UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

Commission File No. 001-35210

INNOVATE

INNOVATE CORP.

(Exact name of registrant as specified in its charter)

Delaware	**54-1708481**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
295 Madison Avenue, 12th Floor, New York, NY	**10017**
(Address of principal executive offices)	**(Zip Code)**

(212) 235-2690

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	VATE	New York Stock Exchange
Preferred Stock Purchase Rights	N/A	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2022, 78,432,535 shares of common stock, par value $0.001, were outstanding.

INNOVATE CORP.
INDEX TO FORM 10-Q

PART II. OTHER INFORMATION

INNOVATE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except per share amounts)

PART I: FINANCIAL INFORMATION
Item 1. Unaudited Financial Statements

	Three Months Ended March 31,	
	2022	**2021**
Revenue	$ 412.8	$ 171.8
Cost of revenue	363.0	141.3
Gross profit	49.8	30.5
Operating expenses:		
Selling, general and administrative	42.6	37.1
Depreciation and amortization	6.9	3.9
Other operating (gain) loss	(0.4)	0.4
Income (loss) from operations	0.7	(10.9)
Other (expense) income:		
Interest expense	(12.6)	(21.4)
Loss on early extinguishment or restructuring of debt	—	(10.8)
Loss from equity investees	(0.5)	(2.1)
Other (loss) income	(0.1)	3.4
Loss from continuing operations before income taxes	(12.5)	(41.8)
Income tax expense	(1.6)	(1.1)
Loss from continuing operations	(14.1)	(42.9)
Income from discontinued operations (including gain on disposal of $40.4 million for the three months ended March 31, 2021)	—	51.9
Net (loss) income	(14.1)	9.0
Net income attributable to noncontrolling interest and redeemable noncontrolling interest	1.7	3.6
Net (loss) income attributable to INNOVATE Corp.	(12.4)	12.6
Less: Preferred dividends and deemed dividends from conversions	1.2	0.4
Net (loss) income attributable to common stock and participating preferred stockholders	$ (13.6)	$ 12.2
Loss per common share - continuing operations		
Basic	$ (0.18)	$ (0.51)
Diluted	$ (0.18)	$ (0.51)
Income per common share - discontinued operations		
Basic	$ —	$ 0.66
Diluted	$ —	$ 0.66
(Loss) income per share - Net loss attributable to common stock and participating preferred stockholders		
Basic	$ (0.18)	$ 0.15
Diluted	$ (0.18)	$ 0.15
Weighted average common shares outstanding:		
Basic	77.3	76.9
Diluted	77.3	76.9

See notes to Condensed Consolidated Financial Statements

INNOVATE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited, in millions)

	Three Months Ended March 31,	
	2022	**2021**
Net (loss) income	$ (14.1)	$ 9.0
Other comprehensive income (loss)		
Foreign currency translation adjustment, net of tax	0.7	(0.8)
Unrealized loss on available-for-sale securities, net of tax	—	(181.2)
Other comprehensive income (loss)	0.7	(182.0)
Comprehensive loss	(13.4)	(173.0)
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interests	(1.6)	(3.7)
Comprehensive loss attributable to INNOVATE Corp.	$ (15.0)	$ (176.7)

See notes to Condensed Consolidated Financial Statements

INNOVATE CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions, except share amounts)

	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 26.4	$ 45.5
Accounts receivable, net	274.4	247.1
Contract assets	140.6	118.6
Inventory	19.5	17.0
Restricted cash	2.0	2.0
Assets held for sale	1.5	1.5
Other current assets	12.2	10.9
Total current assets	476.6	442.6
Investments	60.2	56.0
Deferred tax asset	3.1	3.0
Property, plant and equipment, net	165.8	169.9
Goodwill	127.5	127.4
Intangibles, net	204.2	208.4
Other assets	74.8	73.3
Total assets	$ 1,112.2	$ 1,080.6
Liabilities, temporary equity and stockholders' deficit		
Current liabilities		
Accounts payable	$ 200.4	$ 179.2
Accrued liabilities	86.1	93.4
Current portion of debt obligations	80.1	69.5
Contract liabilities	55.1	79.1
Other current liabilities	19.8	18.3
Total current liabilities	441.5	439.5
Deferred tax liability	9.5	9.1
Debt obligations	601.0	556.8
Other liabilities	63.3	63.3
Total liabilities	1,115.3	1,068.7
Commitments and contingencies		
Temporary equity		
Preferred stock	18.5	18.8
Redeemable noncontrolling interest	47.7	49.3
Total temporary equity	66.2	68.1
Stockholders' deficit		
Common stock, $0.001 par value	0.1	0.1
Shares authorized: 160,000,000 at March 31, 2022 and December 31, 2021, respectively		
Shares issued: 79,821,751 and 79,225,964 at March 31, 2022 and December 31, 2021, respectively		
Shares outstanding: 78,432,535 and 77,836,748 at March 31, 2022 and December 31, 2021, respectively		
Additional paid-in capital	330.8	330.6
Treasury stock, at cost: 1,389,216 and 1,389,216 shares at March 31, 2022 and December 31, 2021, respectively	(5.2)	(5.2)
Accumulated deficit	(428.6)	(416.2)
Accumulated other comprehensive income	7.0	6.4
Total INNOVATE Corp. stockholders' deficit	(95.9)	(84.3)
Noncontrolling interest	26.6	28.1
Total stockholders' deficit	(69.3)	(56.2)
Total liabilities, temporary equity and stockholders' deficit	$ 1,112.2	$ 1,080.6

See notes to Condensed Consolidated Financial Statements

INNOVATE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
(Unaudited, in millions)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss) (a)	Total INNOVATE Stockholders' Equity (Deficit)	Non-controlling Interest	Total Stockholders' Equity (Deficit)	Temporary Equity
	Shares	Amount								
Balance as of December 31, 2021	77.8	$ 0.1	$ 330.6	$ (5.2)	$ (416.2)	$ 6.4	$ (84.3)	$ 28.1	$ (56.2)	$ 68.1
Share-based compensation	—	—	0.8	—	—	—	0.8	—	0.8	—
Preferred stock dividend	—	—	(0.8)	—	—	—	(0.8)	(1.3)	(2.1)	(0.3)
Issuance of common stock	0.6	—	—	—	—	—	—	—	—	—
Transactions with noncontrolling interests	—	—	0.1	—	—	—	0.1	(0.2)	(0.1)	0.1
Other	—	—	0.1	—	—	—	0.1	—	0.1	—
Net loss	—	—	—	—	(12.4)	—	(12.4)	—	(12.4)	(1.7)
Other comprehensive income	—	—	—	—	—	0.6	0.6	—	0.6	—
Balance as of March 31, 2022	78.4	$ 0.1	$ 330.8	$ (5.2)	$ (428.6)	$ 7.0	$ (95.9)	$ 26.6	$ (69.3)	$ 66.2

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss) (a)	Total INNOVATE Stockholders' Equity (Deficit)	Non-controlling Interest	Total Stockholders' Equity (Deficit)	Temporary Equity
	Shares	Amount								
Balance as of December 31, 2020	76.7	$ 0.1	$ 355.7	$ (4.2)	$ (188.7)	$ 396.9	$ 559.8	$ 40.4	$ 600.2	$ 15.7
Share based compensation	—	—	0.7	—	—	—	0.7	—	0.7	—
Fair value adjustment of redeemable noncontrolling interest	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)	0.2
Taxes paid in lieu of shares issued for share-based compensation	—	—	—	(1.0)	—	—	(1.0)	—	(1.0)	—
Preferred stock dividend	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)	—
Issuance of common stock	0.9	—	0.2	—	—	—	0.2	—	0.2	—
Transactions with noncontrolling interests	—	—	2.4	—	—	—	2.4	(14.5)	(12.1)	3.8
Other	—	—	(2.9)	—	—	—	(2.9)	—	(2.9)	—
Net income (loss)	—	—	—	—	12.6	—	12.6	(1.9)	10.7	(1.7)
Other comprehensive loss	—	—	—	—	—	(181.8)	(181.8)	(0.1)	(181.9)	—
Balance as of March 31, 2021	77.6	$ 0.1	$ 355.7	$ (5.2)	$ (176.1)	$ 215.1	$ 389.6	$ 23.9	$ 413.5	$ 18.0

See notes to Condensed Consolidated Financial Statements

INNOVATE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from operating activities		
Net (loss) income	$ (14.1)	$ 9.0
Less: Income from discontinued operations, net of tax	—	51.9
	(14.1)	(42.9)
Adjustments to reconcile net (loss) income to cash provided by operating activities		
Share-based compensation expense	0.8	0.5
Depreciation and amortization	10.6	6.2
Amortization of deferred financing costs and debt discount	1.2	7.4
Loss on extinguishment of debt	—	10.8
Loss from equity investees	0.5	2.1
Asset impairment expense	0.1	2.1
Deferred income taxes	0.4	0.6
Other operating activities	0.2	(2.6)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(25.8)	(0.8)
Contract assets	(22.0)	(8.6)
Other current assets	(1.2)	(1.3)
Other assets	2.0	(0.9)
Accounts payable	20.2	(1.3)
Accrued liabilities	(7.2)	1.9
Contract liabilities	(24.0)	4.1
Other current liabilities	(4.9)	(1.2)
Other liabilities	(0.2)	0.7
Cash used in continuing operating activities	(63.4)	(23.2)
Cash provided by discontinued operating activities	—	20.7
Cash used in operating activities	(63.4)	(2.5)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4.6)	(3.2)
Proceeds from disposal of property, plant and equipment	1.8	—
Purchase of investments	(4.5)	—
Cash received from dispositions, net of cash disposed	—	71.2
Other investing activities	(0.1)	(1.6)
Cash (used in) provided by continuing investing activities	(7.4)	66.4
Cash provided by discontinued investing activities	—	1.5
Cash (used in) provided by investing activities	(7.4)	67.9
Cash flows from financing activities		
Proceeds from debt obligations	59.8	317.4
Principal payments on debt obligations	(6.2)	(356.5)
Cash received by subsidiary to issue preferred stock	—	10.0
Transactions with noncontrolling interests	—	(1.1)
Other financing activities	(2.4)	(1.4)
Cash provided by (used in) continuing financing activities	51.2	(31.6)
Cash used in discontinued financing activities	—	(4.3)
Cash provided by (used in) financing activities	51.2	(35.9)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	0.5	(0.3)
Net (decrease) increase in cash and cash equivalents, including restricted cash and cash classified within assets held for sale	(19.1)	29.2
Less: Net increase in cash and cash equivalents from discontinued operations	—	18.3
Net change in cash, cash equivalents and restricted cash	(19.1)	10.9
Cash, cash equivalents and restricted cash, beginning of period	47.5	45.3
Cash, cash equivalents and restricted cash, end of period	$ 28.4	$ 56.2

See notes to Condensed Consolidated Financial Statements

1. Organization and Business

INNOVATE Corp. ("INNOVATE" and, together with its consolidated subsidiaries, the "Company", "we" and "our") is a diversified holding company that has a portfolio of subsidiaries in a variety of operating segments. We seek to grow these businesses so that they can generate long-term sustainable free cash flow and attractive returns in order to maximize value for all stakeholders. While the Company generally intends to acquire controlling equity interests in its operating subsidiaries, the Company may invest to a limited extent in a variety of debt instruments or noncontrolling equity interest positions. The Company's shares of common stock trade on the NYSE under the symbol "VATE".

The Company currently has three reportable segments, plus our Other segment, based on management's organization of the enterprise: Infrastructure, Life Sciences, Spectrum, and Other which includes businesses that do not meet the separately reportable segment thresholds.

1. Our Infrastructure segment is comprised of DBM Global Inc. ("DBMG") and its wholly-owned subsidiaries. DBMG is a fully integrated Industrial Construction, Structural Steel and Facility Maintenance provider that provides fabrication and erection of structural steel and heavy steel plate services and also fabricates trusses and girders and specializes in the fabrication and erection of large-diameter water pipe and water storage tanks, as well as 3-D Building Information Modeling ("BIM") and detailing. DBMG provides these services on commercial, industrial, and infrastructure construction projects such as high- and low-rise buildings and office complexes, hotels and casinos, convention centers, sports arenas and stadiums, shopping malls, hospitals, dams, bridges, mines, metal processing, refineries, pulp and paper mills and power plants. Through GrayWolf, DBMG provides integrated solutions for digital engineering, modeling and detailing, construction, heavy equipment installation and facility services including maintenance, repair, and installation to a diverse range of end markets. Through Aitken Manufacturing, DBMG manufactures pollution control scrubbers, tunnel liners, pressure vessels, strainers, filters, separators and a variety of customized products. Through the recently acquired Banker Steel, DBMG provides full-service fabricated structural steel and erection services primarily for the East Coast and Southeast commercial and industrial construction market, in addition to full design-assist services. The Company maintains an approximately 91% controlling interest in DBMG.

2. Our Life Sciences segment is comprised of Pansend Life Sciences, LLC ("Pansend"). Pansend maintains controlling interests of approximately 80% in Genovel Orthopedics, Inc. ("Genovel"), which seeks to develop products to treat early osteoarthritis of the knee and approximately 56% in R2 Technologies, Inc. ("R2"), which develops aesthetic and medical technologies for the skin. Pansend also invests in other early stage or developmental stage healthcare companies including an approximately 47% interest in MediBeacon Inc. ("MediBeacon"), a medical technology company specializing in the advances of fluorescent tracer agents and transdermal measurement, and an approximately 26% interest in Triple Ring Technologies, Inc ("Triple Ring"), a science and technology co-development company.

3. Our Spectrum segment is comprised of HC2 Broadcasting Holdings Inc. ("Broadcasting") and its subsidiaries. Broadcasting strategically acquires and operates over-the-air broadcasting stations across the United States. In addition, Broadcasting, through its wholly-owned subsidiary, HC2 Network Inc. ("Network"), operates Azteca America, a Spanish-language broadcast network offering high quality Hispanic content to a diverse demographic across the United States. The Company maintains a 98% controlling interest in Broadcasting and maintains a controlling interest of approximately 77%, inclusive of approximately 10% proxy and voting rights from minority holders of DTV America Corporation ("DTV").

4. Our Other segment represents all other businesses or investments that do not meet the definition of a segment individually or in the aggregate. Included in the Other segment is the former Marine Services segment, which includes its holding company, Global Marine Holdings, LLC ("GMH"), in which the Company maintains approximately 73% controlling interest. GMH results include the current and prior year equity investment in HMN Technologies Co., Ltd. ("HMN"), its 19% equity method investment, and the discontinued operations of Global Marine Systems Limited ("GMSL"). Also included in the Other segment is the discontinued operations of Beyond6, Inc. ("Beyond6"), and Continental Insurance Group ("CIG").

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of the Company, its wholly owned subsidiaries and all other subsidiaries over which the Company exerts control. All intercompany profits, transactions and balances have been eliminated in consolidation. For the three months ended March 31, 2022, the results of DBMG, Pansend, Genovel, R2, Broadcasting, and GMH have been consolidated into the Company’s results based on guidance from the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" 810, *Consolidation)*. The remaining interests not owned by the Company are presented as a noncontrolling interest component of total equity.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of the Company included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature. Certain information and note disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted pursuant to such rules and regulations. Certain prior amounts have been reclassified or combined to conform to the current year presentation.

These interim financial statements should be read in conjunction with the Company’s annual Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on March 9, 2022. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2022.

Use of Estimates and Assumptions

The preparation of the Company’s Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.

Liquidity

At this time, we believe that we will be able to continue to meet our liquidity requirements and fund our fixed obligations (such as debt service and operating leases) and other cash needs for our operations for at least the next twelve months from the issuance of the Condensed Consolidated Financial Statements through a combination of available cash and distributions from our subsidiaries. The ability of INNOVATE’s subsidiaries to make distributions to INNOVATE is subject to numerous factors, including restrictions contained in each subsidiary’s financing agreements, availability of sufficient funds at each subsidiary and the approval of such payment by each subsidiary’s board of directors, which must consider various factors, including general economic and business conditions, tax considerations, strategic plans, financial results and condition, expansion plans, any contractual, legal or regulatory restrictions on the payment of dividends, and such other factors each subsidiary’s board of directors considers relevant. Although the Company believes, to the extent needed, that it will be able to raise additional equity capital, refinance indebtedness or preferred stock, enter into other financing arrangements or engage in asset sales and sales of certain investments sufficient to fund any cash needs that we are not able to satisfy with the funds on hand or expected to be provided by our subsidiaries, there can be no assurance that it will be able to do so on terms satisfactory to the Company, if at all. Such financing options, if pursued, may also ultimately have the effect of negatively impacting our liquidity profile and prospects over the long-term. Our ability to sell assets and certain of our investments to meet our existing financing needs may also be limited by our existing financing instruments. In addition, the sale of assets or the Company’s investments may also make the Company less attractive to potential investors or future financing partners.

COVID-19

There are many uncertainties regarding the current coronavirus ("COVID-19") pandemic, and the Company continues to closely monitor the impact of the COVID-19 pandemic, including the effectiveness of the vaccine programs, on all aspects of its business, including how it will impact its customers, employees, suppliers, vendors, business partners and distribution channels and any potential prolonging or worsening of the pandemic due to COVID-19 variants. We are unable to predict the impact that COVID-19 will have on the Company's financial position and operating results due to numerous uncertainties. However, as the pandemic continues, it may have an adverse effect on the Company’s results of operations, financial condition, or liquidity.

COVID-19 has continued to cause supply chain challenges related to labor shortages and supply chain disruptions, which may create significant delays in our ability to complete projects or deliver products. The receipt of material from impacted areas has been slowed or disrupted and our suppliers are expected to face similar challenges in fulfilling orders. In addition, reductions in the number of ocean carrier voyages, ocean freight capacity issues, congestion at major international gateways and other economic factors continue to persist worldwide due to COVID-19 and worldwide supply impacts as there is much greater demand for shipping and reduced capacity and equipment, which has resulted in recent price increases per shipping container. In addition, in the United States, trucking costs have risen dramatically due to driver shortages and increased labor costs, as well as new federal and state safety, environmental and labor regulations. These changes, as well as COVID-19 related state and local restrictions on domestic trucking and the operation of distribution centers, may disrupt our supply chain, which may result in a delay in the completion of our projects and cause us to incur significant additional costs. Although we may attempt to pass on certain of these increased costs to our customers, we may not be able to pass all of these cost increases on to our customers. As a result, our margins may be adversely impacted by such cost increases. These supply chain disruptions and transportation challenges could have a material adverse effect on our results of operations or financial condition.

