HC2 Holdings, Inc. (HCHC) CEO Wayne Barr on Q3 2020 Results - Earnings Call Transcript

HC2 Holdings, Inc. (NYSE:HCHC) Q3 2020 Earnings Conference Call November 9, 2020 5:00 PM ET

Company Participants

Garrett Edson - Investor Relations

Wayne Barr - Interim Chief Executive Officer

Mike Sena - Chief Financial Officer

Conference Call Participants

Sarkis Sherbetchyan - B. Riley Financial

Brian Charles - R.W. Pressrich

Operator

Greetings and welcome to the HC2 Holdings, Inc. Third Quarter 2020 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Garrett Edson. Thank you, Garrett. You may begin.

Garrett Edson

Thank you and good afternoon. We would like to thank you for joining us to review HC2's third quarter 2020 earnings results. With me today are Wayne Barr, Interim 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.

Before I turn the call over to Wayne, I would 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, 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, 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 would like to turn the call over to HC2's Interim CEO, Wayne Barr. Wayne?

Wayne Barr

Thanks, Garrett. Good afternoon, everyone. Thank you for joining us. I hope you and your families are all doing well. On today's call, I will walk through some third quarter highlights and discuss our recent progress toward launching and completing the successful refinancing, which will strengthen our balance sheet and position us for long-term success. Our CFO, Mike Sena, will then provide more details on our third quarter performance, and then we'll end by taking some questions.

While we continue to see some impact from the pandemic, our third quarter also showed the resiliency of our businesses and their ability to generate solid results, as the economy gradually rebounds. We also renamed some of our segments to better reflect their businesses and where we believe they have potential future opportunities. Additionally, the Board has made significant progress in assessing each of our businesses and is close to solidifying the path forward. Our focus has been threefold: simplifying the overall portfolio, determining which businesses are poised to take advantage of market trends in the medium to long-term, and identifying which businesses are best situated to contribute to our shorter-term efforts to refinance our senior secured notes. Overall, we were pleased with our operational performance, which is further evidence of the strength of the platform and the value we believe is inherent at our various segments, which I will now review.

First, our infrastructure segment, formerly known as construction, generated adjusted EBITDA in the quarter of nearly $18 million, a solid performance and further proof of DBM's ability to withstand the challenging economic environment. It also continues to win new awards, seeing its backlog improve by $26 million in the quarter to $436 million, and also maintains a substantial adjusted backlog of $640 million which positions it well to further rebound and capitalize on potential trends in the market as the economy continues to improve.

Meanwhile, in our Life Sciences segment, R2 commenced the pre-launch of its Glacial Rx skin lightening and brightening system and is expecting a formal launch in Q1 of 2021. Initial preorders for the products, which include the FDA-approved device and consumables, are strong. We look forward to the full commercial launch early next year. Additionally, we were pleased to see that MediBeacon received an additional commitment from Huadong for $20 million in non-dilutive funding over the next 2 years to pursue Class I status in China, which will allow the device to immediately enter the Chinese hospital system. The payment will be treated as an advance of royalties for anticipated sales in China. MediBeacon is on track to begin its pivotal study in the third quarter of 2021. Both R2 and MediBeacon are clear indicators of the value inherent at our Life Sciences segment, and we are excited to see their continued progress toward commercialization and FDA approval, respectively. As a reminder, both R2 and MediBeacon are fully funded for ongoing activities, and as a result, we currently do not anticipate a need for further capital investment from HC2.

We noted on our last call that we were in the final stages of extending the debt maturity at the HC2 Broadcasting holdco, and at the end of August we successfully completed a 1-year extension on that debt. Since that time, and as agreed upon with our lenders as part of extending the debt, we have started selling non-core assets to begin reducing the debt burden at Broadcasting. We believe delevering this platform will better position us to maximize the value of our network of nearly 230 stations in 97 DMAs. We remain well positioned to take advantage of opportunities in the market as cord cutting further accelerates.

