HC2 Holdings, Inc.'s (HCHC) CEO Wayne Barr on Q4 2020 Results - Earnings Call Transcript

HC2 Holdings, Inc. (NYSE:HCHC) Q4 2020 Results Earnings Conference Call March 10, 2021 5:00 PM ET

Company Participants

Matt Chesler - FNK IR

Avie Glazer - Chairman

Wayne Barr - Chief Executive Officer

Mike Sena - Chief Financial Officer

Conference Call Participants

Richter Yeske - Jefferies

Booker Smith - Imperial Capital

Operator

Good afternoon. And welcome to the HCT -- HC2 Holdings' Fourth Quarter and Year End '20 Earnings Conference Call. All participants will be in a listen-only more. After the prepared remarks and presentation, there will be a question-and-answer session. Please note this event is being recorded.

I would now like to turn the conference over to Matt Chesler of FNK IR. Please go ahead.

Matt Chesler

Good afternoon. Thank you for being with us to review HC2's fourth quarter and full year 2020 earnings results. This afternoon, we are joined by Avie Glazer, Chairman of HC2; Wayne Barr Jr., CEO of HC2; and Mike Sena, HC2's Chief Financial Officer.

As usual we have posted our earnings release and our slide presentation on our website at hc2.com. We will begin our call with prepared remarks to be followed by a Q&A session. This call is also being simulcast and will be archived on our website.

During this call, management may make certain statements and assumptions which are not historical fact, will be forward looking and are being made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

Any such forward looking statements involve risks, assumptions and uncertainties, and 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 the cautionary statement that is included in our earnings release and a slide presentation, and further detailed in our Form 10-K and other 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.

The management will also refer to certain non-GAAP financial measures such as adjusted EBITDA, insurance adjusted operating income and insurance pre-tax adjusted operating income. We believe these measures provide useful supplemental data that while not a substitute for GAAP measures allow for greater transparency in the review of our financial and operational performance.

Finally, results for the telecommunications and Clean Energy segments sold in the fourth quarter of 2020 and first quarter of 2021, respectively, are excluded from today's discussion and analysis of performance for the comparable period.

At this point, it's my pleasure to turn things over to Avie Glazer.

Avie Glazer

Thank you. Good afternoon, Alex [ph]. Thank everyone for joining us today. Before I became Chairman, the old HC2 had been involved in a myriad of unrelated businesses, including long distance, marine services and energy. In less than a year, HC2 has sharpened its focus as a tremendous collection of best-in-class assets that are laser targeted to today's new economy.

First, we've infrastructure represented by DBM and the largest steel fabrication and erection companies in the United States. This is an outstanding asset and even more relevant with the likely increase in infrastructure spending going forward as a result of the change of control in Congress.

Second, with HC2 Life Sciences portfolio Pansend, which is a proven track record for creating value. The Pansend investments with the greatest current potential for value creation our R2 technologies and MediBeacon.

R2 is developing and commercializing aesthetic medical and non-medical devices in the $22 billion aesthetic dermatology market. R2 is led by the same management team that develops Zeltiq's CoolSculpting system and which successfully took the company public in 2011 and then later sold to Allergan in 2017 for $2.4 billion.

MediBeacon in a revolutionizing kidney help with the first of its kind novel technology that allows for the real-time monitoring of kidney function. MediBeacon has been granted a breakthrough device designation by the FDA. The potential market is in excess of $7 billion and the technology employed by MediBeacon can be used for other areas of medicine besides the kidney.

Third, we have HC2 Spectrum assets represented by HC2 Broadcasting, the largest broadcast station group in the U.S. And as I'm sure you are aware, in today's world, the opportunities in a nationwide collection broadcast asset provides, including the potential inherent spectrum value is limited only by one's imagination.

We have chosen to focus our company around the three business areas. We believe there is substantial growth and value creation opportunity right in front of us. These are businesses that exist in our portfolio today. The assets are world-class. Talent is top notch and we are committed to supporting their success by fueling the organic and inorganic ambitions and if and when appropriate looking for alternative approaches to unlock value.

To provide more detail on this exciting assets, I would like to turn the call over to Wayne Barr, CEO of HC2.

Wayne Barr

Thank you, Avie. This is an exciting time for HC2. Over the past year we've reshaped the company with the goal of sharpening our strategic focus and restoring our financial strength. We're doing this with the support of the newly constituted Board of Directors and a broad group of stakeholders and through initiatives and transactions across the organization.