The Company expects to continue to assess the evolving impact of the COVID-19 pandemic.

Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents and restricted cash to amounts reported within the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows (in millions):

	March 31,	
	2022	2021
Cash and cash equivalents, beginning of period	$ 45.5	$ 43.8
Restricted cash included in other assets	2.0	1.5
Total cash and cash equivalents and restricted cash	$ 47.5	$ 45.3
Cash and cash equivalents, end of period	$ 26.4	$ 54.2
Restricted cash included in other assets	2.0	2.0
Total cash and cash equivalents and restricted cash	$ 28.4	$ 56.2
Cash and cash equivalents classified in Assets held for sale, beginning of period	$ —	$ 195.2
Restricted cash classified in Assets held for sale	—	0.2
Total cash and cash equivalents and restricted cash classified in Assets held for sale	$ —	$ 195.4
Cash and cash equivalents classified in Assets held for sale, end of period	$ —	$ 213.7
Restricted cash classified in Assets held for sale	—	—
Total cash and cash equivalents and restricted cash classified in Assets held for sale	$ —	$ 213.7
Supplemental cash flow information:		
Cash paid for interest	$ 18.6	$ 10.5
Cash paid for taxes, net of refunds	$ 0.4	$ 0.7
Non-cash investing and financing activities:		
Property, plant and equipment included in accounts payable	$ —	$ 0.2
Extinguishment of convertible note in exchange	$ —	$ 51.8
Issuance of convertible note in exchange	$ —	$ (51.8)

Accounting Pronouncements Adopted in the Current Year

There were no new accounting pronouncements adopted during the three months ended March 31, 2022.

Accounting Pronouncements to be Adopted Subsequent to December 31, 2022

Credit Loss Standard

ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, Measurement of Credit Losses on Financial Instruments, was issued by FASB in June 2016. This standard is effective January 1, 2020 (with early adoption permitted). This new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize estimated credit losses over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. The FASB has voted to delay the effective date of ASU 2016-13 to January 1, 2023 for smaller reporting companies with a revised ASU in the fourth quarter of 2019. The Company will not be required to adopt Topic 326 until January 1, 2023. Currently, the Company continues to evaluate the potential impact of the new standard on its financial results.

Subsequent Events

ASC 855, *Subsequent Events* requires the Company to evaluate events that occur after the balance sheet date as of which the financial statements are issued, and to determine whether adjustments to or additional disclosures in the financial statements are necessary. See Note 19. Subsequent Events for the summary of the subsequent events.

3. Discontinued Operations

The results of Beyond6 and CIG and the related expenses directly attributable to the entities were reported as discontinued operations. Summarized operating results of the discontinued operations are as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Revenue	$ —	$ 1.7
Life, accident and health earned premiums, net	—	28.4
Net investment income	—	43.9
Realized/unrealized gains on investments	—	9.5
Total revenue	—	83.5
Cost of revenue	—	0.8
Policy benefits, changes in reserves, and commissions	—	56.1
Selling, general and administrative	—	12.4
Depreciation and amortization	—	(5.9)
Income from operations	—	20.1
Interest expense	—	(0.4)
Gain on sale and liquidation of subsidiaries	—	40.4
Other loss	—	(3.1)
Pre-tax income from discontinued operations	—	57.0
Income tax expense	—	(5.1)
Income from discontinued operations	$ —	$ 51.9

Sale of CIG

The sale of CIG closed on July 1, 2021 to Continental General Holdings LLC, an entity controlled by Michael Gorzynski, a director of the Company and, as of March 31, 2022, a beneficial owner of approximately 10.7% of the Company's outstanding common stock (including the convertible preferred stock, on an as-converted basis) who has also served as executive chairman of Continental since October 2020. The Insurance segment, which primarily consisted of a closed block of long-term care insurance, had a book value, inclusive of intercompany eliminations, at the time of the sale of $544.0 million, inclusive of $344.0 million of Accumulated other comprehensive income ("AOCI"). The carrying value of the Insurance segment at the time of sale excluded cash of $62.5 million and investments of $26.7 million which were distributed to the Company through an extraordinary dividend immediately prior to the sale. The extraordinary dividend was approved by our domestic regulator in connection with the approval of the sale. The amount included in AOCI was reversed from equity at the time of the sale and offset the loss recognized.

While several factors impacted the fair value of the Insurance segment at the end of 2019, following discussions with our domestic regulator, changes in the asset management fee arrangement and expectations of future dividends primarily and ultimately resulted in the full impairment of the goodwill associated with the Insurance segment during the year ended December 31, 2019. While these factors did not have a major impact on the operations of the stand-alone business, they did have a significant impact on the economic benefit that could be realized by the Company.

As a result of the factors described above, combined with the risks associated with the long-term care insurance industry, the Company exited the segment and sold the business resulting in a $200.8 million loss on the sale of CIG in the third quarter of 2021.

Sale of Beyond6

On December 31, 2020, the Company announced a plan to sell Beyond6 to an affiliate of Mercuria Investments US, Inc., pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among Beyond6, Greenfill, Inc., a Delaware corporation ("Parent"), Greenfill Merger Inc., a newly-formed Delaware corporation and wholly-owned subsidiary of Parent, and an affiliate of INNOVATE as the Stockholder Representative for the Beyond6 stockholders. The sale closed on January 15, 2021. During the first quarter of 2021, the Company recognized a $39.2 million gain on the sale. During the third quarter of 2021, as a result of releases of related escrows and hold backs, the Company recognized an additional $0.5 million gain on the sale.

A portion of the proceeds from the sale of Beyond6 were used to repay $15.0 million of the then outstanding balance under the Revolving Credit Agreement and repay $27.9 million of the Company's 2021 Senior Secured Notes.

Assets Held for Sale

As of March 31, 2022 and December 31, 2021, the Company had approximately $1.5 million of other current assets classified in Assets held for sale on the Condensed Consolidated Balance Sheets.

4. Revenue

Revenue from contracts with customers consist of the following (in millions):

	Three Months Ended March 31,	
	2022	2021
Revenue		
Infrastructure	$ 402.2	$ 161.3
Spectrum	9.8	10.5
Life Sciences	0.8	—
Total revenue	$ 412.8	$ 171.8

Accounts receivables, net from contracts with customers consist of the following (in millions):

	March 31, 2022	December 31, 2021
Accounts receivables with customers		
Infrastructure	$ 255.3	$ 226.8
Spectrum	8.4	9.4
Life Sciences	0.5	0.3
Total accounts receivables with customers	$ 264.2	$ 236.5

Infrastructure Segment

The following table disaggregates DBMG's revenue by market (in millions):

	Three Months Ended March 31,	
	2022	2021
Commercial	$ 238.2	$ 49.4
Industrial	89.2	40.3
Convention	19.6	9.4
Government	7.4	21.3
Healthcare	26.1	8.9
Transportation	10.0	13.9
Leisure	4.2	7.5
Other	7.2	10.6
Total revenue from contracts with customers	401.9	161.3
Other revenue	0.3	—
Total Infrastructure segment revenue	$ 402.2	$ 161.3

Contract assets and contract liabilities consisted of the following (in millions):

	March 31, 2022	December 31, 2021
Cost in excess of billings	$ 68.6	$ 68.3
Conditional retainage	72.0	50.3
Contract assets	$ 140.6	$ 118.6
Billings in excess of costs	$ (101.3)	$ (137.6)
Conditional retainage	46.2	58.5
Contract liabilities	$ (55.1)	$ (79.1)

The change in contract assets is a result of the recording of $96.5 million of contract assets driven by new commercial projects, offset by $74.5 million of contract assets transferred to receivables from contract assets recognized at the beginning of the period.

The change in contract liabilities is a result of periodic contract liabilities of $40.7 million driven largely by new commercial projects, offset by revenue recognized that was included in the contract liability balance at the beginning of the period in the amount of $64.7 million.

Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

The transaction price allocated to remaining unsatisfied performance obligations consisted of the following (in millions):

	Within one year	Within five years	Total
Commercial	$ 503.4	$ 229.5	$ 732.9
Industrial	271.8	—	271.8
Transportation	31.6	2.1	33.7
Government	24.0	—	24.0
Leisure	16.3	—	16.3
Healthcare	135.9	4.1	140.0
Convention	127.8	17.9	145.7
Other	2.7	—	2.7
Remaining unsatisfied performance obligations	$ 1,113.5	$ 253.6	$ 1,367.1

DBMG's remaining unsatisfied performance obligations increase with awards of new contracts and decrease as it performs work and recognizes revenue on existing contracts. DBMG includes a project within its remaining unsatisfied performance obligations at such time the project is awarded and agreement on contract terms has been reached. DBMG's remaining unsatisfied performance obligations include amounts related to contracts for which a fixed price contract value is not assigned when a reasonable estimate of total transaction price can be made. DBMG expects to recognize this revenue over the next thirty-six months.

Remaining unsatisfied performance obligations include unrecognized revenues to be realized from uncompleted construction contracts. Although many of DBMG's contracts are subject to cancellation at the election of its customers, in accordance with industry practice, DBMG does not limit the amount of unrecognized revenue included within its remaining unsatisfied performance obligations due to the inherent substantial economic penalty that would be incurred by its customers upon cancellation.

Life Sciences Segment

The following table disaggregates the Life Sciences segment's revenue by type (in millions):

	Three Months Ended March 31,	
	2022	2021
Systems and consumables revenue	$ 0.8	$ —
Total Life Sciences segment revenue	$ 0.8	$ —

Spectrum Segment

The following table disaggregates the Spectrum segment's revenue by type (in millions):

	Three Months Ended March 31,	
	2022	2021
Broadcast station	$ 4.8	$ 4.4
Network advertising	3.9	4.7
Network distribution	0.7	0.9
Other	0.4	0.5
Total Spectrum segment revenue	$ 9.8	$ 10.5

The transaction price allocated to remaining unsatisfied performance obligations consisted of $4.3 million of broadcast station revenues and $0.1 million of other revenues, of which $2.8 million is expected to be recognized within one year and $1.6 million is expected to be recognized within five years.

5. Acquisitions, Dispositions, and Deconsolidations

Infrastructure Segment

Banker Steel Acquisition

On March 15, 2021, the Company announced that DBMG entered into an agreement to acquire 100% of Banker Steel Holdco LLC ("Banker Steel") for $145.0 million, which closed on May 27, 2021. The acquisition was financed with $64.1 million from a partial draw on a new $110.0 million revolving credit facility, $49.6 million of sellers' notes, $6.3 million of assumed debt of Banker Steel, and $25.0 million in cash received from INNOVATE in the settlement of certain intercompany balances.

Banker Steel provides full-service fabricated structural steel and erection services primarily for the East Coast and Southeast commercial and industrial construction market, in addition to full design-assist services. Banker Steel consists of six operating companies: Banker Steel Co., LLC; NYC Constructors, LLC; Memco LLC; Derr & Isbell Construction LLC; Innovative Detailing and Engineering Solutions; and Lynchburg Freight and Specialty LLC.

Pro Forma Adjusted Summary

The following schedule presents unaudited consolidated pro forma results of operations data as if the acquisition of Banker Steel had occurred on January 1, 2021. This information does not purport to be indicative of the actual results that would have occurred if the acquisitions had actually been completed on the date indicated, nor is it necessarily indicative of the future operating results or the financial position of the combined company (in millions):

	Three Months Ended March 31,
	2021
Revenue	$ 287.1
Loss from operations	$ (8.6)
Net income attributable to INNOVATE	$ 13.1

Other Segment

Sale of GMSL

On January 30, 2020, the Company announced that, through its indirect subsidiary, GMH, in which the Company holds an approximately 73% controlling interest, the Company entered into a definitive agreement to sell 100% of the shares of GMSL to Trafalgar AcquisitionCo, Ltd. and an affiliate of J.F. Lehman & Company, LLC. The total base consideration was $250.0 million, subject to customary purchase price adjustments, working capital adjustments, and a potential earn-out of up to $12.5 million at such time, if any, if J.F. Lehman & Company, LLC and its investment affiliates achieve a specified multiple of their invested capital.

The purchase price is subject to customary potential downward or upward post-closing adjustments based on net working capital, cash, unpaid transaction expenses, indebtedness and certain of the Company's pre-closing paid capital expenditures. The Share Purchase Agreement contained customary representations, warranties and covenants for a transaction of this nature.

The transaction closed on February 28, 2020. GMH received approximately $144.0 million of net proceeds from the sale, of which $36.8 million and $5.5 million were paid to noncontrolling interest holders and redeemable noncontrolling interest holders, respectively. INNOVATE received net proceeds of approximately $100.8 million. In connection with the closing of the transaction, the purchaser deposited (i) $1.25 million of the base price into an escrow fund for the purpose of securing certain indemnification obligations for losses payable in the first twelve months after closing and (ii) $1.91 million of the base price into an escrow fund for the purpose of securing a purchase price adjustment, if any, in favor of purchaser. Following the closing, the purchaser paid an amount equal to $2.4 million on the earlier of December 31, 2020 and the date on which a cash collateralized bonding facility was released.

In the first quarter of 2020, the Company recorded a $39.3 million loss on the sale and recognized a $31.3 million of Accumulated other comprehensive loss, which was comprised of $17.2 million of actuarial losses on pension and $14.1 million of currency translation adjustments. During the fourth quarter of 2020, the Company recognized a gain on sale of $2.4 million as a result of the cash collateralized bonding facility release. During the first quarter of 2021, the Company recognized a gain of $1.2 million as a result of indemnity release.

Sale of Beyond6

On December 31, 2020, the Company announced a plan to sell Beyond6 to an affiliate of Mercuria Investments US, Inc., pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among Beyond6, Greenfill, Inc., a Delaware Corporation ("Parent"), Greenfill Merger Inc., a newly-formed Delaware corporation and wholly-owned subsidiary of the Parent, and an affiliate of INNOVATE as the Stockholder Representative for the Beyond6 stockholders, for a total purchase price, net of Beyond6's debt and transaction expenses, customary purchase price adjustments and escrow arrangements, of approximately $106.5 million. Net proceeds received by INNOVATE at closing was cash consideration of approximately $70.0 million. The sale closed on January 15, 2021. During the first quarter of 2021, the Company recognized a $39.2 million gain on the sale. During the third quarter of 2021, as a result of releases of related escrows and hold backs, the Company recognized an additional $0.5 million gain on the sale.

Sale of CIG

The sale of CIG closed on July 1, 2021 to Continental General Holdings LLC, an entity controlled by Michael Gorzynski, a director of the Company and, as of March 31, 2022, a beneficial owner of approximately 10.7% of the Company's outstanding common stock (including the convertible preferred stock, on an as-converted basis) who has also served as executive chairman of Continental since October 2020. The Insurance segment, which primarily consisted of a closed block of long-term care insurance, had a book value, inclusive of intercompany eliminations, at the time of the sale of $544.0 million, inclusive of $344.0 million of Accumulated other comprehensive income ("AOCI"). The carrying value of the Insurance segment at the time of sale excluded cash of $62.5 million and investments of $26.7 million which were distributed to the Company through an extraordinary dividend immediately prior to the sale. The extraordinary dividend was approved by our domestic regulator in connection with the approval of the sale. The amount included in AOCI was reversed from equity at the time of the sale and offset the loss recognized.

While several factors impacted the fair value of the Insurance segment at the end of 2019, following discussions with our domestic regulator, changes in the asset management fee arrangement and expectations of future dividends primarily and ultimately resulted in the full impairment of the goodwill associated with the Insurance segment during the year ended December 31, 2019. While these factors did not have a major impact on the operations of the stand-alone business, they did have a significant impact on the economic benefit that could be realized by the Company.

As a result of the factors described above, combined with the risks associated with the long-term care insurance industry, the Company exited the segment and sold the business resulting in a $200.8 million loss on the sale of CIG in the third quarter of 2021.

See Note 3. Discontinued Operations for further details.

6. Accounts Receivable, net

Accounts receivable, net consist of the following (in millions):

	March 31, 2022	December 31, 2021
Contracts in progress	$ 255.3	$ 226.8
Unbilled retentions	0.5	0.4
Trade receivables	8.8	9.9
Other receivables	10.2	10.6
Allowance for doubtful accounts	(0.4)	(0.6)
Total	$ 274.4	$ 247.1

7. Property, Plant and Equipment, net

Property, plant and equipment, net consists of the following (in millions):

	March 31, 2022	December 31, 2021
Equipment, furniture and fixtures, and software	$ 184.6	$ 180.7
Building and leasehold improvements	42.0	43.0
Land	23.8	24.1
Construction in progress	8.8	8.9
Plant and transportation equipment	8.2	8.3
	267.4	265.0
Less: Accumulated depreciation	101.6	95.1
Total	$ 165.8	$ 169.9

Depreciation expense was $6.4 million and $4.7 million for the three months ended March 31, 2022 and 2021, respectively. These amounts included $3.7 million and $2.3 million of depreciation expense recognized within cost of revenue for the three months ended March 31, 2022 and 2021, respectively.

As of March 31, 2022 and December 31, 2021, the total net book value of equipment under capital leases consisted of $0.1 million and $0.2 million, respectively.

8. Goodwill and Intangibles, net

Goodwill

The carrying amount of goodwill by segment was as follows (in millions):

	Infrastructure	Spectrum	Total
Balance at December 31, 2021	$ 106.0	$ 21.4	$ 127.4
Translation	0.1	—	0.1
Balance at March 31, 2022	$ 106.1	$ 21.4	$ 127.5

Indefinite-lived Intangible Assets

The carrying amount of indefinite-lived intangible assets was as follows (in millions):

	March 31, 2022	December 31, 2021
FCC licenses	$ 106.4	$ 106.5
Total	$ 106.4	$ 106.5

For the three months ended March 31, 2022 and 2021, the Company recorded impairment charges of $0.1 million and $2.1 million, respectively, in Other operating (gain) loss related to non-core FCC licenses which were sold in order to bring their carrying value equal to the agreed upon sales price prior to the execution of the sale.

Definite Lived Intangible Assets

The gross carrying amount and accumulated amortization of definite lived intangible assets by major intangible asset class were as follows (in millions):

		March 31, 2022			December 31, 2021		
	Weighted-Average Original Useful Life	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	14 years	$ 25.4	$ (6.7)	$ 18.7	$ 25.4	$ (6.3)	$ 19.1
Customer relationships and contracts	11 years	87.8	(25.1)	62.7	87.7	(21.6)	66.1
Channel sharing arrangements	35 years	12.6	(1.2)	11.4	12.6	(1.1)	11.5
Other	10 years	8.5	(3.5)	5.0	8.5	(3.3)	5.2
Total		$ 134.3	$ (36.5)	$ 97.8	$ 134.2	$ (32.3)	$ 101.9

Amortization expense for definite lived intangible assets was $4.2 million and $1.5 million for the three months ended March 31, 2022 and 2021, respectively, and was included in Depreciation and amortization in our Condensed Consolidated Statements of Operations.