As you may know, our Spectrum segment controls the most operating broadcast spectrum in the U.S., with more than 2.3 billion megahertz pops of UHF and VHF spectrum. We are pleased with the path and gradual progress towards reducing debt and the continued strong relationship we have with our lenders. At our Clean Energy segment, Beyond6 continues to perform very well during the pandemic, growing its adjusted EBITDA approximately 61% compared to the prior-year period, aided by the Alternative Fuels Tax Credit as well as increased demand for fueling. In addition, Beyond6 recently entered into an exclusive partnership with Hyliion, a maker of electronic drivetrain Class 8 trucks that use an onboard CNG generator. As an alternative fuel solution platform, Beyond6 has become a leader in CNG and RNG fueling. Drew and his team have continued to do a tremendous job taking advantage of the positive trends in the EV and renewable energy industries. There is a vast amount of interest and investment being made in these in related sectors as the world works toward reducing carbon admissions and Beyond6 is very well positioned to grow long-term, while making a real difference in improving our environment.

Meanwhile, Continental Insurance ended the quarter with strong total adjusted capital of $374 million, and we are still actively exploring strategic alternatives for the benefit of all of our stakeholders. Last month, we announced the sale of PTGi Carrier Services, our telecom subsidiary, and after receiving FCC approval, closed on the transaction this past week. We

appreciate the efforts of Craig and his team during the past 6 years and wish the purchaser success with PTGi. The divestiture was a step towards simplifying our overall business in advance of a refinancing, and we expect to utilize net proceeds for working capital purposes.

As we have noted repeatedly, our top near-term priorities at the holding company are improving our capital structure and reducing overhead. While we continue to take steps to reduce corporate overhead, executing in the near term on our first major goal of refinancing our 11.5% notes and reducing our debt service will position us well for long-term success and generating value for our stockholders. We have spoken frequently about the fact that the refinancing will involve multiple steps, one of which we took this past quarter with the launch of a $65 million rights offering, which is partially backstopped by Lancer Capital, which is headed by our chairman, Avi Glazer. We acknowledge and welcome the continued support of Avi and other of our major stockholders, and look forward to a successful conclusion of the rights offering later this month.

After a comprehensive review led by our Board, we determined that, of several means available to us to address our capital needs, the rights offering was the most prudent way to raise capital in order to strengthen our balance sheet and best position the company in advance of the refinancing, as well as provide current stockholders with the opportunity to maintain their percentage of ownership. We believe the partial backstop from our chairman will help ensure the success of the rights offering and displays his firm belief in HC2, in full alignment with all of our stockholders. The rights offering is slated to expire on November 20 and subject to stockholder approval of an increase in the number of authorized shares of our common stock, the net proceeds from the rights offering will be available for general corporate purposes, including debt service and working capital. Our current efforts have been and are focused on the refinancing. There are various pieces to a successful outcome here, and we believe the rights offering is a key piece. We are hard at work on the other pieces and will provide more detail on them in due course.

As we think about the longer-term strategy for HC2, we believe, in general, we have a great set of assets. Some of them, we believe, are positioned to be able to extract value almost immediately, and others have more short- to medium-term potential. Once we have fixed our capital structure with the various steps in place and to come, our focus will be on building value over the medium and long term with our remaining assets.

To sum up, I want to thank all of our employees at HC2 and our subsidiaries for their hard work and dedication in helping us make steady progress over the past few months. We are all firmly aligned in pulling in the same direction with respect to what we need to achieve in the near term and beyond. By executing on our near-term goal of generating a successful outcome for the refinancing, we will be best positioned for the long term to strengthen our balance sheet and maximize the full potential and value of our businesses in order to create long-term stockholder value.

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

Mike Sena

Thank you, Wayne. Let's review our third quarter performance. Consolidated total net revenue for the third quarter 2020 was $393.3 million, compared to $427.5 million in the prior-year period, as lower revenues were generated from the telecommunications, Infrastructure, and Spectrum segments, as well as the Insurance segment, net of eliminations, which were partially offset by an increase in revenue from the Clean Energy segment.

Net loss attributable to common and participating preferred stockholders for the third quarter of 2020 was $17.7 million or $0.38 per share compared to a net loss of $7.5 million, or $0.16 per share in the prior-year period. Total adjusted EBITDA, which excludes our Insurance segment, was $11.9 million in the third quarter of 2020, comparable with the prior-year period. We saw improvements in Clean Energy, reduced losses at Spectrum, and lower non-operating corporate expenses. Those were offset by reduced contributions from Infrastructure and telecom and an increase in losses from life sciences, due primarily to R2, which increased spending from the comparable period to commence the preorder process for its Glacial Rx system and continued development of its product platform, utilizing proprietary technology.