As a Board and management, team we are committed to transparency and have taken action to align ourselves with our shareholders. The new HC2 is deeper, not wider, it's stronger and more focused.

We've accomplished a tremendous amount in a short period of time in a challenging environment. It couldn't be more appreciative of more than 2,800 colleagues across the company who show up every day with drive and determination to make HC2 better. Thank you for your hard work.

Over the course of the past several months, we've reduced the number of primary operating segments from seven to four, exiting the marine business last winter and spring, telecommunications in the fall and Clean Energy this winter in January. These transactions better positioned us to successfully refinance our outstanding bonds in February. We've also sold selected non-core full power television broadcast stations.

In addition to sharpening our strategic focus, these transactions generated net proceeds of approximately $265 million in the aggregate, which we use to reduce holding company and broadcasting debt and to strengthen our financial position. Additionally, our Board of Directors continues to evaluate the non-binding indication of interest that we received for our Insurance business in December.

Our Infrastructure segment, DBM Global is one of the largest steel fabrication and erection companies in the country. Led by Rustin Roach and a terrific team, DBM is a highly efficient and collaborative portfolio of companies providing better designs, efficient construction and superior asset management solutions through a full suite of integrated steel construction and professional services.

DBM is well-positioned to continue to grow in a healthy commercial construction market, to realize cross market customer opportunities and especially to benefit from an expected increase in public sector infrastructure spending.

Pansend, our Life Sciences segment currently owns stakes in four companies that are developing innovative healthcare technologies and solutions. Partnering with great teams, the strategy is to then incubate and shepherd each company's development life cycle, secure additional rounds of financing when necessary, while maintaining governance and creating value by patiently negotiating exits at attractive multiples.

As mentioned, currently, the near-term Pansend investments with the greatest potential for value creation are our R2 Technologies and MediBeacon. R2 is currently in the process of commercializing its FDA approved Glacial Rx device in the U.S. Preorders with aestheticians have been going very well for this device, which represents R2's first to market dermatological innovation utilizing CryoAesthetic technology and there is enthusiastic demand ahead of the commercial launch which is scheduled for this month.

Our second product in the R2 brand portfolio is Glacial Spa, is expected to launch commercially in China in the second quarter of this year. As you may recall, R2 and Huadong Medicine Company have previously entered into an exclusive distribution rights agreement for R2's products in China in selected APAC markets. These commercial launches are expected to result in immediate revenue generation this year with no additional capital commitments by HC2.

R2 Technologies also just recently received $10 million in funding from Huadong, which represents the third and final tranche of Huadong's $30 million equity investment in R2 at a predetermined post-money valuation established that time of R2 Series B closed in June 2019 of $113 million. These investment proceeds are being used to fund the launch of Glacial Rx and Glacial Spa, as well as further platform development.

Meanwhile, MediBeacon, which is revolutionizing kidney health with the first of its kind technology that allows for the real time monitoring of kidney function, made advancements towards its final U.S. pivotal study, which is expected to begin in the second half of 2021.

MediBeacon also received a commitment from Huadong for an additional $20 million in non-dilutive funding over the next two years to pursue Class 1 status in China, which will allow the device to immediately enter the Chinese hospital system.

Spectrum continues to be an exciting play on the growing trend of TV viewers who are cutting the cable cord and instead turning to digital antennas for some or all of their content, creating a rapidly growing ecosystem for the over-the-air TV.

Our own research calls OTA the new TV growth story. According to Nielsen, there were 20 million OTA homes in the U.S. as of August 2020 or roughly 19% of all television households, up from $16 million in 2018 and just $11 million in 2010. The number of OTA homes is growing rapidly with over half of these antenna users buying their first antenna in the last three years.

At the same time, there's a growing number of diginets in existence that are looking to OTA as an alternative platform to reach audiences. We are uniquely positioned to leverage this trend and capitalize on the network we have built over the past couple of years and the implementation of ATSC 3.0 should further expand the capability and use of spectrum creating additional revenue opportunities for HC2 that we are already actively exploring.

The acquisitions over the past couple of years and the build out of stations, which is now largely complete, has transformed by broadcasting business. HC2 is now the nation's largest OTA network operating 227 stations with the footprint covering 94 markets in the United States and Puerto Rico including 34 of the top 35 DMAs.

Our attention in Spectrum now turns to the next phase, which is generating growth in commercial carriage through both lease agreements and revenue share arrangements with digital content providers as we look to build upon the already approximately 80 networks that air on our platform currently and to take advantage of the significant operating leverage built into the broadcasting model given its fixed costs nature.