Amortization

The Company estimates the annual amortization expense of amortizable intangible assets for the next five fiscal years will be as follows (in millions):

	Estimated Amortization
2022	$ 12.9
2023	11.6
2024	8.0
2025	7.3
2026	6.8
Thereafter	51.2
Total	$ 97.8

9. Debt Obligations

Debt obligations consist of the following (in millions):

Infrastructure	March 31, 2022	December 31, 2021
3.25% Note due 2026	103.5	107.2
PRIME minus 1.10% Line of Credit	90.4	30.4
4.00% Note due 2024	22.5	25.0
8.00% Note due 2024	19.6	19.6
11.00% Note due 2024	6.3	6.3
Obligations under finance leases	0.1	0.1
Spectrum		
8.50% Note due 2022	19.3	19.3
10.50% Note due 2022	32.9	32.9
Non-Operating Corporate		
8.50% Senior Secured Notes, due 2026	330.0	330.0
7.50% Convertible Senior Notes, due 2022	3.2	3.2
7.50% Convertible Senior Notes, due 2026	51.8	51.8
LIBOR plus 5.75% Line of Credit	5.0	5.0
	684.6	630.8
Unamortized issuance discount, issuance premium, and deferred financing costs	(3.5)	(4.5)
Less: current portion of debt obligations	(80.1)	(69.5)
Debt obligations	$ 601.0	$ 556.8

Aggregate finance lease and debt payments, including interest are as follows (in millions):

	Finance Leases	Debt	Total
2022	$ 0.1	$ 107.8	$ 107.9
2023	—	57.9	57.9
2024	—	162.8	162.8
2025	—	42.2	42.2
2026	—	471.3	471.3
Thereafter	—	0.1	0.1
Total minimum principal and interest payments	0.1	842.1	842.2
Less: Amount representing interest	—	(157.6)	(157.6)
Total aggregate finance lease and debt payments	$ 0.1	$ 684.5	$ 684.6

The interest rates on the finance leases range from approximately 2.0% to 5.6%.

Infrastructure

In May 2021, DBMG repaid its LIBOR plus 1.50% revolving line of credit under the Credit and Security Agreement with Wells Fargo Bank and its term loan due 2023 under a financing agreement with TCW Asset Management Company LLC. In addition, DBMG entered into a new credit facility with UMB Bank ("UMB"). Under the terms of the agreement, UMB agreed to a $110.0 million term loan ("UMB Term Loan") and $110.0 million revolving credit agreement ("UMB Revolving Line"). The UMB Term loan expires in 2026 and will bear interest at a rate of 3.25% with an effective interest rate of 3.25%. The UMB Revolving Line expires in 2024 and will bear interest at a rate of Prime Rate minus 1.10%. The proceeds were used to fully repay DBMG's existing debt obligations, fund a portion of the Banker Steel acquisition, and provide additional working capital capacity to DBMG.

Spectrum

On October 24, 2019, Spectrum issued $78.7 million 364-day secured notes (the "2020 Notes"). The 2020 Notes were comprised of a $36.2 million, 8.50% tranche funded by an affiliate of MSD Partners, L.P. (the “8.50% Note”). The remaining $42.5 million, 10.50% tranche (the “10.50% Note”) was a modification of the existing Secured Note, with certain institutional investors. The 2020 Notes had an original maturity date of October 2020, and were amended multiple times during 2020 as further described below. The net proceeds from the financing were used to retire Broadcasting’s existing debt, as well as fund pending acquisitions, working capital and general corporate purposes. In connection with the issuance of the 10.50% Note due 2020, Spectrum issued warrants to the same institutional investors to purchase 50,000 shares of common stock at $176.4 per share for a total purchase price of $8.8 million, or net settled, if exercised as of the issuance date, and as may be adjusted at any future exercise of the warrant pursuant to its terms. The warrant has a five-year term and is immediately exercisable.

In February 2020, Spectrum amended its agreement governing its 8.50% Note funded by MSD Partners, L.P., increasing the principal balance to $39.3 million. The proceeds were used to repay principal and interest on existing debt. In August 2020, Spectrum modified its agreement with MSD Partners, L.P. and Great American Life Insurance Company to extend the maturity on its 8.50% Note and 10.50% Note to October 2021. In September 2020, Spectrum further amended its agreement governing its 8.50% Note, increasing the principal balance by $4.0 million to $43.3 million. The proceeds were used to repay principal and interest on existing debt and for general business purposes. In November 2020, Spectrum paid down $2.9 million of its 8.50% Note and $3.0 million on other various notes. In December 2020, Spectrum paid down $21.0 million and $9.6 million of its 8.50% Note and 10.50% Note, respectively from the proceeds from the sale of stations. On August 30, 2021, Broadcasting repurchased $1.0 million of DTV's outstanding notes payable, inclusive of accrued interest, to certain institutional investors. Also on August 30, 2021, DTV extended its remaining outstanding notes by 60 days.

On October 21, 2021, Broadcasting entered into the Fifth Omnibus Amendment to Secured Notes, Consent and Second Amendment to Asset Sale Under Secured Notes and Intercreditor Agreement (the “Amendment”), which, among other things, extended $52.2 million of its Senior Secured Notes, due October 21, 2021, through November 30, 2022. Concurrently, Broadcasting completed the last of a series of repurchases of all the outstanding secured notes, inclusive of accrued interest, of DTV America Corporation (“DTV”) for a total consideration of $6.2 million using a combination of cash on hand and proceeds from the sales on non-core assets.

On October 26, 2021, Broadcasting repurchased the outstanding convertible promissory notes of DTV for a total consideration of $0.7 million using proceeds from the sales of non-core assets. Subsequent to these acquisitions, DTV’s debt is held by Broadcasting and eliminated in consolidation.

Non-Operating Corporate

On February 1, 2021, INNOVATE repaid its 2021 Senior Secured Notes and issued $330.0 million aggregate principal amount of 8.50% senior secured notes due 2026 (the "2026 Senior Secured Notes"). In addition, the Company entered into exchange agreements with certain holders of approximately $51.8 million aggregate principal amount of its existing $55.0 million 7.50% convertible senior notes due 2022 (the "2022 Convertible Notes"), pursuant to which the Company exchanged such holders' 2022 Convertible Notes for newly issued 7.50% convertible notes due 2026 (the "2026 Convertible Notes"). The 2026 Senior Secured Notes were issued in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

The Company accounted for the transactions under the debt extinguishment model as the present value of cash flows under the terms of the 2026 Senior Secured Notes and 2026 Convertible Notes was at least 10% different from the present value of the remaining cash flows under the 2021 Senior Secured Notes and the 2022 Convertible Notes.

The extinguishment of the 2021 Senior Secured Notes yielded a loss on extinguishment of $4.5 million. The extinguishment of the $51.8 million of 2022 Convertible Notes yielded a loss on extinguishment of $5.5 million, an acceleration of the amortization of discount of $5.3 million, and extinguishment of the bifurcated conversion option classified as equity of $7.7 million.

2026 Senior Secured Notes

The 2026 Senior Secured Notes were issued under an indenture dated February 1, 2021, by and among the Company, the guarantors party thereto and U.S. Bank National Association, a national banking association ("U.S. Bank"), as trustee (the "Secured Indenture"). The 2026 Senior Secured Notes were issued at 100% of par, with a stated interest rate of 8.50% and an effective interest rate of 9.26%, which reflects $2.7 million of deferred financing fees. For the three months ended March 31, 2022 and 2021, interest expense recognized for the period relating to both the contractual interest coupon and amortization of the deferred financing fees was $7.6 million and $4.9 million, respectively.

2022 Convertible Notes

At March 31, 2022, the 2022 Convertible Notes had a net carrying value of $3.2 million and an unamortized discount of $0.1 million. Based on the closing price of our common stock of $3.69 on March 31, 2022, the if-converted value of the Convertible Notes did not exceed its principal value. For the three months ended March 31, 2022 and 2021, interest expense recognized for the period relating to both the contractual interest coupon and amortization of the discount on the Convertible Notes was $0.1 million.

2026 Convertible Notes

At March 31, 2022, the 2026 Convertible Notes had a net carrying value of $60.7 million and an unamortized premium of $9.9 million. Based on the closing price of our common stock of $3.69 on March 31, 2022, the if-converted value of the 2026 Convertible Notes did not exceed its principal value. For the three months ended March 31, 2022 and 2021, interest expense recognized for the period relating to both the contractual interest coupon and amortization of discount net of premium was $0.5 million and $0.3 million, respectively.

Line of Credit

On February 23, 2021, the Company entered into a third amendment (the "Amendment") of the 6.75% line of credit with MSD PCOF Partners IX, LLC ("Revolving Credit Agreement"). Among other things, the Amendment (i) increases the aggregate principal amount of the Revolving Credit Agreement to $20.0 million, (ii) extends the maturity date of the Revolving Credit Amendment to February 23, 2024, (iii) updates the affirmative and negative covenants contained in the Amended Credit Agreement so that they are substantially consistent with the affirmative and negative covenants contained in the indenture that governs the 2026 Senior Secured Notes and (iv) reduces the interest rate margin applicable to loans borrowed under the Amended Credit Agreement to 5.75% from the 6.75% described above. Except as modified by the Amendment, the terms of the Revolving Credit Agreement remain in effect. In May 2021, INNOVATE drew $5.0 million under the Revolving Credit Agreement.

INNOVATE is in compliance with its debt covenants as of March 31, 2022.

10. Supplementary Financial Information

Contracts in Progress

Contract assets and contract liabilities and recognized earnings consist of the following (in millions):

	March 31, 2022	December 31, 2021
Costs incurred on contracts in progress	$ 2,591.9	$ 2,161.5
Estimated earnings	368.1	316.4
Contract revenue earned on uncompleted contracts	2,960.0	2,477.9
Less: progress billings	2,874.5	2,438.4
	$ 85.5	$ 39.5
The above is included in the accompanying consolidated balance sheet under the following line items:		
Contract assets	$ 140.6	$ 118.6
Contract liabilities	(55.1)	(79.1)
	$ 85.5	$ 39.5

Inventory

Inventory consists of the following (in millions):

	March 31, 2022	December 31, 2021
Raw materials and consumables	$ 16.7	$ 14.3
Work in process	1.1	1.2
Finished goods	1.7	1.5
Total inventory	$ 19.5	$ 17.0

Investments

Carrying values of other invested assets were as follows (in millions):

	March 31, 2022			December 31, 2021		
	Measurement Alternative[1]	Equity Method	Total	Measurement Alternative[1]	Equity Method	Total
Common stock	$ —	$ 2.9	$ 2.9	$ —	$ 2.1	$ 2.1
Preferred stock	—	5.7	5.7	—	7.5	7.5
Fixed maturities	5.0	—	5.0	0.5	—	0.5
Put option	11.3	—	11.3	11.3	—	11.3
Equity method securities	—	35.3	35.3	—	34.6	34.6
Total	$ 16.3	$ 43.9	$ 60.2	$ 11.8	$ 44.2	$ 56.0

(1) The Company accounts for its equity securities without readily determinable fair values under the measurement alternative election of ASC 321, whereby the Company can elect to measure an equity security without a readily determinable fair value, that does not qualify for the practical expedient to estimate fair value (net asset value), at its cost minus impairment, if any.

During the three months ended March 31, 2022, the Company's fixed maturities increased $4.5 million to $5.0 million from $0.5 million. The increase was due to Pansend's equity method investment, MediBeacon, which issued Pansend a $4.5 million 8.0% convertible note due March 2025.

Fair Value of Financial Instruments Not Measured at Fair Value

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments, which were not measured at fair value on a recurring basis. The table excludes carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and other current liabilities, and other assets and liabilities that approximate fair value due to relatively short periods to maturity (in millions):

March 31, 2022			Fair Value Measurement Using:		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Assets					
Other invested assets	$ 11.3	$ 11.3	$ —	$ —	$ 11.3
Total assets not accounted for at fair value	$ 11.3	$ 11.3	$ —	$ —	$ 11.3
Liabilities					
Debt obligations [1]	$ 681.1	$ 692.0	$ —	$ 692.0	$ —
Total liabilities not accounted for at fair value	$ 681.1	$ 692.0	$ —	$ 692.0	$ —

December 31, 2021			Fair Value Measurement Using:		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Assets					
Other invested assets	$ 11.3	$ 11.3	$ —	$ —	$ 11.3
Total assets not accounted for at fair value	$ 11.3	$ 11.3	$ —	$ —	$ 11.3
Liabilities					
Debt obligations [1]	$ 626.3	$ 648.2	$ —	$ 648.2	$ —
Total liabilities not accounted for at fair value	$ 626.3	$ 648.2	$ —	$ 648.2	$ —

(1) Excludes certain lease obligations accounted for under ASC 842, *Leases*.

Debt Obligations. The fair value of the Company's long-term obligations was determined using Bloomberg Valuation Service BVAL. The methodology combines direct market observations from contributed sources with quantitative pricing models to generate evaluated prices and classified as Level 2.

Equity Method Investments

For the three months ended March 31, 2022, certain investments subject to Regulation S-X Rule 4-08(g) held by the Company in aggregate have met the significance criteria as defined under SEC guidance. In accordance with Rule 8-03(b)(3) of Regulation S-X, the Company must assess whether its equity method investment is a significant equity method investment. In evaluating the significance of this investment, the Company performed the income, asset, and investment tests described in S-X 3-05 and S-X 1-02(w). Rule 8-03(b)(3) of Regulation S-X requires summarized financial information in a quarterly report if any of the three tests exceeds 20%. Under the assets test, the Company’s proportionate share of its equity method investee's aggregated assets exceeded the applicable threshold of 20%, and accordingly it is required to provide summarized balance sheet and income statement information for this investee for all periods presented. The Company's share of net loss from its equity method investment totaled $0.5 million and $2.1 million for the three months ended March 31, 2022 and 2021, respectively.

The following tables provide summarized financial information for the Company's equity method investments (in millions):

	March 31, 2022	December 31, 2021
Assets	$ 594.7	$ 604.5
Liabilities	469.6	481.5
Equity	$ 125.1	$ 123.0

	Three Months Ended March 31,	
	2022	2021
Total revenues	$ 70.2	$ 80.3
Gross profit	$ 17.6	$ 8.2
Loss from continuing operations	$ (1.2)	$ (6.7)
Net income (loss)	$ 1.9	$ (6.0)

Other Non-Current Assets

The following tables provide information relating to Other non-current assets (in millions):

	March 31, 2022	December 31, 2021
Right of use asset	$ 71.2	$ 69.6
Other	3.6	3.7
Total other non-current assets	$ 74.8	$ 73.3

Accrued Liabilities

Accrued liabilities consist of the following (in millions):

	March 31, 2022	December 31, 2021
Accrued expenses and other current liabilities	$ 27.2	$ 24.5
Accrued payroll and employee benefits	36.4	38.9
Accrued interest	22.5	29.6
Accrued income taxes	—	0.4
Total accrued liabilities	$ 86.1	$ 93.4

Other Non-Current Liabilities

The following tables provide information relating to Other non-current liabilities (in millions):

	March 31, 2022	December 31, 2021
Lease liability, net of current portion	$ 58.4	$ 58.5
Other	4.9	4.8
Total other non-current liabilities	$ 63.3	$ 63.3

11. Leases

Operating lease right-of-use-assets and finance leases are recognized in the Condensed Consolidated Balance Sheets within Other assets and Property, plant and equipment, net, respectively. Operating lease liability and finance lease liability are recognized in the Condensed Consolidated Balance Sheets within Other liabilities and Debt obligations, respectively. As of March 31, 2022 and December 31, 2021, lease right-of-use assets and lease liabilities consist of the following (in millions):

	March 31, 2022	December 31, 2021
Right-of-use assets:		
Operating lease (Other non-current assets)	$ 71.2	$ 69.6
Finance lease (Property, plant and equipment, net)	0.1	0.2
Total right-of-use assets	$ 71.3	$ 69.8
Lease liabilities:		
Current portion of operating lease (Other current liabilities)	$ 17.1	$ 15.5
Non-current portion of operating lease (Other non-current liabilities)	58.4	58.5
Finance lease (Debt obligations)	0.1	0.1
Total lease liabilities	$ 75.6	$ 74.1

The tables below present financial information associated with the Company's leases. This information is presented as of, and for the three months ended March 31, 2022 and 2021. The Company has entered into operating and finance lease agreements primarily for land, office space, equipment and vehicles, expiring between 2022 and 2045.

The following table summarizes the components of lease expense for the three months ended March 31, 2022 and 2021 (in millions):

	Three Months Ended March 31,	
	2022	2021
Finance lease cost:		
Amortization of right-of-use assets	$ —	$ 0.3
Interest on lease liabilities	—	—
Net finance lease cost	—	0.3
Operating lease cost	5.9	3.5
Variable lease cost	0.1	0.1
Sublease income	(0.2)	—
Total lease cost	$ 5.8	$ 3.9

Cash flow information related to leases for the three months ended March 31, 2022 and 2021 is as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ —	$ —
Financing cash flows from finance leases	$ —	$ 0.3
Operating cash flows from operating leases	$ 6.2	$ 3.7
Right-of-use assets obtained in exchange for new lease liabilities		
Finance leases	$ —	$ —
Operating leases	$ 6.5	$ 3.9

As of March 31, 2022 and December 31, 2021, the weighted-average remaining lease term and the weighted-average discount rate for finance leases and operating leases are as follows:

	March 31, 2022	December 31, 2021
Weighted-average remaining lease term (years) - operating lease	7.5	7.5
Weighted-average remaining lease term (years) - finance lease	2.6	2.3
Weighted-average discount rate - operating lease	5.3 %	5.4 %
Weighted-average discount rate - finance lease	3.7 %	4.2 %

As of March 31, 2022, undiscounted cash flows for finance and operating leases are as follows (in millions):

	Operating Leases	Finance Leases
2022	$ 15.2	$ 0.1
2023	18.3	—
2024	12.5	—
2025	9.2	—
2026	6.4	—
Thereafter	31.2	—
Total future lease payments	92.8	0.1
Less: Present values	(17.3)	—
Total lease liability balance	$ 75.5	$ 0.1

In November 2021, INNOVATE Corp. entered into a ten-year lease agreement for a special purpose space in Palm Beach, Florida. The new lease has not yet commenced, but will require future monthly lease payments of approximately $0.2 million over the entire lease term and yearly common area maintenance charges of $0.6 million, both of which are subject to 3% annual upward adjustments, with total square footage of 20,950. The new lease also provides for the Company to receive an allowance from the landlord of $2.1 million to be used toward costs to design, engineer, install, supply and construct improvements, payable at the end of the lease. The future lease payments and the allowance are not yet recorded on our consolidated balance sheet. We expect the accounting lease commencement date for this initial portion of the lease for financial reporting purposes to begin no later than November 2023.