Let's just take a couple of minutes to go into a bit more detail on a few of our segments. At Infrastructure, we recorded adjusted EBITDA for the third quarter of 2020 of $17.7 million, compared to $19.4 million in the prior-year period. As in the prior quarter, third quarter 2020 results were impacted by the timing of commercial project work under execution and lower contribution from industrial, maintenance, and repair project work, primarily due to COVID. The segment continued to experience additional costs of $6.4 million during the quarter related to certain measures to comply with COVID protocols and, consistent with prior periods, we have excluded these costs from our adjusted EBITDA.

As of September 30, 2020, reported backlog was $436 million, up from $410 million at the end of the second quarter. Adjusted backlog, which takes into consideration awarded but not yet signed contracts, was $640 million, mainly consisting of smaller to medium-sized projects, which provides Infrastructure with significant visibility. While adjusted backlog reduced on a quarterly basis, we have a healthy number of proposals outstanding and continue to see more opportunities entering the market. While our backlog and the market opportunities of late have been small to medium-sized in nature, we are beginning to see larger projects entering the market. We do expect the pandemic to continue to have an impact on the timing of projects for the foreseeable future.

At Clean Energy, we recorded adjusted EBITDA in the third quarter of $3.7 million, compared to adjusted EBITDA of $2.3 million in the prior-year period. The segment continued to benefit from

the renewal of the Alternative Fuels Tax Credit, or AFTC, which had not yet been approved in the third quarter of 2019. As an additional reminder, we expect Clean Energy revenue and adjusted EBITDA for the fourth quarter of 2020 will be well below the fourth quarter 2019 totals, as the AFTC renewal in the fourth quarter of 2019 was retroactive to the beginning of 2018. We recognized 2 full years of credits in the fourth quarter of 2019. This led to a one-time outsized revenue and adjusted EBITDA in the fourth quarter of 2019. We believe the renewal of the tax credit will provide further tailwinds for continued growth in our Clean Energy segment.

Meanwhile, at Insurance, we generated pretax adjusted operating income for the third quarter of $14.3 million, compared to $13.5 million in the prior-year period. The increase was primarily driven by favorable claims activity and reserve developments in the current year, partially offset by a decline in net investment income due to lower yield on investment assets as a result of lower interest rates and the timing of portfolio reinvestment. As of September 30, 2020, Insurance had cash and invested assets of $4.7 billion, total GAAP assets of $5.8 billion, and an estimated $374 million of total adjusted capital. At the end of the third quarter, HC2 had consolidated cash, cash equivalents, and investments of $4.7 billion, which includes cash and investments associated with HC2's Insurance segment. Including Insurance, consolidated cash was $49 million.

Recurring corporate expenses for the third quarter of 2020 were $3.7 million, a $1 million decrease from the prior-year period, as we continue to make strides in reducing our overall overhead, including the consolidation of our headquarters from two floors onto one floor, significantly reducing our lease expense moving forward. We continue to focus on significantly and responsibly reducing overhead at the holdco level, particularly in the face of the pandemic. As of September 30, there remains $342 million of outstanding principal on our 11.5% notes, a 27% reduction from where it stood at the beginning of 2020. The decrease in aggregate principal outstanding provides us with annualized interest savings of $15 million.

Our primary focus in the immediate term is on our liquidity and refinancing. Besides the rights offering, which we hope to successfully complete later this month, we have various internal measures, if needed, to provide corporate-level liquidity from our subsidiaries in the near-term in excess of $25 million. Based on these factors and our plans, we feel comfortable in our ability to meet liquidity needs over the next 12 months. We remain keenly focused on our overall liquidity position, 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. Operator?

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from Sarkis Sherbetchyan from B. Riley Financial. Please proceed with you question.

Sarkis Sherbetchyan

Hey, good afternoon and thanks for taking my question here.

Wayne Barr

Hey, Sarkis. How are you?

Sarkis Sherbetchyan

I am alright. Thank you, Wayne. So, Wayne, the statement evaluating refinancing scenarios and portfolio monetization to reduce debt leaves plenty of room for the imagination, right? So, like what are the likely pathways the board and management are considering – we know the rights offering is one lever here. And this is the $340 million question, right?