All of these businesses Infrastructure, Life Sciences and Spectrum executed well this past year in different ways. During a very uncertain period each was able to weather the challenges and make progress toward their respective goals as they manage their businesses and capitalize on distinct demand drivers.

HC2 also took several additional steps to enhance the company's capital structure including a rights offering in November 2020 and the refinancing of the holding company senior notes and credit facility in February 2021.

We've successfully reduced aggregate holding company indebtedness by $155 million, lowered our cost of capital by approximately 300 basis points, extended maturity by almost five years and built in the additional flexibility and liquidity that we would like. Today the holding company has less debt, a lower cash interest burden, no material near-term holding company debt maturities and on top of that lower corporate overhead.

We really haven't ever been in this position at the holding company level in my seven years since joining the company in 2014 as a Board member. We're not done with our work but I like where. We're strategically focused, financially stronger and the time horizon to more meaningful value creation is shorter.

With that, I'll turn it over to Mike for a review of our financials and capital structure.

Mike Sena

I'd like to echo Wayne's commentary about our financial performance and financial strength. We finished a challenging year with stronger and improving financial performance for our individual businesses and overall company.

As a result of the steps, we have taken at the holding company and the resilience of our operating businesses, we're a stronger HC2 with a significantly improved liquidity position and a lower cost of capital. This will serve us well as we narrow our strategic focus to generating growth and seeking value creation opportunities in Infrastructure, Spectrum and Life Sciences.

First, let me review our financial performance and then I will walk you through the key changes to our capital structure to help to bridge the quarter and the key transactions that have taken place so far in early 2021.

Consolidated total net revenue for the fourth quarter of 2020 was $251.8 million, an increase of 1.7%, compared to $247.6 million in the prior year period, as higher revenue from Infrastructure was partially offset by lower revenue from Insurance and Spectrum, net of eliminations.

Net loss attributable to common and participating preferred stockholders for the fourth quarter of 2020 was $7.1 million or $0.11 per share, compared to a loss of $31.4 million or $0.70 per share in the prior year period. In the fourth quarter last year, we recognized the $47 million non-cash goodwill impairment charge of our Insurance segment that did not recur.

Total adjusted EBITDA which excludes our Insurance segment was $10 million in the fourth quarter of 2020 down from $16 million in the prior year period. We saw improvement at Spectrum, which recorded its first quarter of positive adjusted EBITDA, reflecting significant efforts we have managed to reduce costs and improve operations in 2020. This is more than offset by decreased contributions from infrastructure and increased losses at Life Sciences.

Now onto some color for each of the three focused businesses. At Infrastructure, adjusted EBITDA for the fourth quarter of 2020 was $17.4 million, down from $20.8 million in the prior year period. Revenue increased 6% due to the favorable timing of commercial projects as compared to last year.

So overall results continue to be impacted by lack of new work being released in turn keeping downward pressure on point-of-sale margins. Margin improvements are being made through optimization and execution strategies. However with smaller less complex projects these improvements are not as meaningful.

Segment continued to experience additional costs of $4.2 million during the quarter related to certain measures to comply with COVID protocols and consistent with prior periods, we've excluded them from our adjusted EBITDA. We expect this course to continue to trend down over the first half of 2021 as we burn off the remaining pre-pandemic backdrop.

As of December 31, 2020 reported backlog was $395 million, down from $436 million at the end of the third quarter. Adjusted backlog which takes into consideration awarded but not yet signed contracts with $608 million.

Mainly consisting with smaller to medium sized projects which provides Infrastructure with significant visibility, while adjusted backlog reduced on a quarterly basis, we are seeing signs that the worst pandemic in fact is behind us.

2021 is poised to be a better year for DBM Global. There are healthy number of proposals outstanding and we continue to see more opportunities entering the market including larger projects.

We are optimistic that we will actively participate in public sector capital spending that may be fueled by a substantial infrastructure bill, which would provide incremental tailwind to our performance.

At Life Sciences, the increase in adjusted EBITDA losses was primarily driven by the scaling of operations that our few technologies ahead of the commercial launch from the Glacial Rx and Spa aesthetic dermatology products, as well as continued development of its product platform. But the upcoming commercial launches of Glacial Rx and Spa, we expect to see revenue in generation from R2 in 2021.

Spectrum delivered adjusted EBITDA of $1.1 million in the fourth quarter, compared to an adjusted EBITDA loss of $1 million in the prior year quarter. Results reflect significant efforts to improve operations and cost reductions, which led to the first quarter of positive adjusted EBITDA.