In December 2021, the Company entered into a five-year lease agreement with an option to extend the lease for another five years for office space in West Palm Beach, Florida. The new lease has not commenced yet, but will require future monthly lease payments of approximately $0.14 million over the entire lease term, subject to 3% annual upward adjustment, with total square footage of 15,786. The future lease payments are not yet recorded on our consolidated balance sheet, as the building is still under construction. We expect the accounting lease commencement date for this initial portion of the lease for financial reporting purposes to begin in the fourth quarter of 2023.

12. Income Taxes

The Company used the Annual Effective Tax Rate ("ETR") approach of ASC 740-270, Interim Reporting, to calculate its 2022 interim tax provision.

Income tax expense was $1.6 million and $1.1 million for the three months ended March 31, 2022 and 2021, respectively. The income tax expense recorded for the three months ended March 31, 2022 and 2021 relates to the projected expense as calculated under ASC 740 for taxpaying entities. Additionally, the tax benefits associated with losses generated by INNOVATE Corp.'s U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than-not that the losses will be utilized.

Net Operating Losses

At December 31, 2021, the Company had gross U.S. net operating loss carryforwards available to reduce future taxable income in the amount of $164.5 million, of which a portion is subject to annual limitation under IRC Sec. 382. Based on estimates as of March 31, 2022, the Company expects that approximately $95.7 million of the gross U.S. net operating loss carryforwards would be available to offset taxable income in 2022. This estimate may change based on changes to actual results reported on the 2021 U.S. tax return. The amount of U.S. net operating loss carryforwards reflected in the financial statements differs from the amounts reported on the U.S. tax return due to uncertain tax positions related to tax laws and regulations that are subject to varied interpretation by the IRS.

Additionally, at December 31, 2021, the Company had $103.6 million of gross U.S. net operating loss carryforwards from its subsidiaries that do not qualify to be included in the INNOVATE Corp. U.S. consolidated income tax return, including $66.2 million from R2, $33.1 million from DTV America, and other entities of $4.3 million.

Unrecognized Tax Benefits

The Company follows the provision of ASC 740-10, Income Taxes, which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. The Company is subject to challenge from various taxing authorities relative to certain tax planning strategies, including certain intercompany transactions as well as regulatory taxes.

The Company did not have any unrecognized tax benefits as of December 31, 2021 related to uncertain tax positions that would impact the effective income tax rate if recognized. The Company has reduced the net operating loss carryforward by $58.7 million for uncertain tax positions based on our interpretation of tax laws and regulations that are subject to varied interpretation by the IRS.

Examinations

The Company conducts business globally, and as a result, the Company or one or more of its subsidiaries files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world. The open tax years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of revenue and expenses or the applicability of income tax credits for the relevant tax period. Given the nature of tax audits there is a risk that disputes may arise. Tax years 2002 - 2020 remain open for examination.

13. Commitments and Contingencies

Litigation

The Company is subject to claims and legal proceedings that arise in the ordinary course of business. Such matters are inherently uncertain, and there can be no guarantee that the outcome of any such matter will be decided favorably to the Company or that the resolution of any such matter will not have a material adverse effect upon the Company’s Condensed Consolidated Financial Statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its Condensed Consolidated Financial Statements. The Company records a liability in its Condensed Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amount of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary for its Condensed Consolidated Financial Statements not to be misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in the Company's Condensed Consolidated Financial Statements. Any legal or other expenses associated with the litigation are accrued for as the expenses are incurred.

Based on a review of the current facts and circumstances with counsel in each of the matters disclosed, management has provided for what is believed to be a reasonable estimate of loss exposure. While acknowledging the uncertainties of litigation, management believes that the ultimate outcome of litigation will not have a material effect on its financial position and will defend itself vigorously.

VAT assessment

On February 20, 2017, and on August 15, 2017, the Company's subsidiary, PTGi International Carrier Services Ltd. (“PTGi-ICS Ltd”), received notices from Her Majesty’s Revenue and Customs office in the U.K. (the "HMRC") indicating that it was required to pay certain Value-Added Taxes ("VAT") for the 2015 and 2016 tax years. On February 15, 2022, the Upper Tribunal (Tax and Chancery) Chamber (the "Tax Tribunal") found in favor of PTGi-ICS Ltd. HMRC has acknowledged that it will not appeal the Tax Tribunal’s decision and it must pay reasonable legal fees incurred by PTGi-ICS Ltd. While repayment of the outstanding VAT payment is expected to be made soon, the Company shall separately pursue reimbursement of legal fees.

Fair Value Investments Litigation

On October 1, 2020, Fair Value Investments Incorporated (“FVI”) filed a putative stockholder class action and derivative complaint in the Delaware Court of Chancery (the "Court") against INNOVATE Corp. and certain of DBMG’s current and former officers and directors, including current and former INNOVATE officers and directors AJ Stahl, Kenneth S. Courtis, Robert V. Leffler, Jr., Philip A. Falcone, Michael J. Sena, and Paul Voigt (together with INNOVATE, the “INNOVATE Defendants”) styled Fair Value Investments Incorporated v. Roach, et al., C.A. No. 2020-0847-JTL (Del. Ch.) (the “FVI Action”). In the FVI Action, FVI alleges that the Company, in its capacity as DBMG’s controlling stockholder, and DBMG’s current and former officers and directors breached their fiduciary duties to DBMG and DBMG’s minority stockholders by approving certain transactions that allegedly provide disproportionate benefits to the Company. FVI challenges the following transactions: (i) DBMG’s payments to the Company from 2016–present pursuant to a Tax Sharing Agreement between DBMG and the Company; (ii) DBMG acting as a guarantor or providing collateral for loans taken on by the Company; (iii) DBMG’s issuance of dividends to its common and preferred stockholders in 2017–2020; (iv) DBMG’s issuance of preferred stock to the Company to finance DBMG’s 2018 acquisition of GrayWolf Industrial; and (v) the Company’s appointment of directors to DBMG’s board of directors by written consent in lieu of holding an annual stockholder meeting.

On February 23, 2021, FVI filed an Amended Verified Stockholder Class Action Complaint (the "Amended Complaint"). In the Amended Complaint, FVI named two additional defendants: the Company's Chief Executive Officer, Wayne Barr, and DBMG's General Counsel, Scott D. Sherman. The Amended Complaint includes additional fact allegations in support of the largely similar claims raised in the original complaint. Defendants moved to dismiss the Amended Complaint on April 23, 2021. The Court heard argument on the motions to dismiss on January 21, 2022. Ruling from the bench, the Court granted Defendants' motions to dismiss, in part. The Court dismissed all claims against all individual defendants other than Ronald Yagoda, including all claims against Messrs. Barr, Stahl, Courtis, Leffler, Falcone, Sena, and Voigt. As to the two remaining defendants - INNOVATE Corp. and Yagoda - the Court dismissed all claims regarding: (i) DBMG acting as a guarantor or providing collateral for loans by the Company; (ii) DBMG's issuance of dividends to its common and preferred stockholders in 2017–2020; (iii) the Company's appointment of directors to DBMG's board of directors by written consent in lieu of holding an annual stockholder meeting; and (iv) DBMG's payments to the Company in 2016 and May 2017 pursuant to a Tax Sharing Agreement between DBMG and the Company. The Company believes the surviving claims in the FVI Amended Complaint relating to (i) DBMG's payments to the Company after May 2017 pursuant to a Tax Sharing Agreement between DBMG and the Company and (ii) DBMG's issuance of preferred stock to the Company to finance DBMG's 2018 acquisition of GrayWolf Industrial are without merit. Discovery on the two remaining claims is underway and, if necessary, trial in this action is expected to occur in the second quarter of 2023. The Company intends to vigorously defend this litigation.

DTV Derivative Litigation

On March 15, 2021, twenty-two DTV stockholders and eight holders of DTV stock options filed a stockholder class action and derivative complaint in the Delaware Court of Chancery in an action styled Bocock, et al., v. HC2 Holdings, Inc. et al., C.A. No. 2021-0224 (Del. Ch.). Plaintiffs named as defendants INNOVATE Corp. (f/k/a HC2 Holdings, Inc.), HC2 Broadcasting Holdings, Inc., HC2 Broadcasting Inc., and Continental General Insurance Corporation (the "INNOVATE Entities") and certain current and former officers and directors of the INNOVATE Entities and DTV, including Philip Falcone, Michael Sena, Wayne Barr, Jr., Les Levi, Paul Voigt, Ivan Minkov, and Paul Robinson (the "Individual Defendants"). Plaintiffs principally allege that the defendants breached their fiduciary duties and/or aided and abetted breaches of fiduciary duty by participating in a "scheme" in which the INNOVATE Entities (i) acquired majority voting and operating control over DTV; (ii) exploited that control to misappropriate DTV's assets and business opportunities for the benefit of the INNOVATE Entities; and (iii) purchased DTV stock at a discount to fair value and diminished the value of DTV stock options. Plaintiffs allege that the Individual Defendants (i) "prompted" the INNOVATE Entities to purchase more than 100 low-power television ("LPTV") broadcast stations originally identified for potential acquisition by DTV, (ii) allowed the INNOVATE Entities to misappropriate DTV technology, known as "DTV Cast," (iii) caused DTV to transfer unspecified LPTV broadcasting station licenses to INNOVATE affiliates "without paying any value," and (iv) transferred to the INNOVATE Entities unspecified DTV broadcasting stations that had been "repacked" by the FCC. Defendants moved to dismiss the Complaint on May 19, 2021. On June 23, 2021, plaintiffs amended their complaint. In the amended complaint, plaintiffs assert the same claims they asserted in their initial complaint, added a claim for waste associated with DTV's purported transfer of licenses and construction permits for less than fair value, and dropped Paul Robinson as a defendant. Defendants moved to dismiss the amended complaint in its entirety on August 25, 2021, and the parties completed briefing on the motions to dismiss on November 10, 2021. The Court heard argument on the motions to dismiss on March 29, 2022 and a decision is expected by the end of June 2022. The Company believes the allegations in the amended complaint are without merit and the Company intends to vigorously defend this litigation.

Books and Records Demand

On July 28, 2021, the Company received a demand from a company stockholder pursuant to 8 Del. C. § 220 to inspect books and records of the Company relating to, among other things, the Company's sale of its Insurance segment. The Company has responded to the demand and cannot determine at this time if the books and records demand will lead to litigation.

14. Share-based Compensation

Total share-based compensation expense recognized by the Company and its subsidiaries under all equity compensation arrangements was $0.8 million and $0.5 million for the three months ended March 31, 2022 and 2021, respectively.

All grants are time based and vest either immediately or over a period established at grant, typically with a requisite service period of two to three years for the employee to vest in the stock-based award, subject to discretion by Compensation Committee of the Board of Directors. There are no other substantive conditions for vesting. The Company recognizes compensation expense for equity awards, reduced by actual forfeitures, using the straight-line basis.

Restricted Stock

A summary of INNOVATE's restricted stock activity is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested - December 31, 2020	628,433	$ 3.93
Granted	593,458	$ 3.81
Vested	(514,543)	$ 3.89
Forfeited	(151,469)	$ 4.13
Unvested - December 31, 2021	555,879	$ 3.79
Granted	592,045	$ 3.58
Vested	(163,028)	$ 3.73
Forfeited	—	$ —
Unvested - March 31, 2022	984,896	$ 3.67

At March 31, 2022, the total unrecognized stock-based compensation expense related to unvested restricted stock was $3.0 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted average period of 2.6 years.

Stock Options

A summary of INNOVATE's stock option activity is as follows:

	Shares	Weighted Average Exercise Price
Outstanding - December 31, 2020	4,739,858	$ 5.13
Granted	—	$ —
Exercised	—	$ —
Forfeited	—	$ —
Expired	(23,999)	$ 5.31
Outstanding - December 31, 2021	4,715,859	$ 5.13
Granted	280,791	$ 3.25
Exercised	—	$ —
Forfeited	—	$ —
Expired	(1,500)	$ 4.06
Outstanding - March 31, 2022	4,995,150	$ 5.02
Eligible for exercise	4,995,150	$ 5.02

At March 31, 2022, the intrinsic value and average remaining life of the Company's outstanding options were $0.3 million and approximately 2.6 years, and intrinsic value and average remaining life of the Company's exercisable options were $0.3 million and approximately 2.6 years. The maximum contractual term of the Company's exercisable options is approximately 10 years. There were no unvested stock options and no unrecognized stock-based compensation expenses related to unvested stock options.

15. Equity

Preferred Shares

The Company's preferred shares authorized, issued and outstanding consisted of the following:

	March 31, 2022	December 31, 2021
Preferred shares authorized, $0.001 par value	20,000,000	20,000,000
Series A-3 shares issued and outstanding	6,125	6,125
Series A-4 shares issued and outstanding	10,000	10,000

Preferred Share Activity

Series A-3 and A-4 Share Issuance and Conversion

On July 1, 2021 (the "Exchange Date") and as a part of the sale of CIG, INNOVATE entered into an exchange agreement (the "Exchange Agreement") with the now deconsolidated CGIC, who held the remaining shares of the Series A and Series A-2 Preferred Stock and was eliminated in consolidation prior to the sale of the Insurance segment on July 1, 2021. Per the Exchange Agreement, INNOVATE exchanged 6,125 shares of the Series A and 10,000 shares of the Series A-2 shares that CGIC held for an equivalent number of Series A-3 Convertible Participating Preferred Stock ("Series A-3") and Series A-4 Convertible Participating Preferred Stock ("Series A-4"), respectively. The terms remained substantially the same, except that the Series A-3 and Series A-4 will mature on July 1, 2026. A cash payment of $0.3 million was made as a part of the exchange for accrued and unpaid dividends on the Series A and Series A-2 being exchanged.

Upon issuance of the Series A-3 and Series A-4 Preferred Stock on July 1, 2021, the Series A-3 and Series A-4 have been classified as temporary equity in the Company's Balance Sheet with a combined redemption value of $16.1 million with a current fair value as of March 31, 2022 of $18.5 million.

Dividends. The Series A-3 and Series A-4 Preferred Stock accrues a cumulative quarterly cash dividend at an annualized rate of 7.50%. The accrued value of the Series A-3 and Series A-4 Preferred Stock will accrete quarterly at an annualized rate of 4.00% that is reduced to 2.00% or 0.0% if the Company achieves specified rates of growth measured by increases in its net asset value; provided, that the accreting dividend rate will be 7.25% in the event that (A) the daily volume weighted average price ("VWAP") of the Company's common stock is less than a certain threshold amount, (B) the Company's common stock is not registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, (C) the Company's common stock is not listed on certain national securities exchanges or the Company is delinquent in the payment of any cash dividends. The Series A-3 and Series A-4 Preferred Stock is also entitled to participate in cash and in-kind distributions to holders of shares of Company's common stock on an as-converted basis.

Subsequent Measurement. The Company has elected to account for the Series A-3 and Series A-4 Preferred Stock by immediately recognizing changes in the redemption value as they occur. The carrying value of the Series A-3 and Series A-4 Preferred Stock will be adjusted to equal what the redemption amount would be as if the redemption were to occur at the end of the reporting period as if it were also the redemption date for the Series A-3 and Series A-4 Preferred Stock. Any cash dividends paid will directly reduce the carrying value of the Series A-3 and Series A-4 Preferred Stock until the carrying value equals the redemption value. The Company has a history of paying dividends on its preferred stock and expects to continue to pay such dividends each quarter.

Optional Conversion. Each share of Series A-3 and Series A-4 may be converted by the holder into shares of the Company's common stock at any time based on the then-applicable Conversion Price. Each share of Series A-3 is initially convertible at a conversion price of $4.25 (as it may be adjusted from time to time, the "Series A-3 Conversion Price"), and each share of Series A-4 is initially convertible at a conversion price of $8.25 (as it may be adjusted from time to time, the "Series A-4 Conversion Price") ("collectively the "Conversion Prices"). The Conversion Prices are subject to adjustment for dividends, certain distributions, stock splits, combinations, reclassifications, reorganizations, mergers, recapitalizations and similar events, as well as in connection with issuances of equity or equity-linked or other comparable securities by the Company at a price per share (or with a conversion or exercise price or effective issue price) that is below the Conversion Prices' (which adjustment shall be made on a weighted average basis). Actual conversion prices at the time of the exchange were $3.52 for the Series A and $5.33 for the Series A-2.

Redemption by the Holder / Automatic Conversion. On July 1, 2026, holders of the Series A-3 and Series A-4 shall be entitled to cause the Company to redeem the Series A-3 and Series A-4 at the accrued value per share plus accrued but unpaid dividends (to the extent not included in the accrued value of Series A-3 and Series A-4). Each share of Series A-3 and Series A-4 that is not so redeemed will be automatically converted into shares of the Company's common stock at the Conversion Price then in effect.
Upon a change of control (as defined in each Certificate of Designation) holders of the Series A-3 and Series A-4 shall be entitled to cause the Company to redeem their shares of Series A-3 and Series A-4 at a price per share of Series A-3 and Series A-4 equal to the greater of (i) the accrued value of the Series A-3 and Series A-4, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Series A-3 and Series A-4 Preferred Stock), and (ii) the value that would be received if the share of Series A-3 and Series A-4 were converted into shares of the Company's common stock immediately prior to the change of control.

Redemption by the Company / "Company Call Option". At any time after the third anniversary of the Original Issue Date, the Company may redeem the Series A-3/Series A-4, in whole but not in part, at a price per share generally equal to 150% of the accrued value per share, plus accrued but unpaid dividends (to the extent not included in the accrued value of the Series A-3/Series A-4), subject to the holder's right to convert prior to such redemption.