Wayne Barr

It is indeed, and then it's a top of mind for us. It is the #1 priority, as both Mike and I have stated. We've taken approximately 27% of those notes out this year through the various asset sales, but we definitely appreciate the amount of money that we have coming current on December 1. We're focused on more of an overall improvement to the capital structure, rather than just a refinancing of easy 11.5% bonds. As you noted, the rights offering is an extremely important step. I think it strengthens our balance sheet. I think it demonstrates, on behalf of Avi Glazer as well as other major stockholders, their belief in the equity of the company. And we're continuing to take a look at a variety of different ways to achieve this refinancing. We haven't made any definitive decisions with respect to it yet, Sarkis, but we are well down the path, and as soon as we come to consensus as a Board, will be in front of you all and letting you know how we're going to move forward with the refinancing.

Sarkis Sherbetchyan

And what are the explicit holding company-level cash requirements for the balance of the year, if you can help us with that one?

Mike Sena

Yes, Sarkis, this is Mike. Of course, we have the interest payments on the debt, the convert, the revolver, and the preferred stock, and then our normal corporate overheads.

Sarkis Sherbetchyan

Care to put a total dollar value to that, Mike?

Mike Sena

Yes. Sure. We're looking at about $22 million in interest costs, and then our – we have about 2 months left of the quarter, and we've been running at $3.5 million to $4 million a quarter for corporate SG&A.

Sarkis Sherbetchyan

Okay. Thanks fort that. And that run rate you just mentioned, $3.5 million to $4 million a quarter on corporate expense, is that after the headquarter consolidation you just described, or should we expect a little bit of improvement on that number?

Wayne Barr

We're continually trying to push that down. We did, of course, move and consolidate the space in the middle of the quarter, so there would be – there could be some additional savings. But we're working on, of course, trying to continue to push that down.

Sarkis Sherbetchyan

Got it. And now the segments are relabeled here, so Construction is Infrastructure, Broadcasting is Spectrum and Energy is, I believe, Clean Energy, more recently. So I guess what's your messaging to investors with this move? Should we expect further investments in some of these relabeled areas, or are we just kind of moving away from describing assets as core versus non-core?

Wayne Barr

Yes, I think the relabeling really is an indication of just kind of the excitement and the opportunities that we think lie in front of us. We have some really good assets here across all 5 of the operating segments. And I think the relabeling is a little broader than the prior segment names that we used before. And I think that it reflects the broader expansive opportunities I think that we could take advantage of in each of those 3 segments.

Sarkis Sherbetchyan

Got it. One more for me, and I'll hop back in the queue. You talked about the backlog at what is now Infrastructure, $436 million, I think, the number was. So, maybe if you can talk to the composition of the backlog, maybe if there is concentration of customers or geography or types of projects just in relation to the current environment?

Wayne Barr

Yes, I think that's a good question because the nature of the backlog, I think, has changed a little bit. I think it's kind of a testament to Rustin and the team that they feel very confident that, even though some of the characteristics of these types of projects are changing a little bit, they are kind of more than up to the task to meet that. Mike, did you have any thoughts on that as well?

Mike Sena

Yes. I mean, obviously, we've continued to see a positive trend moving from – into reported backlog. It's up $25 million, went from $410 million last quarter to $436 million this quarter. That means, of course, revenue was $160 million, means they sold everything they burned out of backlog plus this quarter. So that's positive. I think in talking to the DBM team, they still see a lot of opportunities in the market. We have a lot of RFPs out there. They are starting to see – so we've talked about backlog over the past few quarters, where it is moving to sort of small to medium-sized jobs. They are starting to see some larger jobs in the market that are – or larger opportunities come into the market, so I think that's a positive sign, too.

Sarkis Sherbetchyan

Okay. And just to be clear, no real levels of concentration in either customer or types of projects you've undertaken in this backlog?

Mike Sena

It's pretty spread out. I can tell you that there has been a good portion of what they signed in, in commercial space, but it's really – I wouldn't say there is any concentrations in it and a lot of them, again, we've been talking about the $10 million to $50 million range of projects for a while, and that's kind of still what the composition looks like in backlog today – although, again, they're starting to see some larger opportunities pop into the market.

Sarkis Sherbetchyan

Thanks. I am going to hop back in the queue.

Wayne Barr

Great. Thanks, Sarkis.

Mike Sena

Thank you.