Net revenues decreased 8.3% to $11 million as higher revenue from the station group driven by an increase in the number of OTA stations in operation was more than offset by lower revenues from that Spectrum network, which experienced a reduction in local market advertising spending due to the COVID-19 pandemic that more than offset higher political spend.

During the quarter, we sold four full power television stations and a low power television translator for aggregate gross proceeds $14.5 million. The sale of these non-core stations along with the refinancing in August 2020 has resulted in reduced debt at HC2 Broadcasting.

Meanwhile, at Insurance, we generated pre-tax adjusted operating income for the fourth quarter of $14.1 million, up 34%, compared to $10.5 million in the prior year period. The increase was primarily driven by lower claims expense and from reserve releases due to contingent non-corporate selection and benefit reductions in 4Q 2020. As of December 31, 2020, Insurance had cash and invested assets of $4.9 billion, total GAAP assets of $5.9 billion and an estimated $337 million of total adjusted capital.

Recurring corporate expenses were $3.3 million for the fourth quarter of 2020, up slightly from the fourth quarter of 2019 due to some favorable items last year. However, on a full year basis, recurring corporate expense $15.6 million represented a 13% reduction and positioned us for further incremental savings on a run rate basis in 2021.

We have significantly reduced our overall overhead particularly in the areas of occupancy due to the consolidation of our headquarters from three floors to one and an executive compensation expense due to a shift from a NAV based program to one based on performance metrics.

At the end of the fourth quarter, HC2 had consolidated cash, cash equivalents and investments of $4.9 billion, which includes cash and investments associated with HC2’s Insurance segment. Excluding Insurance, consolidated cash was $43.8 million, of which $27.5 million was at the holding company level, compared to $8.9 million at holding company level cash at September 30th.

The year-end balance reflects $61.5 million in net proceeds from the November rights offering inclusive of the sale of the Series B preferred shares and offset by cash, interest and working capital payments among other items.

As of December 31, HC2 had total principal outstanding indebtedness of $577 million, a 24% reduction from where it stayed at the beginning of 2020. We have further reduced aggregate indebtedness by $25 million pro forma for the refinancing of our 11.5% senior notes in February.

Subsequent to year-end, we saw the Clean Energy segment refinance the holding company debt, and I will now walk you through these transactions. The sale of Beyond6 in January generated $70 million in net proceeds for HC2, reflecting our 61% economic share on a fully diluted basis of $169 million gross transaction price, less outstanding debt, customary closing adjustments and transaction fees.

In February, we completed a $330 million offering of 8.5% senior secured notes due 2026, which was used to retire our existing 11.5% senior secured notes due 2021 and to repay the $15 million outstanding under our revolving credit agreement.

We also entered into an exchange agreements with certain holders of $51.8 million of the outstanding 7.5% convertible senior notes extending the maturity date to August 2026, $3.2 million of the old converts remains due in 2022.

Separately, we amended our revolving credit facility, extending the maturity from September 2021 to February 2024, increasing the maximum credit commitment from $15 million to $20 million and lowering the current borrowing rate under the agreement by a 100 basis points. We’ve no current borrowings on this line.

Pro forma for the refinancings and the sale Beyond6, HC2 and its subsidiaries excluding Insurance had approximately $65 million in cash on the balance sheet and total principal outstanding indebtedness of $551 million.

In conclusion, the actions taken to monetize certain assets, refinance holding company debt and reduced corporate expenses have significantly increased our liquidity, flexibility and optionality as we strive to establish an optimal capital structure. Our primary focus in the immediate term is to focus on three business segments to support their growth and unlock value.

With that, Operator, we would now like to open up the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question is from Richter Yeske with Jefferies. Please proceed with your question.

Richter Yeske

Hey, guys. I was hoping you can give a little color on the first quarter and thoughts for 2021 with the backlog at DBM, might we see any kind of catch up effect as we get into 2021 with the economy reopening either projects that have been delayed in 2020 or work on -- and work on projects that was delayed or bid processes that were delayed as well?

Mike Sena

Sure. Hi, Rick. This is Mike. We are seeing -- beginning we're still continue to see a lot of activity in the market, some of the projects that were delayed as far as on the industrial side in 2021, I mean, in 2020 were delayed until we think 2021. We haven't seen necessarily any of those come in, but we do expect them to come back in 2021.

And as far as the fab and erection side of the business, we're seeing a lot of activity. We're starting to see some bigger projects come in. And so Rustin's pretty optimistic about the pipeline and what -- and what 2021 will look like.

