure that 1 plus 1 equals 2. So there's no cause for concern on that end. But if you look at from a station build perspective, we've got it down to about $160,000 for a station build, which is pretty darn efficient. Incorporating that station or not that -- necessarily that station, but a station that's been online and putting it under Central Cast is about $15,000 to $20,000. So you're not looking at a lot of money as it relates to the CapEx necessary to get everything under Central Cast.

I mean there's -- granted, there's no need to at this point slow that down, but there's also no need to speed it up as well. I mean we can operate just as efficiently under Central Cast as not, but it's just more -- it's more -- I shouldn't say more convenient, but it is a bit more efficient because you're then delivering the content into 1 gateway. So it's more efficient to get every station under Central Cast, but it's not an absolute necessity. So we can manage that part of the business if we need to -- if it looks like we need to manage cash flows, just like we can manage our build-out.

And then some stations -- or if you're co-located, they're a lot less than $160,000. So there's things that we could do on that end, but we're down -- we're getting down to a point where we've got another 20 to 30 stations to get to our goal of the 250. And it's not necessary that we get that done in 2 months or 3 months or 4 months. It's kind of a high-class problem to be in the position where we are because we have a pretty substantial amount of capacity.

And there's been certain things that have slowed us down just from a pandemic perspective, finding rigging units and getting everything on time from a labor perspective, making sure that various parties show up because there have been certain entities that have slowed down. But we're way ahead of plan on that perspective. And we could slow it down accordingly if need be. But at this point, there's no cause for concern there.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [14]

Okay. Just moving on to the Insurance division. I know you mentioned again kind of in advanced discussions, and it sounds like you granted third-party exclusivity. How should investors interpret the context you gave, advanced discussions, exclusivity? I mean why bother even disclose that if we can't really get much more of an update?

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

Well, I mean, it's what we can disclose. So obviously, we want to try to be as transparent as possible. We just thought that we would be asked the question. And quite frankly, we wouldn't have extended exclusivity if we didn't believe there was a deal to be done. You don't just extend exclusivity for the sake of it. So I think that's indicative without going into too much detail of, yes, there's a rationale for extending that exclusivity, and it's not to waste anybody's time.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [16]

Yes. And so let's assume something happens, for example, in this quarter, right, regarding the Insurance. How long would that take to close the sale? Obviously, there's regulatory things and whatnot. Is that 2 quarters, 3 quarters, 4 quarters? Can you maybe help us frame it assuming a second quarter close, right?

Philip Alan Falcone, HC2 Holdings, Inc. - President, CEO & Director [17]

Yes. Well, typically, it depends on the regulators' experience or comfort level with the buyer. When you don't have -- like when we first stepped into it, we didn't have -- we weren't coming with the -- an insurance platform. So it took us a bit longer. You could be looking at 3 or 4 to 6 months, plus or minus. I don't think that's out of the ordinary. The fact -- I think there's no reason to believe that this group that we're in negotiations with would have any issues over and above what a traditional insurance platform would face from a regulatory perspective because they do have that experience. So I guess that gives us comfort that the standard time could be 3, 4 to 6 months. I wouldn't suspect while I can't put my finger on it, and say it will be done within 6 months or it will be done in 3 months, I think that's reasonable to assume that one could suspect 3 to 6 months within that time frame.

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [18]

That's super helpful. And I'm going to switch over to Marine real quick. I know that the business was sold. It's not core anymore. I guess on the 30% interest that's going to be sold to Hengtong and close here -- mentioned imminently close? How should we interpret the word imminently close?

Philip Alan Falcone, HC2 Holdings, Inc. - President, CEO & Director [19]

It's kind of interesting because we actually discussed that. We feel pretty good that it is going to close imminently. That -- it's going to be in short order. We don't think that -- I have to be careful with what I say, but it's -- imminent means pretty soon, I guess. It's not...

Sarkis Sherbetchyan, B. Riley FBR, Inc., Research Division - Associate Analyst [20]

I suppose the reason I ask is, how does that compare to the last calls, the first 2 weeks of April?

Philip Alan Falcone, HC2 Holdings, Inc. - President, CEO & Director [21]

Well, you had people -- I think the pandemic kind of was in its relative infancy and clearly, people's heads were spinning. But we're in a different situation now. We're in a different position now. There had to be -- there were certain steps that had to be taken for a closing, i.e., money transfers, et cetera. That takes time. And when you get people out of the office and some entities shut down, you experience delay. I think we're at a point right now where we feel very good about from a timing perspective, where in early April, it could have closed in 1 week or it could take 4, 5, 6 weeks because there were a lot of things that were unknown at that time from a timing perspective. We knew it was going to close. The question was, was it going to be the first week of April or the first week of June. So now it's to a point where, based on what the events that have taken place and what things needed to be done, we're at the 1 yard line, quite frankly.

Operator [22]

At this time, there are no further questions in the queue. I would now like to turn the conference back over to Phil Falcone for any closing remarks.

Philip Alan Falcone, HC2 Holdings, Inc. - President, CEO & Director [23]

Okay. Well, again, thank you for your time today. I hope everybody is safe and healthy. And again, we are very happy about the first quarter and especially that everybody on the team is safe, as that is the most important thing. Furthermore, if you have questions that come up over the next few days, you can always reach Mike or myself. So with that, thank you again, and good evening.

Operator [24]

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