

HC2 Holdings, Inc.
Form 424B5
November 03, 2015
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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b) (5)
Registration No. 333-207470

SUBJECT TO COMPLETION, DATED NOVEMBER 3, 2015

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 27, 2015)

Shares

HC2 HOLDINGS, INC.
Common Stock

We are offering _____ shares of our common stock. Our common stock is listed on NYSE MKT LLC under the symbol HCHC. On November 2, 2015, the last reported sale price of our common stock on NYSE MKT LLC was \$7.33 per share.

Investing in our securities involves a high degree of risk. Please read Risk Factors beginning on page S-37 of this prospectus supplement, and on page 5 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public Offering Price	\$	\$
Underwriting Discounts and Commissions	\$	\$
Proceeds to HC2 Before Expenses	\$	\$

Delivery of the shares of common stock will be made on or about November , 2015. We have granted the underwriter an option for a period of 30 days to purchase an additional _____ shares of our common stock. If the underwriter exercises the option in full, the total underwriting discounts and commissions payable by us will be \$ _____ and the total proceeds to us before expenses, will be \$ _____.

The underwriter, Jefferies LLC, may purchase shares for its own account in this offering. See The Offering — Purchase by Underwriter for its Own Account and Underwriting — Purchase By Underwriter for its Own Account.

Sole Book-Running Manager

Jefferies

Prospectus supplement dated _____, 2015.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should read this prospectus supplement, the accompanying prospectus, the documents and information incorporated by reference in the accompanying prospectus and any prospectus supplement that we authorize for use in connection with this offering when making your investment decision.

You should rely only on the information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus or any other offering material we authorize. We have not, and the underwriter has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriter will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and accompanying prospectus is accurate as of the date on its respective cover, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

The second part, the accompanying prospectus dated October 27, 2015, including the documents incorporated by reference therein, provides more general information, including information regarding our common stock. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or in any document incorporated by reference that was filed with the Securities and Exchange Commission (the "SEC"), before the date of this prospectus supplement, on the other hand, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date (for example, a document incorporated by reference in this prospectus supplement or in the accompanying prospectus) the statement in the document having the later date modifies or supersedes the earlier statement.

All references in this prospectus supplement to our financial statements include, unless the context indicates otherwise, the related notes.

When we refer to "HC2," "we," "our," "us" and the "Company" in this prospectus supplement, we mean HC2 Holdings, Inc. and its consolidated subsidiaries, unless otherwise specified. When we refer to "you," we mean the holders of the applicable series of securities.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and accompanying prospectus, including the documents incorporated by reference herein and therein, contain or incorporate 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, estimate, opportunity, goal, objective, growth, outcome, could, expect, intend, plan, strategy, 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 shareholder value, although they are based on our current plans or assessments which we believe to be reasonable as of the date hereof.

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Factors or risks that could cause the Company's actual results to differ materially from the results we anticipate include, but are not limited to:

- n the possibility of indemnification claims arising out of divestitures of businesses;
- n uncertain global economic conditions in the markets in which our operating segments conduct their businesses;
- n the ability of our operating segments to attract and retain customers;
- n increased competition in the markets in which our operating segments conduct their businesses;
- n our possible inability to generate sufficient liquidity, margins, earnings per share, cash flow and working capital from our operating segments;
- n our expectations regarding the timing, extent and effectiveness of our cost reduction initiatives and management's ability to moderate or control discretionary spending;
- n 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;
- n management's assessment of market factors and competitive developments, including pricing actions and regulatory rulings;
- n limitations on our ability to successfully identify and complete any strategic acquisitions, including our pending acquisitions of United Teacher Associates Insurance Company ("UTAIC") and Continental General Insurance Company ("CGIC") and, together with UTAIC, the Insurance Companies), or business opportunities and to compete for these opportunities with others who have greater resources;
- n our ability to integrate acquired businesses and otherwise obtain the benefits of acquisitions that we make;
- n the impact of additional material charges associated with our oversight of acquired or target businesses and the integration of our financial reporting;
- n the impact of expending significant resources in considering acquisition targets or business opportunities that are not consummated;
- n tax consequences associated with our acquisition, holding and disposition of target companies and assets;
- n our dependence on distributions from our subsidiaries to fund our operations and payments on our obligations;