Richter Yeske

And turning the Spectrum, can you give us a bit of a bridge to what guide you to positive EBITDA this quarter and should we expect it to be positive going forward?

Mike Sena

Yeah. I mean we've been hovering right around that break even. I think we've seen a few quarters $500,000 to $1 million loss. We finally crossed the threshold. We've done a lot of things on the cost side of the house to become more efficient and save costs. We are still -- we now have the network in place and we're out there looking to fill the capacity.

And so what you should start to see is, as we continue to fill that capacity getting operating leverage from the stations having fixed costs, if you will. And when you turn, we've been building stations for the past couple years.

So when you build the station you turn on the lights or all your costs are on day one, you have the tower rents, your broadband, and utilities and you are kind of maintenance on those sites. But you don't necessarily have the revenue filled day one and so that's what we're working to do.

And so we'll continue to push forward with the positive momentum that we've had. You can kind of see the trend over the past four quarters or five quarters pushing the losses down and fortunately in the fourth quarter to push it into a positive territory.

Richter Yeske

And now that you guys are in a very different liquidity dynamic at the holding company and not having to pull up cash from the OpCos. What growth initiatives does that allow you to pursue at the OpCos that you were not able to previously?

Wayne Barr

Hi, Rick. It's Wayne. So with kind of the enhanced liquidity that we managed to put together through the refinancing and some of the asset sales, I think, it really allows us to focus on some growth opportunities that we have at each of the operating segments that are sitting there. We are looking at a variety of different opportunities that could take advantage of some potential increased infrastructure spending that might be coming down the road.

Obviously, as Mike said, we're essentially done building out the station group and I think having the liquidity position that we have at the holding company makes us a good partner for any of these content providers that wants to -- want to come along and take advantage of the largest station group in the country. And I think it just allows us to kind of enter into those discussions from a stronger position and I think we were able to attract more, more opportunities across all three of the operating segments.

Richter Yeske

And then last one for me, again in light of the liquidity position, is that changing at all how you're thinking about the cadence of asset sales you're pursuing and then is any of the volatility in interest rates or things we're seeing in the equity markets impacting valuations for your assets at all?

Wayne Barr

No. So, as to the first part of your question, I think, the Board has shown a real interest in being deliberative opportunistic where it can and I think if you take a look at some of the things that we've done, including the sale of AMG where there was a process that was undertaken. I think we took advantage of some tailwinds there and we're able to produce a very nice result.

I think that's going to continue and regardless of kind of the economic environment that's out there to the extent it's more challenging. I think the Board and management is up to the challenge, but I don't see the Board kind of deviating from a very thoughtful deliberative approach in that regard.

Richter Yeske

All right. That's it for me.

Wayne Barr

Very good. Thank you.

Operator

Our next question is from Booker Smith with Imperial Capital. Please proceed with your question.

Booker Smith

Hi guys. Thanks for taking the question. So starting the holdco throughout 2020 you guys lowered corporate expenses by 13%. Think it was looking into 2021 are there any additional costs base that can happen at the holdco level and what are the cadence and scope of those?

Wayne Barr

So, I think, it 2021 is going to be a continuation of being vigilant with respect to overhead. We did have some very good opportunities that we took advantage of this past year to reduce the overhead. There's probably some additional opportunities that we can take advantage of, and like I said, we are cognizant of wanting to reduce the corporate overhead.

Our liquidity position is good and we kind of strive to get to where we are. But that doesn't come at the cost of vigilance and trying to keep the corporate overhead at a right level. We did reduce our occupancy by going from three floors down to one and you know we've continued to look for other ways to continue to drive that the expense down.

Booker Smith

Cool. Thank you. Cool. And then switching to Insurance, can you guys describe the process of the a potential sale I guess from a regulatory perspective and how that could impact timing if you guys did get to a final deal on that one?

Wayne Barr

Yeah. Sure. So as you've pointed out, any sale of the Insurance segment would require approval from the regulators principally the Texas Department of Insurance, which is our home regulator. Our understanding is that the approval or review of the Form A, which is the application that would be made to detect the change of control is taking anywhere from 90 days to 180 days to be reviewed. That's kind of based on what we've just seen in the marketplace.

We have a very good relationship with the TDI. I talked with them pretty frequently. They've given no indication that and what we've typically seen in the market is going to be any different than the event that we do get to the point where somebody is submitting a Form A for continental but we really can't, because it's up to them we really can't predict whether we're going to fall within the earlier part or the latter part of any of those ranges.