Forced Conversion. The Company may force conversion of the Series A-3 and Series A-4 into shares of the Company's common stock if the common stock's thirty-day VWAP exceeds 150% of the then-applicable Conversion Price and the Common Stock's daily VWAP exceeds 150% of the then-applicable Conversion Price for at least twenty trading days out of the thirty trading day period used to calculate the thirty-day VWAP. In the event of a forced conversion, the holders of Series A-3 and Series A-4 will have the ability to elect cash settlement in lieu of conversion if certain market liquidity thresholds for the Company's common stock are not achieved.

Liquidation Preference. In the event of any liquidation, dissolution or winding up of the Company (any such event, a "Liquidation Event"), the holders of Series A-3 and Series A-4 will be entitled to receive per share the greater of (i) the accrued value of the Series A-3 and Series A-4, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Series A-3 and Series A-4), and (ii) the value that would be received if the share of Series A-4 and Series A-4 were converted into shares of the Company's common stock immediately prior to such occurrence. The Series A-3 and Series A-4 will rank junior to any existing or future indebtedness but senior to the Company's common stock and any future equity securities other than any future senior or pari passu preferred stock issued in compliance with each Certificate of Designation. The Series A-3 Preferred Stock and the Series A-4 Preferred Stock rank at parity.

Voting Rights. Except as required by applicable law, the holders of the shares of the Series A-3 and Series A-4 will be entitled to vote on an as-converted basis with the holders of the Series A-3 Preferred Stock and the Series A-4 Preferred Stock (on an as-converted basis), as applicable, and the holders of the Company's common stock on all matters submitted to a vote of the holders of the Company's common stock with the holders of New Preferred Stock on certain matters, and separately as a class on certain limited matters.

Consent Rights. For so long as any of the Series A-3 and Series A-4 is outstanding, consent of the holders of shares representing at least 75% of certain of the Series A-3 and Series A-4 then outstanding is required for certain material actions.

Participation Rights. Pursuant to the securities purchase agreements entered into with the initial purchasers of the Series A-3 Preferred Stock and the Series A-4 Preferred Stock, subject to meeting certain ownership thresholds, certain purchasers of the Series A-3 Preferred Stock and the Series A-4 Preferred Stock are entitled to participate, on a pro-rata basis in accordance with their ownership percentage, determined on an as-converted basis, in issuances of equity and equity linked securities by the Company. In addition, subject to meeting certain ownership thresholds, certain initial purchasers of the Series A-3 Preferred Stock and the Series A-4 Preferred Stock will be entitled to participate in issuances of preferred securities and in debt transactions of the Company.

At March 31, 2022, Series A-3 Preferred Stock and Series A-4 Preferred Stock were convertible into 1,740,700 and 1,875,533 shares, respectively, of INNOVATE's common stock.

Preferred Share Dividends

During the three months ended March 31, 2022 and 2021, INNOVATE's Board of Directors (the "Board") declared cash dividends with respect to INNOVATE's issued and outstanding Preferred Stock, excluding the Series A and Series A-2 Preferred Stock which was owned by CGIC and was eliminated in consolidation prior to the sale of the Insurance segment on July 1, 2021, as presented in the following table (in millions):

2022	
Declaration Date	March 31, 2022
Holders of Record Date	March 31, 2022
Payment Date	April 15, 2022
Total Dividend	$ 0.3

2021	
Declaration Date	March 31, 2021
Holders of Record Date	March 31, 2021
Payment Date	April 15, 2021
Total Dividend	$ 0.2

DBMGi Series A Preferred Stock Issuance

On November 30, 2018, CGIC purchased 40,000 shares of DBMGi's Series A Preferred Stock, which was eliminated in consolidation. On July 1, 2021, as a part of the sale of CIG which resulted in the deconsolidation of the entity, INNOVATE was deemed to have issued $40.9 million of DBMGi Series A Preferred Stock to the now deconsolidated CGIC.

Upon issuance of the DBMGi Series A Preferred Stock on July 1, 2021, the DBMGi Series A Preferred Stock has been classified as temporary equity in the Company's Balance Sheet.

Redemption Option. The DBMGi Preferred Stock is redeemable at any time, in whole or in part, at the option of the Company, or at any time or by the holder prior to July 2026.

Dividends. The DBMGi Series A Preferred Stock will accrue a cumulative quarterly cash or payment in kind dividend at a rate of (a) for the first five years following the date of issuance, (i) 9.00% per annum if dividends are paid in kind or (ii) 8.25% per annum if dividends are paid in cash and (b) starting on the fifth anniversary of the date of issuance, a rate per annum equal to (i) LIBOR (as defined in the Certificate of Designation) plus a spread of 5.85% (together, the "LIBOR Rate") per annum, plus 0.75% if dividends are paid in kind or (ii) the LIBOR Rate per annum in the case of dividends paid in cash.

Subsequent Measurement. The DBMGi Series A Preferred Stock will be subsequently measured each reporting period at its maximum redemption value, which is equal to the stated value plus all accrued, accumulated and unpaid dividends as of the end of each reporting period as they are currently redeemable. The Company pays accrued dividends quarterly in cash (with an option to PIK), and the Company does not expect to make any subsequent measurement adjustments recorded to the initial carrying amount. As such no accretion will be recognized until future dividend payments would otherwise reduce the carrying value below its redemption value. In such a case, the Company will adjust the carrying value to its maximum redemption amount.

During the three months ending March 31, 2022, DBMGi's Board of Directors declared cash dividends with respect to DBMGi's issued and outstanding Preferred Stock, as presented in the following table (in millions):

2022

Declaration Date		March 31, 2022
Holders of Record Date		March 31, 2022
Payment Date		April 15, 2022
Total Dividend	$	0.9

16. Related Parties

Non-Operating Corporate

In September 2018, the Company entered into a 75-month lease for office space. As part of the agreement, INNOVATE was able to pay a lower security deposit and lease payments, and received favorable lease terms as consideration for landlord required cross default language in the event of default of the shared space leased by Harbinger Capital Partners, formerly a related party, in the same building. With the adoption of ASC 842, as of January 1, 2019, this lease was recognized as a right of use asset and lease liability on the Condensed Consolidated Balance Sheets.

Infrastructure

Banker Steel, a subsidiary of DBMG, has leased two office spaces from 2940 Fulks St LLC, a related party that is owned by Donald Banker, CEO of Banker Steel and a related party, with monthly lease payments of $10 thousand and a total lease liability of $0.2 million. For the three months ended March 31, 2022 and 2021, DBMG incurred lease expense of $8 thousand and zero, respectively.

Banker Steel has leased two planes from Banker Aviation LLC, a related party that is owned by Donald Banker, a related party, with monthly lease payments of $0.1 million and a total lease liability of $2.2 million. During the three months ended March 31, 2022, one of the two plane leases was terminated. For the three months ended March 31, 2022 and 2021, DBMG incurred lease expense of $0.1 million and zero, respectively.

Banker Steel also has a subordinated note payable of $6.3 million to Donald Banker, a related party, that has a maturity date of June 30, 2024 at a 11.0% interest rate. For the three months ended March 31, 2022 and 2021, DBMG incurred interest expense of $0.2 million and zero, respectively. Refer to Note 9. Debt Obligations to our Condensed Consolidated Financial Statements for additional information.

Life Sciences

R2 Technologies incurred approximately $0.1 million of stock compensation and royalty expenses that were paid to Blossom Innovations, LLC, a related party of R2 Technologies.

17. Operating Segment and Related Information

The Company currently has one primary reportable geographic segment - United States. The Company has three reportable operating segments, plus our Other segment, based on management's organization of the enterprise - Infrastructure, Life Sciences, Spectrum, and Other. We also have included a Non-operating Corporate segment. All inter-segment revenues are eliminated. The Company's revenue concentration of 10% and greater are as follows:

		Three Months Ended March 31,	
	Segment	2022	2021
Customer A	Infrastructure	23.3%	*
Customer B	Infrastructure	11.8%	*

*Less than 10% revenue concentration

Summary information with respect to the Company's operating segments is as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Revenue		
Infrastructure	$ 402.2	$ 161.3
Life Sciences	0.8	—
Spectrum	9.8	10.5
Total revenue	$ 412.8	$ 171.8

	Three Months Ended March 31,	
	2022	2021
Income (loss) from operations		
Infrastructure	$ 11.9	$ 2.2
Life Sciences	(5.0)	(4.8)
Spectrum	(0.4)	(1.2)
Other	(0.1)	(0.4)
Non-operating Corporate	(5.7)	(6.7)
Total income (loss) from operations	$ 0.7	$ (10.9)

A reconciliation of the Company's consolidated segment operating income to consolidated earnings before income taxes is as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Income (loss) from operations	$ 0.7	$ (10.9)
Interest expense	(12.6)	(21.4)
Loss on early extinguishment or restructuring of debt	—	(10.8)
Loss from equity investees	(0.5)	(2.1)
Other (loss) income	(0.1)	3.4
Loss from continuing operations before income taxes	(12.5)	(41.8)
Income tax expense	(1.6)	(1.1)
Loss from continuing operations	(14.1)	(42.9)
Income from discontinued operations (including gain on sale of $40.4 million for the three months ended March 31, 2021)	—	51.9
Net (loss) income	(14.1)	9.0
Net income attributable to noncontrolling interest and redeemable noncontrolling interest	1.7	3.6
Net (loss) income attributable to INNOVATE Corp.	(12.4)	12.6
Less: Preferred dividends and deemed dividends from conversions	1.2	0.4
Net (loss) income attributable to common stock and participating preferred stockholders	$ (13.6)	$ 12.2

	Three Months Ended March 31,	
	2022	2021
Depreciation and Amortization		
Infrastructure	$ 5.3	$ 2.4
Infrastructure recognized within cost of revenue	3.7	2.3
Total Infrastructure	9.0	4.7
Life Sciences	0.1	—
Spectrum	1.5	1.5
Total depreciation and amortization	$ 10.6	$ 6.2

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Capital Expenditures (*)		
Infrastructure	$ 2.9	$ 1.6
Life Sciences	0.1	0.2
Spectrum	1.6	1.4
Total	$ 4.6	$ 3.2

(*) The above capital expenditures exclude assets acquired under terms of capital lease and vendor financing obligations.

	March 31, 2022	December 31, 2021
Investments		
Infrastructure	$ 1.0	$ 0.7
Life Sciences	13.5	10.2
Other	45.7	45.1
Total	$ 60.2	$ 56.0

	March 31, 2022	December 31, 2021
Equity Method Investees		
Infrastructure	$ 1.0	$ 0.7
Life Sciences	8.6	9.6
Other	34.3	33.9
Total	$ 43.9	$ 44.2

	March 31, 2022	December 31, 2021
Total Assets		
Infrastructure	$ 834.6	$ 786.4
Life Sciences	22.2	22.0
Spectrum	198.6	198.9
Other	48.4	48.0
Non-operating Corporate	8.4	25.3
Total	$ 1,112.2	$ 1,080.6

18. Basic and Diluted Income (Loss) Per Common Share

Earnings per share ("EPS") is calculated using the two-class method, which allocates earnings among common stock and participating securities to calculate EPS when an entity's capital structure includes either two or more classes of common stock or common stock and participating securities. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities. As such, shares of any unvested restricted stock of the Company are considered participating securities. The dilutive effect of options and their equivalents (including non-vested stock issued under stock-based compensation plans), is computed using the "if-converted method" as this measurement was determined to be more dilutive between the two available methods in each period.

The Company had no dilutive common share equivalents during the three months ended March 31, 2022 and 2021 due to results from continuing operations being a loss, net of tax. The following table presents a reconciliation of net income (loss) used in basic and diluted EPS calculations (in millions, except per share amounts):

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Loss from continuing operations	$ (14.1)	$ (42.9)
Income from continuing operations attributable to noncontrolling interest and redeemable noncontrolling interest	1.7	2.8
Loss from continuing operations attributable to the Company	(12.4)	(40.1)
Less: Preferred dividends, deemed dividends and repurchase gains	1.2	0.4
Loss from continuing operations attributable to INNOVATE common stockholders	(13.6)	(40.5)

Income from discontinued operations		—		51.9
Income from discontinued operations attributable to noncontrolling interest and redeemable noncontrolling interest		—		0.8
Income from discontinued operations, net of tax and noncontrolling interest		—		52.7
Net (loss) income attributable to common stock and participating preferred stockholders	$	(13.6)	$	12.2
Earnings allocable to common shares:				
Participating shares at end of period:				
Weighted-average common stock outstanding		77.3		76.9
Unvested restricted stock		—		0.4
Preferred stock (as-converted basis)		—		2.6
Total		77.3		79.9
Percentage of (loss) income allocated to:				
Common stock		100.0 %		96.2 %
Unvested restricted stock		— %		0.5 %
Preferred stock		— %		3.3 %
Numerator for earnings per share, basic:				
Net loss from continuing operations attributable to common stock, basic	$	(13.6)	$	(39.0)
Net income from discontinued operations attributable to common stock, basic	$	—	$	50.7
Net (loss) income attributable to common stock, basic	$	(13.6)	$	11.7
Earnings allocable to common shares, diluted:				
Numerator for earnings per share, diluted				
Effect of assumed shares under the if-converted method for convertible instruments	$	—	$	—
Net loss from continuing operations attributable to common stock, basic	$	(13.6)	$	(39.0)
Net income from discontinued operations attributable to common stock, basic	$	—	$	50.7
Net (loss) income attributable to common stock, basic	$	(13.6)	$	11.7
Denominator for basic and dilutive earnings per share				
Weighted average common shares outstanding - basic		77.3		76.9
Effect of assumed shares under treasury stock method for stock options and restricted shares and if-converted method for convertible instruments		—		—
Weighted average common shares outstanding - diluted		77.3		76.9
Loss per share - continuing operations				
Basic	$	(0.18)	$	(0.51)
Diluted	$	(0.18)	$	(0.51)
Income per share - discontinued operations				
Basic	$	—	$	0.66
Diluted	$	—	$	0.66
(Loss) income per share - Net (loss) income attributable to common stock and participating preferred stockholders				
Basic	$	(0.18)	$	0.15
Diluted	$	(0.18)	$	0.15

19. Subsequent Events

None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the consolidated annual audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 9, 2022 (the "2021 Annual Report") and the unaudited financial statements and related notes included in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section in our 2021 Annual Report as well as the section below entitled "Special Note Regarding Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Unless the context otherwise requires, in this Quarterly Report on Form 10-Q, "INNOVATE" means INNOVATE Corp. and the "Company," "we" and "our" mean INNOVATE together with its consolidated subsidiaries. "U.S. GAAP" means accounting principles accepted in the United States of America.

Our Business

We are a diversified holding company with principal operations conducted through three operating platforms or reportable segments: Infrastructure ("DBMG"), Life Sciences ("Pansend"), and Spectrum ("Broadcasting"), plus our Other segment, which includes businesses that do not meet the separately reportable segment thresholds.

Our Operations

Refer to Note 1. Organization and Business to our Condensed Consolidated Financial Statements for additional information.

Cyclical Patterns

Our segments' operations can be highly cyclical. Our volume of business in our Infrastructure segment may be adversely affected by declines or delays in projects, which may vary by geographic region. Project schedules, particularly in connection with large, complex, and longer-term projects can also create fluctuations in the services provided, which may adversely affect us in a given period.

For example, in connection with larger, more complicated projects, the timing of obtaining permits and other approvals may be delayed, and we may need to maintain a portion of our workforce and equipment in an underutilized capacity to ensure we are strategically positioned to deliver on such projects when they move forward.

Examples of other items that may cause our results or demand for our services to fluctuate materially from quarter to quarter include: weather or project site conditions, financial condition of our customers and their access to capital; margins of projects performed during any particular period; economic, and political and market conditions on a regional, national or global scale.

Accordingly, our operating results in any particular period may not be indicative of the results that can be expected for any other period.

Recent Developments

COVID-19 Impact on our Business

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, and on March 13, 2020, the United States declared the pandemic to be a national emergency. As COVID-19 spread throughout the country, the situation has continued to evolve, including, more recently, the increasing adoption of the COVID-19 vaccine and the reopening of state economies.

The Company's top priority has been to protect its employees and their families, and those of the Company's customers. The Company continues to take precautionary measures as directed by health authorities and local governments, including changing operational procedures as necessary, providing additional protective gear and cleaning to protect personnel and customers, which has resulted and may continue to result in disruptions to and increased costs of the Company's operations. We may take further action as may be required by government authorities or that we determine are in the best interests of our employees, customers, partners, vendors, and suppliers. Work-from-home and other measures introduce additional operational risks, including cybersecurity risks, and have affected the way we conduct our operations. As the vaccine rollout has commenced, certain employees have begun to return to the office, either full-time or part-time. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, including any new strains of the virus, and illness and workforce disruptions could lead to unavailability of key personnel and harm our ability to perform critical functions.

The extent of the impact of COVID-19 on our operational and financial performance will depend on future developments, including, but not limited to, the outbreak of any new strains of the coronavirus, any related travel advisories and restrictions, and its impact to the U.S. and global financial markets, all of which are highly uncertain and cannot be predicted. Preventing the effects from and responding to this market disruption if any other public health threat, related or otherwise, may further increase costs of our business and may have a material adverse effect on our business, financial condition, and results of operations.

COVID-19 has caused supply chain challenges related to labor shortages and supply chain disruptions, which may create significant delays in our ability to complete projects or deliver products. The receipt of material from impacted areas has been slowed or disrupted and our suppliers are expected to face similar challenges in fulfilling orders. In addition, reductions in the number of ocean carrier voyages, ocean freight capacity issues, congestion at major international gateways and other economic factors continue to persist worldwide due to COVID-19 and worldwide supply impacts as there is much greater demand for shipping and reduced capacity and equipment, which has resulted in recent price increases per shipping container. In addition, in the United States, trucking costs have continued to rise due to driver shortages and increased labor costs, and new federal and state safety, environmental and labor regulations could be implemented. These changes may disrupt our supply chain, which may result in a delay in the completion of our projects or manufacturing of our products and may cause us to incur significant additional costs. Although we may attempt to pass on certain of these increased costs to our customers, we may not be able to pass all of these cost increases on to our customers. As a result, our margins may be adversely impacted by such cost increases. These supply chain disruptions and transportation challenges could have a material adverse effect on our results of operations or financial condition.

We continue to monitor the evolving situation and guidance from authorities, including federal, state and local public health departments, and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our plans. As such, given the dynamic nature of this situation, we cannot reasonably estimate the continued impact of COVID-19 on our results of operations, financial condition, or cash flows in the future, but it could have a material adverse impact on our future revenue growth as well as our overall profitability and may lead to revised payment terms with certain of our customers.