Operator

Thank you. Our next question comes from [indiscernible] with Concise Capital. Please proceed with your question.

Unidentified Analyst

I have heard snippets of what maybe could be construed as guidance, but just snippets. Like in the Clean Energies, you're expecting fourth quarter will be well below fourth quarter last year. In Infrastructure, you gave the backlog. But can you be more specific in terms of outlook for fourth quarter and calendar year '21 in terms of anything you're comfortable with giving in terms of revenues, EBITDA, traditional measures? You don't have to do it for the five segments, but the overall?

Mike Sena

Sure. I mean, we don't give guidance. We try and give you some view on what we think. So we've talked about DBM, for instance, being – we expect it to be lower than last year for 2020. And you can see that, in results through September, that it is lower than it was last year, and we expect, for the full year, that to be the case. We do still see healthy backlog. We have said that some of the things that we're seeing in our backlog and reduction is around delayed maintenance and CapEx projects in the invest – what we call the Industrials business, which is primarily the GrayWolf business we acquired, and we do expect some of that to come back in 2021.

Unidentified Analyst

So how long does it take you to burn off the backlog at the Infrastructure division?

Mike Sena

These smaller projects, the projects can run anywhere from a few months to 18 months. We have a lot more smaller to medium-sized projects in our backlog, so I think when you look at those projects, they're probably within 12 months of what we have in backlog. Some of the maintenance contracts related to the Industrial business carry on longer than that. But your Fabrication and Erection business are kind of a couple of months to – few months to 18 months. We do disclose in our Q&K sort of the runoff of the backlog in the first – in the second footnote.

Unidentified Analyst

Okay.

Mike Sena

It at least gives you a sense of what we're going to burn in the next 12 months and what's beyond that.

Unidentified Analyst

Alright. And can you – you really kind of avoided it, can you give any color on how the status of the rights offering is going? And at what level is the stock price for this rights offering?

Wayne Barr

So we commenced the rights offering at market, which was $2.27 at the time. The rights offering did not come out at any type of discount to market. So, on the date that it was approved and launched, the stock was at $2.27. We will, the rights offering, is open until November 20, and we will have an announcement when we consummate it at that point. But we are hopeful that everybody will take advantage of what we believe is the most democratic way of putting some cash on the balance sheet here. All of our stockholders have an opportunity to participate, and we are very hopeful that they will take that opportunity and help us achieve this very important step towards the refinancing.

Mike Sena

I will also just add that it is partially backstopped up to $35 million, and that two of our large shareholders have also indicated that they are going to participate at their allocable share, which is roughly 13% of additional amounts to the rights offering.

Unidentified Analyst

So the price of $2.27 is stone, that is what the price is?

Wayne Barr

Yes.

Unidentified Analyst

What happens if the stock falls below that by November 20?

Wayne Barr

I would assume less people would be inclined to subscribe for the rights in that instance.

Unidentified Analyst

Okay. I just wondered if you had a plan B if that wouldn't happen, not that it will, but…

Mike Sena

It's still backstopped for $35 million regardless.

Wayne Barr

Yes.

Unidentified Analyst

Okay. Well thank you very much.

Mike Sena

Thank you.

Operator

Our next question comes from Brian Charles with R.W. Pressrich. Please proceed with your question.

Brian Charles

Hi good afternoon. Thanks for taking the questions. I got a couple of quick ones. First, you did give some guidance about maybe harvesting about $25 million or more of cash from your subsidiaries to the holding company. I want to make sure I understand that. Is that the cash that is currently at the subsidiary level or is that maybe unlocking value at the subsidiary level, maybe through sale of Broadcasting stations or such?

Wayne Barr

No, that would be ability we have to pull cash from our subsidiaries that they have.

Brian Charles

Okay, so the $40 million, I think that's at a subsidiary level right now, you have – you estimate you have access to about $25 million or more – or a little bit $25 plus. Okay. On the note of the Broadcasting station sales, do you have any guidance or any kind of color there as to what stations you might be targeting for sale and what kind of value you might be able to realize from that sale?

Wayne Barr

Yes. So a decision was made to sell some non-core assets. We have a pretty exhaustive list of a variety of stations, everything from full power to Class A to LPTV stations. The emphasis really is on rounding out the LPTV and Class A network that we have across the country. And so, if you were to look at kind of the non-core assets from that, we're interested in selling full-power – certain of the full-power stations. The idea here is to deleverage Broadcasting and to

put that particular operating segment in a stronger position as we move forward and continue to build out the network.