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the impact of covenants in the certificates of designation governing the Company's preferred stock, the indenture (the 11% Notes Indenture) governing our 11% senior secured notes due 2019 (the 11% Notes), the credit agreements governing the Schuff Facility (as hereinafter defined) and the GMSL Facility (as hereinafter defined) and future financing or refinancing agreements, on our ability to operate our business and finance our pursuit of acquisition opportunities;

the impact on the holders of the Company's common stock if we issue additional shares of the Company common stock or preferred stock;

the impact of decisions by the Company's significant stockholders, whose interests may differ from those of the Company's other stockholders, or their ceasing to remain significant stockholders;

the effect any interests our officers, directors, stockholders and their respective affiliates may have in certain transactions in which we are involved;

our dependence on certain key personnel;

our ability to effectively increase the size of our organization, if needed, and manage our growth;

the impact of a determination that we are an investment company or personal holding company;

the impact of delays or difficulty in satisfying the requirements of Section 404 of the Sarbanes Oxley Act of 2002 or negative reports concerning our internal controls;

costs and risks associated with litigation;

the impact on our business and financial condition of our substantial indebtedness and the significant additional indebtedness and other financing obligations we may incur;

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.

Marine Services / Global Marine Services Ltd.

Factors or risks that could cause the actual results of Global Marine Services Ltd. (GMSL), and thus the actual results of our Marine Services segment, to differ materially from the results we anticipate include, but are not limited to:

the possibility of global recession or market downturn with a reduction in capital spending within the targeted market segments the business operates in;

project implementation issues and possible subsequent overruns;

risks associated with operating outside of core competencies when moving into different market segments;

possible loss or severe damage to marine assets;

vessel equipment aging or reduced reliability;

risks associated with operating two joint ventures in China (China Telecommunications Corp.; Huawei Marine Networks Co., Limited);

risks related to foreign corrupt practices and economic sanctions, laws and regulations;

changes to the local laws and regulatory environment in different geographical regions;

loss of key senior employees;

difficulties attracting enough skilled technical personnel;

foreign exchange rate risk;

liquidity risk; and

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potential for financial loss arising from the failure by customers to fulfil their obligations as and when these obligations fall due.

Manufacturing / Schuff International, Inc.

Factors or risks that could cause the actual results of Schuff International, Inc. (Schuff), and thus the actual results of our Manufacturing segment, to differ materially from the results we anticipate include, but are not limited to:

- its ability to realize cost savings from expected performance of contracts, whether as a result of improper estimates, performance, or otherwise;
- 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 Schuff 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 Schuff 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 Schuff 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 Schuff s obligations under bids and contracts or to finance expenditures prior to the receipt of payment for the performance of contracts.

Telecommunications/PTGi International Carrier Services, Inc. and PTGi-ICS Limited (together, ICS)

Factors or risks that could cause ICS s, and thus our Telecommunications segment s, actual results to differ materially from the results we anticipate include, but are not limited to:

- our expectations regarding increased competition, pricing pressures and usage patterns with respect to ICS s product offerings;
- significant changes in ICS s competitive environment, including as a result of industry consolidation, and the effect of competition in its markets, including pricing policies;
- its compliance with complex laws and regulations in the U.S. and internationally; and
- further changes in the telecommunications industry, including rapid technological, regulatory and pricing changes in its principal markets.

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Continental Insurance Group Ltd.