During the three months ended March 31, 2022, the effects of COVID-19 and the related actions undertaken in the U.S. to attempt to control its spread, specifically impacted certain of our segments as follows:

Infrastructure

DBMG was not materially impacted by COVID-19 and incurred zero COVID-19 costs during the three months ended March 31, 2022. DBMG continues to perform work on jobs contracted during the last twelve to twenty-four months that had lower point of sale margins to maintain shop capacity and utilization, but is beginning to see an increase in point of sale margins on newer contracted work.

Life Sciences

R2 Technologies' supplier has encountered difficulties obtaining certain materials to manufacture its Glacial Spa and Glacial Rx devices due to supply chain constraints.

Spectrum

Spectrum was not materially impacted by COVID-19 during the three months ended March 31, 2022.

Financial Presentation Background

In the below section within this Management’s Discussion and Analysis of Financial Condition and Results of Operations, we compare, pursuant to U.S. GAAP and SEC disclosure rules, the Company’s results of operations for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021.

Results of Operations

The following table summarizes our results of operations and a comparison of the change between the periods (in millions):

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Increase / (Decrease)
Revenue			
Infrastructure	$ 402.2	$ 161.3	$ 240.9
Life Sciences	0.8	—	0.8
Spectrum	9.8	10.5	(0.7)
Total revenue	412.8	171.8	241.0
Income (loss) from operations			
Infrastructure	$ 11.9	$ 2.2	$ 9.7
Life Sciences	(5.0)	(4.8)	(0.2)
Spectrum	(0.4)	(1.2)	0.8
Other	(0.1)	(0.4)	0.3
Non-operating Corporate	(5.7)	(6.7)	1.0
Total income (loss) from operations	0.7	(10.9)	11.6
Interest expense	(12.6)	(21.4)	8.8
Loss on early extinguishment or restructuring of debt	—	(10.8)	10.8
Loss from equity investees	(0.5)	(2.1)	1.6
Other (loss) income	(0.1)	3.4	(3.5)
Loss from continuing operations	(12.5)	(41.8)	29.3
Income tax expense	(1.6)	(1.1)	(0.5)
Loss from continuing operations	(14.1)	(42.9)	28.8
Income from discontinued operations (including gain on disposal of $40.4 million for the three months ended March 31, 2021)	—	51.9	(51.9)
Net (loss) income	(14.1)	9.0	(23.1)
Net income attributable to noncontrolling interest and redeemable noncontrolling interest	1.7	3.6	(1.9)
Net (loss) income attributable to INNOVATE Corp.	(12.4)	12.6	(25.0)
Less: Preferred dividends, deemed dividends, and repurchase gains	1.2	0.4	0.8
Net (loss) income attributable to common stock and participating preferred stockholders	$ (13.6)	$ 12.2	$ (25.8)

Revenue: Revenue for the three months ended March 31, 2022 increased $241.0 million to $412.8 million from $171.8 million for the three months ended March 31, 2021. The increase in revenue was primarily due to the Infrastructure segment, which acquired Banker Steel in the second quarter of 2021, and increases in Infrastructure market demand along with larger projects entering the market.

Income (loss) from operations: Income from operations for the three months ended March 31, 2022 increased $11.6 million to income of $0.7 million from a loss of $10.9 million for the three months ended March 31, 2021. The increase in Income from operations was attributable to the Infrastructure segment as a result of the contribution from Banker Steel, which was acquired in the second quarter of 2021, the Non-operating Corporate, which had decreases in legal expenses and non-recurring costs related to the proxy contest in the comparable period, which was partially offset by increased professional service fees mainly due to timing, increased discretionary bonus due to the anticipated cash versus equity split and increased stock compensation expense, as well as additional expenses incurred in relation to the settlement with the Company's former CEO. The increase in Income from operations is also attributable to decreased salaries and severance expense at the Spectrum segment.

Interest expense: Interest expense for the three months ended March 31, 2022 decreased $8.8 million to $12.6 million from $21.4 million for the three months ended March 31, 2021. The decrease was primarily attributable to Non-Operating Corporate's refinancing of the 2021 Senior Secured Notes in the first quarter of 2021, which decreased interest expense in the first quarter of 2022.

Loss on early extinguishment or restructuring of debt: Loss on early extinguishment or restructuring of debt for the three months ended March 31, 2022 decreased $10.8 million to zero from a loss of $10.8 million for the three months ended March 31, 2021. This expense in the comparable period was driven by the write-off of deferred financing costs and original issuance discount related to the refinancing of the 2021 Senior Secured Notes and the 2022 Convertible Notes in the first quarter of 2021. There was no comparable expense in the current period.

Loss from equity investees: Loss from equity investees for the three months ended March 31, 2022 decreased $1.6 million to $0.5 million from $2.1 million for the three months ended March 31, 2021. The decrease in loss was driven by increase in the equity income in HMN Technologies Co., Ltd. ("HMN"), which produced higher profits in the first quarter of 2022 as compared to the comparable period, and was generally attributable to the timing of turnkey project work. Additionally contributing to the decrease in the loss was higher equity method income generated from our investment in Triple Ring, which was partially offset by higher equity method losses recorded from our investment in MediBeacon, which is getting ready to submit an Investigational Device Exemption ("IDE") application to the Food and Drug Administration ("FDA"), the first step toward receiving approval from the FDA to commence its US Pivotal Study of the Transdermal Glomerular Filtration Rate ("TGFR"), which enables real-time, direct monitoring of kidney function.

Other (loss) income: Other (loss) income for the three months ended March 31, 2022 decreased $3.5 million to a loss of $0.1 million from income of $3.4 million for the three months ended March 31, 2021. The decrease was predominantly driven by the income recognized on a litigation settlement in the comparable period.

Income tax expense: Income tax expense was $1.6 million and $1.1 million for the three months ended March 31, 2022 and 2021, respectively. The income tax expense recorded for the three months ended March 31, 2022 and 2021 primarily relates to the tax expense as calculated under ASC 740 for taxpaying entities. Additionally, the tax benefits associated with losses generated by the INNOVATE Corp. U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than-not that the losses will be utilized prior to expiration.

Segment Results of Operations

In the Company's Condensed Consolidated Financial Statements, other operating (income) expense includes (i) (gain) loss on sale or disposal of assets, (ii) lease termination costs, (iii) asset impairment expense, (iv) accretion of asset retirement obligations, and (v) FCC reimbursements. Each table summarizes the results of operations of our operating segments and compares the amount of the change between the periods presented (in millions).

Infrastructure Segment

	Three Months Ended March 31,		
	2022	2021	Increase / (Decrease)
Revenue	$ 402.2	$ 161.3	$ 240.9
Cost of revenue	357.7	137.0	220.7
Selling, general and administrative	27.9	19.7	8.2
Depreciation and amortization	5.3	2.4	2.9
Other operating income	(0.6)	—	(0.6)
Income from operations	$ 11.9	$ 2.2	$ 9.7

Revenue: Revenue from our Infrastructure segment for the three months ended March 31, 2022 increased $240.9 million to $402.2 million from $161.3 million for the three months ended March 31, 2021. The increase was primarily driven by DBMG's acquisition of Banker Steel, which was acquired in the second quarter of 2021 and contributed an incremental $136.1 million of revenue as well as an increase from the legacy fabrication and erection business. This was partially offset by a decrease at the construction modeling and detailing business due to the completion of projects in 2021 and the industrial maintenance and repair business.

Cost of revenue: Cost of revenue from our Infrastructure segment for the three months ended March 31, 2022 increased $220.7 million to $357.7 million from $137.0 million for the three months ended March 31, 2021. The increase was primarily driven by DBMG's acquisition of Banker Steel, which was acquired in the second quarter of 2021 and contributed incremental cost of revenue of $119.8 million for the three months ended March 31, 2022, as well as the revenue improvements described above.

Selling, general and administrative: Selling, general and administrative expense from our Infrastructure segment for the three months ended March 31, 2022 increased $8.2 million to $27.9 million from $19.7 million for the three months ended March 31, 2021. The increases were primarily driven by the acquisition of Banker Steel, which was acquired in the second quarter of 2021 and contributed an incremental $6.7 million of selling, general and administrative expenses, as well as increases in consulting fees, travel, and meals and entertainment.

Depreciation and amortization: Depreciation and amortization from our Infrastructure segment for the three months ended March 31, 2022 increased $2.9 million to $5.3 million from $2.4 million for the three months ended March 31, 2021. The increase was largely due to the additional amortization and depreciation of assets obtained in the acquisition of Banker Steel in the second quarter of 2021, which contributed an additional $2.8 million of depreciation and amortization expense in the first quarter of 2022.

Other operating income: Other operating income from our Infrastructure segment for the three months ended March 31, 2022 increased $0.6 million to $0.6 million from zero for the three months ended March 31, 2021. The increase in other operating income was driven by an asset sale.

Life Sciences Segment

	Three Months Ended March 31,		
	2022	2021	Increase / (Decrease)
Revenue	$ 0.8	$ —	$ 0.8
Cost of revenue	0.6	—	0.6
Selling, general and administrative	5.1	4.8	0.3
Depreciation and amortization	0.1	—	0.1
Loss from operations	$ (5.0)	$ (4.8)	$ (0.2)

Revenue: Revenue from our Life Sciences segment for the three months ended March 31, 2022 increased $0.8 million to $0.8 million from zero for the three months ended March 31, 2021. The increase in revenue was attributable to R2, which began the sale of its Glacial Rx products in the second quarter 2021 and its Glacial Spa products in the first quarter 2022.

Cost of revenue: Cost of revenue from our Life Sciences segment for the three months ended March 31, 2022 increased $0.6 million to $0.6 million from zero for the three months ended March 31, 2021. The increase in cost of revenue was attributable to R2, which began the sale of its Glacial Rx products in the second quarter 2021 and its Glacial Spa products in the first quarter 2022.

Selling, general and administrative: Selling, general and administrative expenses from our Life Sciences segment for the three months ended March 31, 2022 increased $0.3 million to $5.1 million from $4.8 million for the three months ended March 31, 2021. The increase was driven by higher expenses at R2, which increased spending from the comparable period as a result of increased headcount across the organization, mainly to build out its sales team which was partially offset by a decrease in professional fees.

Spectrum Segment

	Three Months Ended March 31,		
	2022	2021	Increase / (Decrease)
Revenue	$ 9.8	$ 10.5	$ (0.7)
Cost of revenue	4.7	4.3	0.4
Selling, general and administrative	3.8	5.5	(1.7)
Depreciation and amortization	1.5	1.5	—
Other operating expense	0.2	0.4	(0.2)
Loss from operations	$ (0.4)	$ (1.2)	$ 0.8

Revenue: Revenue from our Spectrum segment for the three months ended March 31, 2022 decreased $0.7 million to $9.8 million from $10.5 million for the three months ended March 31, 2021. The decrease was primarily driven by a decrease in advertising revenues at the Azteca network as a result of a decreased footprint, primarily in the Los Angeles market. This was partially offset by an increase in station revenues as they launched new customers and increased the number of operating stations.

Cost of revenue: Cost of revenue from our Spectrum segment for the three months ended March 31, 2022 increased $0.4 million to $4.7 million from $4.3 million for the three months ended March 31, 2021. The overall increase was primarily driven by costs associated with higher number of operating stations and an increase in expenses at the Azteca network as a result of Program Licensing Agreement royalty expense starting in the first quarter of 2022.

Selling, general and administrative: Selling, general and administrative expense from our Spectrum segment for the three months ended March 31, 2022 decreased $1.7 million to $3.8 million from $5.5 million for the three months ended March 31, 2021. The overall decrease was primarily driven by a decrease in salaries and severance expense.

Other operating expense: Other operating expense from our Spectrum segment for the three months ended March 31, 2022 decreased $0.2 million to $0.2 million from $0.4 million for the three months ended March 31, 2021. The decrease in other operating expense was primarily related to a decrease in asset impairments, partially offset by a decrease in gains from FCC reimbursements.

Non-operating Corporate

	Three Months Ended March 31,		
	2022	2021	Increase / (Decrease)
Selling, general and administrative	$ 5.7	$ 6.7	$ (1.0)
Depreciation and amortization	—	—	—
Loss from operations	$ (5.7)	$ (6.7)	$ 1.0

Selling, general and administrative: Selling, general and administrative expenses from our Non-operating Corporate segment for the three months ended March 31, 2022 decreased $1.0 million to $5.7 million from $6.7 million for the three months ended March 31, 2021. The decrease was driven by decreases in legal expenses and non-recurring costs related to the proxy contest in the comparable period. This was partially offset by increased professional service fees due mainly to timing, increased discretionary bonus due to the anticipated cash versus equity split and increased stock compensation expense, as well as additional expenses incurred in relation to the settlement with the Company's former CEO.

Loss from Equity Investees

	Three Months Ended March 31,		
	2022	2021	Increase / (Decrease)
Life Sciences	$ (1.0)	$ (1.5)	$ 0.5
Other	0.5	(0.6)	1.1
Loss from equity investees	$ (0.5)	$ (2.1)	$ 1.6

Life Sciences: Loss from equity investees within our Life Sciences segment for the three months ended March 31, 2022 decreased $0.5 million to $1.0 million from $1.5 million for the three months ended March 31, 2021. The increase in loss was primarily due to higher equity method income recorded from our investment in Triple Ring, which was partially offset by higher equity method losses recorded from our in MediBeacon, which is getting ready to submit an IDE application to the FDA, the first step toward receiving approval from the FDA to commence its US Pivotal Study of the TGFR, which enables real-time, direct monitoring of kidney function.

Other: Income from equity investees within our Other segment for the three months ended March 31, 2022 increased $1.1 million to $0.5 million from a loss of $0.6 million for the three months ended March 31, 2021. The increase was driven by the equity investment in HMN, which produced higher income the first quarter of 2022 as compared to the first quarter of 2021, which is generally attributable to the timing of project work.

Non-GAAP Financial Measures and Other Information

Adjusted EBITDA

Adjusted EBITDA is not a measurement recognized under U.S. GAAP. In addition, other companies may define Adjusted EBITDA differently than we do, which could limit its usefulness.

Management believes that Adjusted EBITDA provides investors with meaningful information for gaining an understanding of our results as it is frequently used by the financial community to provide insight into an organization’s operating trends and facilitates comparisons between peer companies, since interest, taxes, depreciation, amortization and the other items listed in the definition of Adjusted EBITDA below can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company’s ability to service debt. While management believes that non-U.S. GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our U.S. GAAP financial results. Using Adjusted EBITDA as a performance measure has inherent limitations as an analytical tool as compared to net income (loss) or other U.S. GAAP financial measures, as this non-GAAP measure excludes certain items, including items that are recurring in nature, which may be meaningful to investors. As a result of the exclusions, Adjusted EBITDA should not be considered in isolation and does not purport to be an alternative to net income (loss) or other U.S. GAAP financial measures as a measure of our operating performance. Adjusted EBITDA excludes the results of operations and any consolidating eliminations of our Insurance segment.

The calculation of Adjusted EBITDA, as defined by us, consists of Net income (loss) as adjusted for discontinued operations; depreciation and amortization; Other operating (income) expense, which is inclusive of (gain) loss on sale or disposal of assets, lease termination costs, asset impairment expense and FCC reimbursements; interest expense; other (income) expense, net; loss on early extinguishment or restructuring of debt; income tax (benefit) expense; noncontrolling interest; share-based compensation expense; non-recurring items; costs associated with the COVID-19 pandemic; and acquisition and disposition costs.

(in millions)	Three months ended March 31, 2022					
	Infrastructure	Life Sciences	Spectrum	Non-operating Corporate	Other and Eliminations	INNOVATE
Net (loss) attributable to INNOVATE Corp.						$ (12.4)
Less: Discontinued operations						—
Net Income (loss) attributable to INNOVATE Corp., excluding discontinued operations	$ 6.1	$ (4.1)	$ (3.4)	$ (11.3)	$ 0.3	$ (12.4)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:						
Depreciation and amortization	5.3	0.1	1.5	—	—	6.9
Depreciation and amortization (included in cost of revenue)	3.7	—	—	—	—	3.7
Other operating (income) expense	(0.6)	—	0.2	—	—	(0.4)
Interest expense	2.2	—	2.0	8.4	—	12.6
Other expense (income), net	0.1	0.1	1.5	(1.6)	—	0.1
Income tax expense (benefit)	2.9	—	—	(1.3)	—	1.6
Noncontrolling interest	0.6	(2.0)	(0.6)	—	0.3	(1.7)
Share-based compensation expense	—	0.1	—	0.7	—	0.8
Acquisition and disposition costs	0.2	—	0.1	0.5	(0.5)	0.3
Adjusted EBITDA	$ 20.5	$ (5.8)	$ 1.3	$ (4.6)	$ 0.1	$ 11.5

(in millions)	Three months ended March 31, 2021					
	Infrastructure	Life Sciences	Spectrum	Non-operating Corporate	Other and Eliminations	INNOVATE
Net income attributable to INNOVATE Corp.						$ 12.6
Less: Discontinued operations						51.9
Net Income (loss) attributable to INNOVATE Corp., excluding discontinued operations	$ —	$ (4.2)	$ (4.4)	$ (30.8)	$ 0.1	$ (39.3)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:						
Depreciation and amortization	2.4	—	1.5	—	—	3.9
Depreciation and amortization (included in cost of revenue)	2.3	—	—	—	—	2.3
Other operating expense	—	—	0.4	—	—	0.4
Interest expense	1.9	—	2.3	17.2	—	21.4
Loss on early extinguishment or restructuring of debt	—	—	0.9	9.9	—	10.8
Other expense (income), net	0.2	—	0.4	(4.0)	—	(3.4)
Income tax expense	—	—	—	1.1	—	1.1
Noncontrolling interest	—	(2.1)	(0.5)	—	(1.1)	(3.7)
Share-based compensation expense	—	0.1	0.1	0.4	—	0.6
Nonrecurring items	0.2	—	—	0.5	—	0.7
COVID-19 costs	3.9	—	—	—	—	3.9
Acquisition and disposition costs	0.4	—	0.1	1.7	0.1	2.3
Adjusted EBITDA	$ 11.3	$ (6.2)	$ 0.8	$ (4.0)	$ (0.9)	$ 1.0

Infrastructure: Net income from our Infrastructure segment for the three months ended March 31, 2022 increased $6.1 million to $6.1 million from zero for the three months ended March 31, 2021. Adjusted EBITDA from our Infrastructure segment for the three months ended March 31, 2022 increased $9.2 million to $20.5 million from $11.3 million for the three months ended March 31, 2021. The increase in Adjusted EBITDA can be attributed to the contribution from Banker Steel, which was acquired in the second quarter of 2021 and increased profit as a result of higher sales at the fabrication and erection business. The increase was partially offset by lower margins in the industrial maintenance and repair business and the construction modeling and detailing business as a result of the completion of high margin project in prior year, as well as an increase in G&A expenses due to the acquisition of Banker Steel.