Brian Charles

Okay, but you don't have a ballpark dollar figure on things you're targeting? I could go back and look at that and try to pull that apart.

Wayne Barr

Yes, we are looking at these on a case-by-case basis, obviously evaluating the variety of offers that we are receiving, and we will make decisions when we see one that we think makes sense.

Brian Charles

Okay, great. And finally, the last question. You mentioned a couple of large shareholders had signed up for the rights offering that would represent an additional 13% of the rights offering. Am I understanding that correctly? Is that 13% of $65 million, so it might be another $7.5 million, $8 million committed to the rights offering on top of the $35 million from Lancer?

Mike Sena

Exactly.

Wayne Barr

Yes.

Brian Charles

Okay. That's perfect. That's all I have got. Thank you, gentlemen.

Mike Sena

Thank you, Brian.

Operator

Thank you. Our next question comes from Sarkis Sherbetchyan with B. Riley Financial. Please proceed with your question.

Sarkis Sherbetchyan

Hey thanks for taking the follow-up here. I just wanted to circle back to the Insurance segment. I know it's still under strategic alternatives, but just wondering, were any dividends taken up, or

management fees, from Insurance to the holding company this quarter? And what are the expectations for doing that going forward?

Mike Sena

Yes, I mean, we are pulling like $1 million to $1.5 million a quarter of management fees, so that's consistent with what our expectation is right now.

Sarkis Sherbetchyan

Okay. And I just want to now go to Life Sciences real quick, mentioned the initial preorders are strong for the R2 device. I guess, can you help us understand what the opportunity is, or if you can frame maybe quantitatively what preorders strong means?

Wayne Barr

Quantitatively, I think it's a little into guidance, which we're reluctant to give here. I think the best takeaway from all of this is that R2 really demonstrates what Pansend does well. It took this technology. It got it regulatorily approved through the FDA process. It's now at the commercialization stage, which is new to us at Pansend. You remember, Sarkis, that we transacted BeneVir before there was any commercialization of it. R2 is a bit of a different flavor with respect to the skill set here. And I think, based on kind of their early projections as to what they thought the device would be doing, it's ahead of schedule, even in just the soft launch period. So I think they're continuing to refine the marketing and the launch process. For the full-blown launch, and I think that everybody is very pleased with the results so far, without kind of answering your question as to a quantitative number as to what we'd expect here. Curiously, apparently, dermatology and dermatological products are doing very well, despite the pandemic. I think folks kind of attribute it to not liking what they see on Zoom calls, et cetera, so they're heading to the dermatologist. And hopefully, we can continue to take advantage of that kind of uptick in activity. It's a great technology. The team behind it is a proven team, having brought sculpting and Zeltiq to the market before this. And, when paired up with David and [indiscernible] over at Pansend, I think it just really demonstrates some of the value that Pansend contributes to the overall portfolio.

Sarkis Sherbetchyan

Got it. At least I tried, right? And speaking of our good friend, BeneVir, just want to kind of pick your brain to see if there are any developments from the acquirers, Janssen, regarding if they are using it or if there's any updates on the potential payments to HC2 from the milestones outlined during the sale at the time?

Wayne Barr

Yes. They continue to develop it. All the indications we get from our internal updates from them are positive. I think when we get closer, we'll start to see FDA applications be submitted for the product. We haven't seen that yet, and so we don't have much of a status update other than that. But they are continuing to develop the product in line with their expectations.

Sarkis Sherbetchyan

Got it. Thanks. That's all for me.

Wayne Barr

Okay, Sarkis. Thank you.

Operator

Thank you. There are no further questions at this time. I would like to turn the floor back over to Wayne Barr for closing comments.

Wayne Barr

Thank you. So I would like to thank everybody for participating this afternoon. I certainly appreciate all the continued support that many of you are showing for us as we continue to make changes here at HC2. It's been a really exciting time over the course of the last six months, and everybody is working together very well to achieve the variety of goals that we've set for ourselves, not the least of which is to refinance the debt and continue to drive stockholder value here. We look forward to a successful conclusion to the rights offering, and we definitely will be back to you as soon as we have finalized and executed on our plan to refinance the debt. Thank you.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.