Booker Smith

Great. Thanks. That's all I had.

Wayne Barr

Thank you.

Operator

[Operator Instructions] Our next question is from Bill Guscher with Cortland Capital [ph]. Please proceed with your question.

Unidentified Analyst

Hey, Wayne, Mike. Congrats on a very nice quarter, progress during these, let's say, unusual times to the pandemic.

Wayne Barr

Thank you.

Unidentified Analyst

As we think about EBITDA going forward for the Life Sciences segment, it's clearly been dragging a negative contribution on overall EBITDA, do you think with the rollout obviously with such a strong team with Glacial RX and Spa, do you think that that rollout could lead to a positive contribution at some point let's say end of the year or early 2022?

Wayne Barr

I wouldn't expect it to even though we do -- we're launching the product. We do expect R2 generate revenues. We still are developing additional products within that business. So as it ramps up, it will continue to incur the losses there we would expect. In addition, you remember, there are a couple other businesses there, they're still in there pre-revenue phase. So those are still generating losses also as they develop their products.

Unidentified Analyst

And I guess directly for Glacial Rx and Spa, is there -- obviously there's a very large TAM, but is there -- how do you think about, I guess, a more definable smaller TAM that is there one that you can go right after whether there's a customer or direct competitors and you're essentially going after that market share or is it more of a -- I mean because clearly with CoolSculpting it was kind of a innovative new and the kind of there's a bit of an educational period that involves, you see that the same here, where it's that type of product?

Wayne Barr

I think it's a -- I think it actually is a little broader from my perspective Bill. CoolSculpting, which Zeltiq brought to market and we use that as an analogy for R2, because it was developed by the same team that developed R2. But that had a very focused -- kind of focused treatment and a focused result.

I think one of the exciting things about the R2 technology is that it has not only aesthetic dermatological use but I think it has a variety of uses that extend just beyond kind of that one use that Zeltiq had.

So from an addressable market perspective I think it's more of wide ranging than just kind of more of the single use or single result that Zeltiq obtained. So from that perspective, I think, that there is a more opportunity than Zeltiq had.

Unidentified Analyst

Right. Well, I think that's all I have. Thanks very much. Keep up the good work and look forward to seeing result as the world hopefully at some point reopens here. Thanks.

Wayne Barr

Great. Thanks, Bill.

Operator

And our next question is from Richard Phil with Cetris [ph]. Please proceed with your question.

Unidentified Analyst

Hello. To build on the last speaker's question on the R2 Technology, we were excited to see it roll out in the U.S. this month and China the month after, Can you talk about the supply chain, do you have control over your supply chain of the R2 Technology units and has covered given you any warning signs or what do you see there on the horizon?

Wayne Barr

Yeah. I think it's a little too early to actually see actual results from device delivery. As you know the launches is fairly new. There was a prelaunch period all of which was very well received.

But I am pretty confident that David ensuring or keeping an eye on supply chain and whether the pandemic is having any impact on the delivery of the actual devices like the, anything other than just kind of thought and thinking that generally, the pandemic is caused things to be delayed. I don't have any specific examples of the supply chain being impacted here.

Unidentified Analyst

At some point, can the team talk about the manufacturer of the units where they sit, how reliable they seem to be. The last thing I want you guys to do with such yourself up six months, from now nine months from now saying hey every unit people love it they can't wait to have it. We've got orders and a backlog growing. We just can't produce some or not, and I would love some color around that.

Wayne Barr

Yeah.

Unidentified Analyst

You may not have them now.

Wayne Barr

Right. So, I mean, the color that I can't provide you, it kind of goes back to what I was saying with respect Zeltiq and that is you know this team has rolled out and commercialized a very similar aesthetic device. And so I think while I don't have that information that kind of detail available to you.

Having that management team in place that's already done this and we talk about a proven track record and whether it's David and Cherien or the management team at R2, it really holds true in this instance, and it's very it's very synonymous with what they did over at Zeltiq. And so I am very confident that a commercial rollout was not going to be embarked upon by this group in particular without kind of dotting those Is and crossing those Ts.

Unidentified Analyst

Perfect. Thank you.

Wayne Barr

Yeah. Thank you.

Operator

And we have reached the end of the question-and-answer session. I'll now turn the call over to Avie Glazer for closing remarks.

Avie Glazer

Thanks. We'd like to thank everyone for being on the call today. The entire HC2 team is very excited about the company's future and I hope you share our enthusiasm going forward. Thanks very much. Bye-bye.

Operator

This concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.