Life Sciences: Net loss from our Life Sciences segment for the three months ended March 31, 2022 decreased $0.1 million to $4.1 million from $4.2 million for the three months ended March 31, 2021. Adjusted EBITDA loss from our Life Sciences segment for the three months ended March 31, 2022 decreased $0.4 million to $5.8 million from $6.2 million for the three months ended March 31, 2021. The decrease in Adjusted EBITDA loss was primarily driven by higher equity method income recorded from our investment in Triple Ring, which was partially offset by higher equity method losses recorded from our investment in MediBeacon, which is getting ready to submit an IDE application to the FDA, the first step toward receiving approval from the FDA to commence its US Pivotal Study of the TGFR, which enables real-time, direct monitoring of kidney function.

Spectrum: Net loss from our Spectrum segment for the three months ended March 31, 2022 decreased $1.0 million to $3.4 million from $4.4 million for the three months ended March 31, 2021. Adjusted EBITDA from our Spectrum segment for the three months ended March 31, 2022 increased $0.5 million to $1.3 million from $0.8 million for the three months ended March 31, 2021. The overall increase in Adjusted EBITDA was primarily driven by a decrease in salaries and severance expenses and an increase in station revenues as they launched new customers. This was partially offset by a decrease in advertising revenue at Network and an increase in station costs as a result of new station builds.

Non-operating Corporate: Net loss from our Non-operating Corporate segment for the three months ended March 31, 2022 decreased $19.5 million to $11.3 million from $30.8 million for the three months ended March 31, 2021. Adjusted EBITDA loss from our Non-operating Corporate segment for the three months ended March 31, 2022 increased $0.6 million to $4.6 million from $4.0 million for the three months ended March 31, 2021. The increase in Adjusted EBITDA loss was driven by increased professional service expenses mainly due to timing, increased discretionary bonus due to the anticipated cash versus equity split, as well as the settlement with the Company's former CEO. This was partially offset by decreased legal expenses driven by the reduced legal activity in 2022.

Other and Eliminations: Net income from our Other and Eliminations segment for the three months ended March 31, 2022 increased $0.2 million to $0.3 million from $0.1 million for the three months ended March 31, 2021. Adjusted EBITDA from our Other segment for the three months ended March 31, 2022 increased $1.0 million to $0.1 million from an Adjusted EBITDA loss of $0.9 million for the three months ended March 31, 2021. The increase in Adjusted EBITDA for our Other and Eliminations segment was primarily driven by the equity investment in HMN, as it produced higher income than in the comparable period, which is generally attributable to the timing of project work.

(in millions):	Three months ended March 31,		
	2022	2021	Increase / (Decrease)
Infrastructure	$ 20.5	$ 11.3	$ 9.2
Life Sciences	(5.8)	(6.2)	0.4
Spectrum	1.3	0.8	0.5
Non-Operating Corporate	(4.6)	(4.0)	(0.6)
Other and Eliminations	0.1	(0.9)	1.0
Adjusted EBITDA	$ 11.5	$ 1.0	$ 10.5

Backlog

Projects in backlog consist of awarded contracts, letters of intent, notices to proceed, change orders, and purchase orders obtained. Backlog increases as contract commitments are obtained, decreases as revenues are recognized and increases or decreases to reflect modifications in the work to be performed under the contracts. Backlog is converted to sales in future periods as work is performed or projects are completed. Backlog can be significantly affected by the receipt or loss of individual contracts.

Infrastructure Segment

At March 31, 2022, DBMG's backlog was $1,382.9 million, consisting of $1,328.8 million under contracts or purchase orders and $54.1 million under letters of intent or notices to proceed. Approximately $729.3 million, representing 52.7% of DBMG’s backlog at March 31, 2022, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If one or more of these projects terminate or reduce their scope, DBMG’s backlog could decrease substantially. DBMG includes an additional $15.8 million in its backlog that is not included in the remaining unsatisfied performance obligations noted in Note 4. Revenue. This backlog includes commitments under master service agreements that are estimated amounts of work to be performed based on customer communications, historic performance and knowledge of our customers' intentions.

Liquidity and Capital Resources

Short- and Long-Term Liquidity Considerations and Risks

Our Non-Operating Corporate segment consists of holding companies, and its liquidity needs are primarily for interest payments on its 2026 Senior Secured Notes, 2022 Convertible Notes and 2026 Convertible Notes, Revolving Credit Agreement, dividend payments on its Preferred Stock and recurring operational expenses.

As of March 31, 2022, the Company had $26.4 million of cash and cash equivalents compared to $45.5 million as of December 31, 2021. On a stand-alone basis, as of March 31, 2022, the Non-Operating Corporate segment had cash and cash equivalents of $5.3 million compared to $22.0 million at December 31, 2021.

Our subsidiaries' principal liquidity requirements arise from cash used in operating activities, debt service, and capital expenditures, including purchases of steel construction equipment, OTA broadcast station equipment, development of back-office systems, operating costs and expenses, and income taxes.

As of March 31, 2022, the Company had $684.6 million of indebtedness on a consolidated basis compared to $630.8 million as of December 31, 2021, an increase of $53.8 million, which was primarily due to a $60.0 million increase in DBMG's Line of Credit to fund working capital requirements. On a stand-alone basis, as of March 31, 2022 and December 31, 2021, INNOVATE had indebtedness of $390.0 million and $390.0 million, respectively.

INNOVATE's stand-alone debt consists of the $330.0 million aggregate principal amount of 2026 Senior Secured Notes, $3.2 million aggregate principal amount of 2022 Convertible Notes, $51.8 million aggregate principal amount of 2026 Convertible Notes, and $5.0 million aggregate principal amount drawn on its 2024 Revolving Credit Agreement. INNOVATE is required to make semi-annual interest payments on its 2026 Senior Secured Notes, 2022 Convertible Notes and 2026 Convertible Notes, and quarterly interest payments on its 2024 Revolving Credit Agreement.

INNOVATE received $13.7 million in dividends from its Infrastructure segment during the three months ended March 31, 2022.

INNOVATE is required to make dividend payments on its outstanding Preferred Stock on January 15th, April 15th, July 15th, and October 15th of each year.

We have financed our growth and operations to date, and expect to finance our future growth and operations, through public offerings and private placements of debt and equity securities, credit facilities, vendor financing, capital lease financing and other financing arrangements, as well as cash generated from the operations of our subsidiaries. In the future, we may also choose to sell assets or certain investments to generate cash.

At this time, we believe that we will be able to continue to meet our liquidity requirements and fund our fixed obligations (such as debt service and operating leases) and other cash needs for our operations for at least the next twelve months from the issuance of the Condensed Consolidated Financial Statements through a combination of available cash and distributions from our subsidiaries. The ability of INNOVATE’s subsidiaries to make distributions to INNOVATE is subject to numerous factors, including restrictions contained in each subsidiary’s financing agreements, availability of sufficient funds at each subsidiary and the approval of such payment by each subsidiary’s board of directors, which must consider various factors, including general economic and business conditions, tax considerations, strategic plans, financial results and condition, expansion plans, any contractual, legal or regulatory restrictions on the payment of dividends, and such other factors each subsidiary’s board of directors considers relevant. Although the Company believes, to the extent needed, that it will be able to raise additional equity capital, refinance indebtedness or preferred stock, enter into other financing arrangements or engage in asset sales and sales of certain investments sufficient to fund any cash needs that we are not able to satisfy with the funds on hand or expected to be provided by our subsidiaries, there can be no assurance that it will be able to do so on terms satisfactory to the Company, if at all. Such financing options, if pursued, may also ultimately have the effect of negatively impacting our liquidity profile and prospects over the long-term. Our ability to sell assets and certain of our investments to meet our existing financing needs may also be limited by our existing financing instruments. In addition, the sale of assets or the Company’s investments may also make the Company less attractive to potential investors or future financing partners.

In September 2018, the Company entered into a 75-month lease for office space. As part of the agreement, INNOVATE was able to pay a lower security deposit and lease payments, and received favorable lease terms as consideration for landlord required cross default language in the event of default of the shared space leased by Harbinger Capital Partners, formerly a related party, in the same building. With the adoption of ASC 842, as of January 1, 2019, this lease was recognized as a right of use asset and lease liability on the Condensed Consolidated Balance Sheets.

DBMG’s off-balance sheet arrangements at March 31, 2022 included letters of credit of $13.5 million under Credit and Security Agreements and performance bonds of $779.0 million. DBMG’s contract arrangements with customers sometimes require DBMG to provide performance bonds to partially secure its obligations under its contracts. Bonding requirements typically arise in connection with private contracts and sometimes with respect to certain public work projects. DBMG’s performance bonds are obtained through surety companies and typically cover the entire project price.

COVID-19 Expenditures

We have historically seen significant cost increases, primarily at our Infrastructure segment, driven by expenses associated with maintaining a safe work environment and while executing on its projects. During the three months ended March 31, 2021, $3.9 million of COVID-19 costs were incurred. Although the COVID-19 pandemic did not have a material impact on INNOVATE’s liquidity for the three months ended March 31, 2022, management believes the continuation of the pandemic and its related effect on the U.S. and global economies could introduce added pressure on the Company’s liquidity position and financial performance. Our sources of liquidity are primarily from the dividends and tax sharing agreement with DBMG, cash proceeds from completed and anticipated monetization’s and other arrangements.

Capital Expenditures

Capital expenditures for the periods ended March 31, 2022 and 2021 are set forth in the table below (in millions):

	Three Months Ended March 31,	
	2022	2021
Infrastructure	$ 2.9	$ 1.6
Life Sciences	0.1	0.2
Spectrum	1.6	1.4
Total	$ 4.6	$ 3.2

Indebtedness

Non-Operating Corporate

2026 Senior Secured Notes Terms and Conditions

Maturity. The 2026 Senior Secured Notes mature on February 1, 2026.

Interest. The 2026 Senior Secured Notes accrue interest at a rate of 8.50% per year. Interest on the 2026 Senior Secured Notes is paid semi-annually on February 1 and August 1 of each year.

Issue Price. The issue price of the 2026 Senior Secured Notes was 100% of par.

Ranking. The notes and the note guarantees are the Company's and certain of its direct and indirect domestic subsidiaries' (the "Subsidiary Guarantors") general senior secured obligations. The notes and the note guarantees will rank: (i) senior in right of payment to all of the Company's and the Subsidiary Guarantors' future subordinated debt; (ii) equal in right of payment, subject to the priority of any First-Out Obligations (as defined in the Secured Indenture), with all of the Company's and the Subsidiary Guarantors' existing and future senior debt and effectively senior to all of its and the Subsidiary Guarantor's unsecured debt to the extent of the value of the collateral; and (iii) effectively subordinated to all liabilities of its non-guarantor subsidiaries. The notes and the note guarantees are secured on a first-priority basis by substantially all of the Company's assets and the assets of the Subsidiary Guarantors, subject to certain exceptions and permitted liens.

Collateral. The 2026 Senior Secured Notes are secured by a first priority lien on substantially all of the Company's assets (except for certain "Excluded Assets," and subject to certain "Permitted Liens," each as defined in the Secured Indenture), including, without limitation:

- all equity interests owned by the Company or a Subsidiary Guarantor (which, in the case of any equity interest in a foreign subsidiary, will be limited to 100% of the non-voting stock (if any) and 65% of the voting stock of such foreign subsidiary) and the related rights and privileges associated therewith (but excluding Equity Interests of Insurance Subsidiaries (as defined in the Secured Indenture), to the extent the pledge thereof is deemed a "change of control" under applicable insurance regulations);
- all equipment, goods and inventory owned by the Company or a Subsidiary Guarantor;
- all cash and investment securities owned by the Company or a Subsidiary Guarantor;
- all documents, books and records, instruments and chattel paper owned by the Company or a Subsidiary Guarantor;
- all general intangibles owned by the Company or a Subsidiary Guarantor; and
- any proceeds and supporting obligations thereof.

The Secured Indenture permits the Company, under specified circumstances, to incur additional debt in the future that could equally and ratably share in the collateral. The amount of such debt is limited by the covenants contained in the Secured Indenture.

Events of Default. The Secured Indenture contains customary events of default which could, subject to certain conditions, cause the 2026 Senior Secured Notes to become immediately due and payable.

2022 Convertible Notes Terms and Conditions

Maturity. The 2022 Convertible Notes mature on June 1, 2022 unless earlier converted, redeemed or purchased.

Interest. The 2022 Convertible Notes accrue interest at a rate of 7.5% per year. Interest on the 2022 Convertible Notes is paid semi-annually on December 1 and June 1 of each year.

Issue Price. The issue price of the Convertible Notes was 100% of par.

Ranking. The notes are the Company's general unsecured and unsubordinated obligations and will rank equally in right of payment with all of the Company's existing and future unsecured and unsubordinated indebtedness, and senior in right of payment to any of the Company's future indebtedness that is expressly subordinated to the notes. The notes will be effectively subordinated to all of the Company's existing and future secured indebtedness, including the Company's Secured Notes, to the extent of the value of the collateral securing that indebtedness, and structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries, including trade credit.

Optional Redemption. The Company could not redeem the notes prior to June 1, 2020. From or after June 1, 2020, the Company may redeem for cash all of the notes if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (which need not be consecutive trading days) during any 30 consecutive trading-day period ending within five trading days prior to the date on which the Company provides notice of redemption. The redemption price will equal 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, including additional interest, if any, to, but excluding, the redemption date.

Conversion Rights. The 2022 Convertible Notes are convertible into shares of the Company's common stock based on a conversion rate of 234.2971 shares of common stock per $1,000 principal amount of Convertible Notes (equivalent to a conversion price of approximately $4.27 per share of the Company's common stock), at any time prior to the close of business on the business day immediately preceding the maturity date, in principal amounts of $1,000 or an integral multiple of $1,000 in excess thereof. In addition, following a Make-Whole Fundamental Change (as defined in the indenture governing the 2022 Convertible Notes) or the Company's delivery of a notice of redemption for the 2022 Convertible Notes, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with (i) such Make-Whole Fundamental Change or (ii) such notice of redemption. However, to comply with certain listing standards of The New York Stock Exchange, the Company will settle in cash its obligation to increase the conversion rate in connection with a Make-Whole Fundamental Change or redemption until it has obtained the requisite stockholder approval.

Events of Default. The indenture governing the 2022 Convertible Notes contains customary events of default which could, subject to certain conditions, cause the 2022 Convertible Notes to become immediately due and payable.

2026 Convertible Notes Terms and Conditions

Maturity. The 2026 Convertible Notes mature on August 1, 2026 unless earlier converted, redeemed or purchased.

Interest. The 2026 Convertible Notes accrue interest at a rate of 7.5% per year. Interest on the 2026 Convertible Notes is paid semi-annually on February 1 and August 1 of each year.

Issue Price. The issue price of the 2026 Convertible Notes was 100% of par.

Ranking. The notes are the Company's general unsecured and unsubordinated obligations and will rank equally in right of payment with all of the Company's existing and future unsecured and unsubordinated indebtedness, and senior in right of payment to any of the Company's future indebtedness that is expressly subordinated to the notes. The notes will be effectively subordinated to all of the Company's existing and future secured indebtedness, including the Company's 2026 Senior Secured Notes, to the extent of the value of the collateral securing that indebtedness, and structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries, including trade credit.

Optional Redemption. The Company may not redeem the notes prior to August 1, 2023. On or after August 1, 2023, the Company may redeem for cash all of the notes if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (which need not be consecutive trading days) during any 30 consecutive trading-day period ending within five trading days prior to the date on which the Company provides notice of redemption. The redemption price will equal 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, including additional interest, if any, to, but excluding, the redemption date.

Conversion Rights. The 2026 Convertible Notes are convertible into shares of the Company's common stock based on an initial conversion rate of 234.2971 shares of common stock per $1,000 principal amount of Convertible Notes (equivalent to a conversion price of approximately $4.27 per share of the Company's common stock), at any time prior to the close of business on the business day immediately preceding the maturity date, in principal amounts of $1,000 or an integral multiple of $1,000 in excess thereof. In addition, following a Make-Whole Fundamental Change (as defined in the Convertible Indenture) or the Company's delivery of a notice of redemption for the 2026 Convertible Notes, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2026 Convertible Notes in connection with (i) such Make-Whole Fundamental Change or (ii) such notice of redemption. However, to comply with certain listing standards of The New York Stock Exchange, the Company will settle in cash its obligation to increase the conversion rate in connection with a Make-Whole Fundamental Change or redemption until it has obtained the requisite stockholder approval.

Events of Default. The Convertible Indenture contains customary events of default which could, subject to certain conditions, cause the Convertible Notes to become immediately due and payable.

Revolving Credit Agreement

Lender. MSD PCOF Partners IX, LLC ("MSD")

Maturity: The Revolving Credit Agreement has a maturity date of February 23, 2024.

Ranking. Obligations under the Revolving Credit Agreement constitute a First-Out Debt, as defined in the Secured Indenture, and are secured on a pari passu basis with the 2026 Senior Secured Notes.

Collateral: As provided under a Collateral Trust Joinder, the lender was added as a secured party to the Collateral Trust Agreement, and accordingly the pari passu obligations and commitments under the Revolving Credit Agreement are secured equally and ratably by the collateral of the Secured Notes.

Infrastructure

The UMB Term Loan and UMB Revolving Line associated with our Infrastructure segment contains customary restrictive and financial covenants related to debt levels and performance. As of March 31, 2022, DBMG was in compliance with all of the financial covenants to its debt agreements.

See Note 9. Debt Obligations to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for additional details regarding the Company's indebtedness.

Restrictive Covenants

The indenture governing the 2026 Senior Secured Notes dated February 1, 2021, by and among INNOVATE, the guarantors party thereto and U.S. Bank National Association, a national banking association, as trustee (the "Secured Indenture"), contains certain affirmative and negative covenants limiting, among other things, the ability of the Company, and, in certain cases, the Company's subsidiaries, to incur additional indebtedness; create liens; engage in sale-leaseback transactions; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. These covenants are subject to a number of important exceptions and qualifications.

The Company is also required to comply with certain financial maintenance covenants, which are similarly subject to a number of important exceptions and qualifications. These covenants include maintenance of (1) liquidity and (2) collateral coverage.

The maintenance of liquidity covenant provides that the Company will not permit the aggregate amount of (i) all unrestricted cash and Cash Equivalents of the Company and the Subsidiary Guarantors, (ii) amounts available for drawing under revolving credit facilities and undrawn letters of credit of the Company and the Subsidiary Guarantors and (iii) dividends, distributions or payments that are immediately available to be paid to the Company by any of its Restricted Subsidiaries to be less than the Company's obligation to pay interest on the 2026 Senior Secured Notes and all other Debt, including Convertible Preferred Stock mandatory cash dividends or any other mandatory cash pay Preferred Stock but excluding any obligation to pay interest on Convertible Preferred Stock or any other mandatory cash pay Preferred Stock which, in each case, may be paid by accretion or in-kind in accordance with its terms of the Company and its Subsidiary Guarantors for the next six months. As of March 31, 2022, the Company was in compliance with this covenant.

The maintenance of collateral coverage provides that the certain subsidiaries' Collateral Coverage Ratio (as defined in the Secured Indenture as the ratio of (i) the Loan Collateral to (ii) Consolidated Secured Debt (each as defined therein)) calculated on a pro forma basis as of the last day of each fiscal quarter may not be less than 1.50 to 1.00. As of March 31, 2022, the Company was in compliance with this covenant.

The instruments governing the Company's Preferred Stock also limit the Company's and its subsidiaries ability to take certain actions, including, among other things, to incur additional indebtedness; issue additional Preferred Stock; engage in transactions with affiliates; and make certain restricted payments. These limitations are subject to a number of important exceptions and qualifications.

The Company conducted its operations in a manner that resulted in compliance with the Secured Indenture; however, compliance with certain financial covenants for future periods may depend on the Company or one or more of the Company's subsidiaries undertaking one or more non-operational transactions, such as the management of operating cash outflows, a monetization of assets, a debt incurrence or refinancing, the raising of equity capital, or similar transactions. If the Company is unable to remain in compliance and does not make alternate arrangements, an event of default would occur under the Company's Secured Indenture which, among other remedies, could result in the outstanding obligations under the indenture becoming immediately due and payable and permitting the exercise of remedies with respect to the collateral. There is no assurance the Company will be able to complete any non-operational transaction it may undertake to maintain compliance with covenants under the Secured Indenture or, even if the Company completes any such transaction, that it will be able to maintain compliance for any subsequent period.

Summary of Consolidated Cash Flows

The below table summarizes the cash provided or used in our activities and the amount of the respective changes between the periods (in millions):

	Three Months Ended March 31,		Increase /
	2022	2021	(Decrease)
Cash used in continuing operating activities	$ (63.4)	$ (23.2)	$ (40.2)
Cash provided by discontinued operating activities	—	20.7	(20.7)
Cash used in operating activities	(63.4)	(2.5)	(60.9)
Cash (used in) provided by continuing investing activities	(7.4)	66.4	(73.8)
Cash provided by discontinued investing activities	—	1.5	(1.5)
Cash (used in) provided by investing activities	(7.4)	67.9	(75.3)
Cash provided by (used in) continuing financing activities	51.2	(31.6)	82.8
Cash used in discontinued financing activities	—	(4.3)	4.3
Cash provided by (used in) financing activities	51.2	(35.9)	87.1
Effect of exchange rate changes on cash and cash equivalents	0.5	(0.3)	0.8
Net decrease in cash, cash equivalents and restricted cash	$ (19.1)	$ 29.2	$ (48.3)
Less: Net increase in cash and cash equivalents from discontinued operations	—	18.3	(18.3)
Net change in cash, cash equivalents and restricted cash	$ (19.1)	$ 10.9	$ (30.0)

Operating Activities

Cash used in operating activities was $63.4 million for the three months ended March 31, 2022 as compared to cash used in operating activities of $23.2 million for the three months ended March 31, 2021. The $40.2 million increase in cash used from operating activities was primarily due to an increase in working capital at Infrastructure as a result of increased activity as a result of the Banker Steel acquisition, which was not present in the comparable period, and larger backlog combined with the timing of receipt of receivables, as well as Non-operating Corporate due to the change in timing of our interest payments on our Senior Secured Notes and 2026 Convertible Notes. This was partially offset by increases in working capital at both our Spectrum segment as a result of improvements in results and our Life Sciences segment, which had additional working capital outlays in the prior year as it began its initial ramp up of expenses related to its product launch.

Investing Activities

Cash used by investing activities was $7.4 million for the three months ended March 31, 2022 as compared to cash provided by investing activities of $66.4 million for the three months ended March 31, 2021. The $73.8 million decrease in cash from investing activities was primarily due to Beyond6, which was sold in first quarter of 2021 for net proceeds of $70.0 million, additional investing outlays in the current period at our Life Sciences segment to purchase an additional convertible note from MediBeacon, and our Spectrum segment, which had a decrease in FCC reimbursements and increases in payments related to the completion of the station build.

Financing Activities

Cash provided by financing activities was $51.2 million for the three months ended March 31, 2022 as compared to cash used in financing activities of $31.6 million for the three months ended March 31, 2021. The $82.8 million increase in cash from financing activities was primarily due to an increase at Infrastructure on its revolving line of credit to fund working capital requirements on larger, more complex jobs and Non-operating Corporate to fund the 2021 refinancing of the Company's Senior Secured Notes.

Discontinued Operations

Cash used by discontinued operations was zero for the three months ended March 31, 2022 as compared to cash used by discontinued operations of $20.7 million for the three months ended March 31, 2021. The $20.7 million decrease was largely due to the 2021 sales of the Insurance segment and Beyond6, which did not have any activity in the current period.

Infrastructure

Cash Flows

Cash flows from operating activities are the principal source of cash used to fund DBMG’s operating expenses, interest payments on debt, and capital expenditures. DBMG's short-term cash needs are primarily for working capital to support operations including receivables, inventories, and other costs incurred in performing its contracts. DBMG attempts to structure the payment arrangements under its contracts to match costs incurred under the project. To the extent it is able to bill in advance of costs incurred, DBMG generates working capital through billings in excess of costs and recognized earnings on uncompleted contracts. DBMG relies on its credit facilities to meet its working capital needs. DBMG believes that its existing borrowing availability together with cash from operations will be adequate to meet all funding requirements for its operating expenses, interest payments on debt and capital expenditures for the foreseeable future.

DBMG is required to make monthly or quarterly interest payments on all of its debt. Based upon the March 31, 2022 debt balance, DBMG anticipates that its interest payments will be approximately $2.0 million each quarter of 2022.

DBMG believes that its available funds, cash generated by operating activities and funds available under its bank credit facilities will be sufficient to fund its capital expenditures and its working capital needs. However, DBMG may expand its operations through future acquisitions and may require additional equity or debt financing.

Discontinued Operations

We have several entities classified as discontinued operations for the three months ended March 31, 2022 and 2021. Accordingly, revenue, costs, and expenses of the discontinued operations have been excluded from continuing operations. The entities reported in discontinued operations are as follows:

- On December 31, 2020, the Company signed the Merger Agreement to sell Beyond6. The sale closed on January 15, 2021. During the first quarter of 2021, the Company recognized a $39.2 million gain on the sale. During the third quarter of 2021, as a result of releases of related escrows and holdbacks, the Company recognized an additional $0.5 million gain on the sale.

- The sale of CIG closed on July 1, 2021 to Continental General Holdings LLC, an entity controlled by Michael Gorzynski, a director of the Company and, as of March 31, 2022, a beneficial owner of approximately 10.7% of the Company's outstanding common stock (including the convertible preferred stock, on an as-converted basis) who has also served as executive chairman of Continental since October 2020. The Company recorded a $200.8 million loss on the sale.

Cash flows from discontinued operations are reported in the Statement of Cash Flows as a separate line item within the Operations, Investing and Financing activities sections for each year presented.

In the absence of cash flows from the discontinued operations, the Company does not expect there to be an impact on liquidity at the Company.

New Accounting Pronouncements

For a discussion of our New Accounting Pronouncements, refer to Note 2. Summary of Significant Accounting Policies to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Critical Accounting Estimates

There have been no material changes in the Company’s critical accounting policies during the quarter ended March 31, 2022. For information about critical accounting policies, refer to “Critical Accounting Estimates” under Item 7 of our 2021 Annual Report.

Related Party Transactions

For a discussion of our Related Party Transactions, refer to Note 16. Related Parties to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

Corporate Information

INNOVATE, a Delaware corporation, was incorporated in 1994. The Company's executive offices are located at 295 Madison Avenue, 12th Floor, New York, NY, 10017. The Company's telephone number is (212) 235-2690. Our Internet address is *www.innovatecorp.com*. We make available free of charge through our Internet website our 2021 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on or accessible through our website is not a part of this Quarterly Report on Form 10-Q.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates a number of "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on current expectations, and are not strictly historical statements. In some cases, you can identify forward-looking statements by terminology such as "if," "may," "should," "believe," "anticipate," "future,""forward," "potential," "estimate," "opportunity," "goal," "objective," "growth," "outcome," "could," "expect," "intend," "plan," "strategy," "provide," "commitment,""result," "seek," "pursue," "ongoing," "include" or in the negative of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties and are not guarantees of performance, results, or the creation of stockholder value, although they are based on our current plans or assessments which we believe to be reasonable as of the date hereof.

Factors that could cause actual results, events and developments to differ include, without limitation: the ability of our subsidiaries (including, target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions, capital market conditions, our and our subsidiaries' ability to identify any suitable future acquisition opportunities, efficiencies/cost avoidance, cost savings, income and margins, growth, economies of scale, combined operations, future economic performance, conditions to, and the timetable for, completing the integration of financial reporting of acquired or target businesses with INNOVATE or the applicable subsidiary of INNOVATE, completing future acquisitions and dispositions, litigation, potential and contingent liabilities, management's plans, changes in regulations and taxes.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed under the section entitled "Risk Factors" in our 2021 Annual Report, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. You should also understand that many factors described under one heading below may apply to more than one section in which we have grouped them for the purpose of this presentation. As a result, you should consider all of the following factors, together with all of the other information presented herein, in evaluating our business and that of our subsidiaries.

INNOVATE Corp. and Subsidiaries

Our actual results or other outcomes may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- the effect of the novel coronavirus ("COVID-19") pandemic and related governmental responses on our business, financial condition and results of operations;
- the impact of recent supply chain disruptions, labor shortages and increases in transportation costs;
- limitations on our ability to successfully identify any strategic acquisitions or business opportunities and to compete for these opportunities with others who have greater resources;
- our possible inability to generate sufficient liquidity, margins, earnings per share, cash flow and working capital from our operating segments;
- the impact of catastrophic events, including natural disasters, pandemic illness and the outbreak of war, including in Ukraine, or acts of terrorism;
- our dependence on distributions from our subsidiaries to fund our operations and payments on our obligations;
- the impact on our business and financial condition of our substantial indebtedness and the significant additional indebtedness and other financing obligations we may incur;
- the impact of covenants in the Indenture governing INNOVATE's new notes, the Certificates of Designation governing INNOVATE's Preferred Stock and all other subsidiary debt obligations as summarized in Note 9. Debt Obligations and future financing agreements on our ability to operate our business and finance our pursuit of acquisition opportunities;
- our dependence on certain key personnel;
- uncertain global economic conditions in the markets in which our operating segments conduct their businesses;
- the ability of our operating segments to attract and retain customers;
- increased competition in the markets in which our operating segments conduct their businesses;
- our expectations regarding the timing, extent and effectiveness of our cost reduction initiatives and management's ability to moderate or control discretionary spending;

- management’s plans, goals, forecasts, expectations, guidance, objectives, strategies and timing for future operations, acquisitions, synergies, asset dispositions, fixed asset and goodwill impairment charges, tax and withholding expense, selling, general and administrative expenses, product plans, performance and results;
- management’s assessment of market factors and competitive developments, including pricing actions and regulatory rulings;
- the impact of additional material charges associated with our oversight of acquired or target businesses and the integration of our financial reporting;
- the impact of expending significant resources in considering acquisition targets or business opportunities that are not consummated;
- our expectations and timing with respect to our ordinary course acquisition activity and whether such acquisitions are accretive or dilutive to stockholders;
- our expectations and timing with respect to any strategic dispositions and sales of our operating subsidiaries, or businesses that we may make in the future and the effect of any such dispositions or sales on our results of operations;
- the possibility of indemnification claims arising out of divestitures of businesses;
- tax consequences associated with our acquisition, holding and disposition of target companies and assets;
- the effect any interests our officers, directors, stockholders and their respective affiliates may have in certain transactions in which we are involved;
- our ability to effectively increase the size of our organization, if needed, and manage our growth;
- the potential for, and our ability to, remediate future material weaknesses in our internal controls over financial reporting;
- our possible inability to raise additional capital when needed or refinance our existing debt, on attractive terms, or at all; and
- our possible inability to hire and retain qualified executive management, sales, technical and other personnel.

Infrastructure / DBM Global Inc.

Our actual results or other outcomes of DBM Global, Inc. and its wholly-owned subsidiaries ("DBMG"), and, thus, our Infrastructure segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- our ability to maintain efficient staffing and productivity as well as delays and cancellations as a result of the COVID-19 pandemic;
- its ability to realize cost savings from expected performance of contracts, whether as a result of improper estimates, performance, or otherwise;
- potential impediments and limitations on our ability to complete ordinary course acquisitions in anticipated time frames or at all;
- uncertain timing and funding of new contract awards, as well as project cancellations;
- cost overruns on fixed-price or similar contracts or failure to receive timely or proper payments on cost-reimbursable contracts, whether as a result of improper estimates, performance, disputes, or otherwise;
- risks associated with labor productivity, including performance of subcontractors that DBMG hires to complete projects;
- its ability to settle or negotiate unapproved change orders and claims;
- changes in the costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors;
- adverse impacts from weather affecting DBMG’s performance and timeliness of completion of projects, which could lead to increased costs and affect the quality, costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors;
- fluctuating revenue resulting from a number of factors, including the cyclical nature of the individual markets in which our customers operate;
- adverse outcomes of pending claims or litigation or the possibility of new claims or litigation, and the potential effect of such claims or litigation on DBMG’s business, financial condition, results of operations or cash flow; and
- lack of necessary liquidity to provide bid, performance, advance payment and retention bonds, guarantees, or letters of credit securing DBMG’s obligations under bids and contracts or to finance expenditures prior to the receipt of payment for the performance of contracts.

Life Sciences / Pansend Life Sciences, LLC

Our actual results or other outcomes of Pansend Life Sciences, LLC, and, thus, our Life Sciences segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- our Life Sciences segment’s ability to invest in development stage companies;
- our Life Sciences segment’s ability to develop products and treatments related to its portfolio companies;
- medical advances in healthcare and biotechnology; and
- governmental regulation in the healthcare industry.

Spectrum / HC2 Broadcasting Holdings Inc.

Our actual results or other outcomes of Broadcasting, and, thus, our Spectrum segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- our ability to attract advertisers during the COVID-19 pandemic;
- our Spectrum segment's ability to operate in highly competitive markets and maintain market share;
- our Spectrum segment's ability to effectively implement its business strategy or be successful in the operation of its business;
- new and growing sources of competition in the broadcasting industry; and
- FCC regulation of the television broadcasting industry.

Other

Our actual results or other outcomes of our Other segment may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- risks associated with our equity method investment that operates in China (i.e., HMN International Co., Ltd F/K/A Huawei Marine Systems Co. Limited, a Hong Kong holding company with a Chinese operating subsidiary), including the exercisability of New Saxon 2019 Ltd.'s put option pertaining to its 19% interest in HMN starting on the second year anniversary of the closing date of the First HMN Close.

We caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this document. Neither we nor any of our subsidiaries undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this document or to reflect actual outcomes, except as required by applicable law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 as amended (the "Exchange Act") as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2022, our disclosure controls and procedures were effective. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to claims and legal proceedings that arise in the ordinary course of business. Such matters are inherently uncertain, and there can be no guarantee that the outcome of any such matter will be decided favorably to the Company or that the resolution of any such matter will not have a material adverse effect upon the Company's Condensed Consolidated Financial Statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its Condensed Consolidated Financial Statements. The Company records a liability in its Condensed Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary for the Condensed Consolidated Financial Statements not to be misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its Condensed Consolidated Financial Statements. See Note 13. Commitments and Contingencies to our unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

(a) *Exhibits*

Please note that the agreements included as exhibits to this Form 10-Q are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about INNOVATE Corp. or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement that have been made solely for the benefit of the other parties to the applicable agreement and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit Number	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith).
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer (filed herewith).
32.1*	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer (furnished herewith).
101	The following materials from the registrant's Quarterly Report on Form 10-Q for the three months ended March 31, 2022, formatted in extensible business reporting language (XBRL); (i) Condensed Consolidated Statements of Operations for the three months ended March 31, 2022 and 2021, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2022 and 2021, (iii) Condensed Consolidated Balance Sheets at March 31, 2022 and December 31, 2021, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2022 and 2021, (v) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2022 and 2021, and (vi) Notes to Condensed Consolidated Financial Statements (filed herewith).

* These certifications are being "furnished" and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		INNOVATE Corp.	
Date:	**May 4, 2022**	By:	/S/ MICHAEL J. SENA
			Michael J. Sena **Chief Financial Officer** **(Duly Authorized Officer and Principal Financial and Accounting Officer)**

Exhibit 31.1

CERTIFICATIONS

I, Wayne Barr, Jr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of INNOVATE Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 4, 2022	By:	/s/ Wayne Barr, Jr.	
		Name:	Wayne Barr, Jr.
		Title:	President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Michael J. Sena, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of INNOVATE Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 4, 2022	By:	/s/ Michael J. Sena	
		Name:	Michael J. Sena
		Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002 (18 U.S.C. §1350, as adopted), Wayne Barr, Jr, the President and Chief Executive Officer (Principal Executive Officer) of INNOVATE Corp. (the "Company"), and Michael J. Sena, the Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, to which this Certification is attached as Exhibit 32 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Dated: May 4, 2022

/s/ Wayne Barr, Jr.	/s/ Michael J. Sena
Wayne Barr, Jr.	**Michael J. Sena**
President and Chief Executive Officer (Principal Executive Officer)	**Chief Financial Officer (Principal Financial and Accounting Officer)**