If the acquisition of the issued and outstanding shares of common stock of the Insurance Companies (the Insurance Companies Acquisitions) by Continental Insurance Group Ltd. (CIG) is consummated, factors or risks that could cause CIG s actual results to differ materially from the results we anticipate include, but are not limited to:

- n CIG s insurance subsidiaries ability to maintain statutory capital and maintain or improve their financial strength;
- n CIG s insurance subsidiaries reserve adequacy, including the effect of changes to accounting or actuarial assumptions or methodologies;
- n the accuracy of CIG s assumptions and estimates regarding future events and ability to respond effectively to such events, including mortality, morbidity, persistency, expenses, interest rates, tax liability, business mix, frequency of claims, severity of claims, contingent liabilities, investment performance, and other factors related to its business and anticipated results;
- n availability, affordability and adequacy of reinsurance and credit risk associated with reinsurance;
- n CIG s insurance subsidiaries are extensively regulated and subject to numerous legal restrictions and regulations;
- n CIG s ability to defend itself against litigation, inherent in the insurance business (including class action litigation), and respond to enforcement investigations or regulatory scrutiny;
- n the performance of third parties including distributors and technology service providers, and providers of outsourced services;
- n the impact of changes in accounting and reporting standards;
- n CIG s ability to protect its intellectual property;
- n general economic conditions and other factors, including prevailing interest and unemployment rate levels and stock and credit market performance which may affect (among other things) CIG s ability to access capital resources and the costs associated therewith, the fair value of CIG s investments, which could result in impairments and other-than-temporary impairments, and certain liabilities;
- n CIG s exposure to any particular sector of the economy or type of asset through concentrations in its investment portfolio;
- n the ability to increase sufficiently, and in a timely manner, premiums on in-force long-term care insurance policies and/or reduce in-force benefits, as may be required from time to time in the future (including as a result of our failure to obtain any necessary regulatory approvals or unwillingness or inability of policyholders to pay increased premiums);
- n other regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) regulation of the sale, underwriting and pricing of products, and minimum capitalization, risk-based capital and statutory reserve requirements for insurance companies, and CIG s insurance subsidiaries ability to mitigate such requirements; and
- n CIG s ability to effectively implement its business strategy or be successful in the operation of its business;
- n CIG s ability to retain, attract and motivate qualified employees;
- n interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems;
- n medical advances, such as genetic research and diagnostic imaging, and related legislation; and
- n the occurrence of natural or man-made disasters or a pandemic.

See Prospectus Supplement Summary—Recent developments and documents incorporated by reference in this prospectus supplement and the accompanying prospectus for more information about the acquisitions of the Insurance Companies.

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Other unknown or unpredictable factors could also affect our business, financial condition and results. Although we believe that the expectations reflected in the forward looking statements are reasonable, there can be no assurance that any of the estimated or projected results will be realized. You should not place undue reliance on these forward-looking statements, which apply only as of the date hereof. Subsequent events and developments may cause our views to change. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so.

You should read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein completely and with the understanding that our actual results may differ materially from what we expect as expressed or implied by our forward-looking statements. In light of the significant risks and uncertainties to which our forward-looking statements are subject, you should not place undue reliance on or regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. We discuss many of these risks in greater detail, including under the heading **Risk Factors** and in the documents incorporated by reference herein. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus supplement regardless of the time of delivery of this prospectus supplement or any sale of our common stock and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus supplement. For all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA

Management believes that Adjusted EBITDA is meaningful to 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-US GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our US GAAP financial results.

The calculation of Adjusted EBITDA, as defined by us, consists of Net income (loss) as adjusted for asset impairment expense; lease termination costs; gain (loss) on sale or disposal of assets; interest expense; amortization of debt discount; loss on early extinguishment or restructuring of debt; other income (expense), net; foreign currency transaction gain (loss); income tax (benefit) expense; (gain) loss on sale of discontinued operations; income (loss) from discontinued operations; noncontrolling interest; share-based compensation expense; acquisition related costs, other costs and depreciation and amortization.

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PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights certain information about us, this offering and selected information contained elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in our common stock. For a more complete understanding of our company and this offering, we encourage you to read and consider carefully the more detailed information in this prospectus supplement and the accompanying prospectus, including our financial statements and related notes and the other information incorporated by reference into this prospectus supplement and the accompanying prospectus and including the information referred to under the heading **Risk Factors** in this prospectus supplement beginning on page S-37 and in the documents incorporated herein by reference.*

The Company

Overview

We are a diversified holding company which seeks to acquire and grow attractive businesses that we believe can generate long-term sustainable free cash flow and attractive returns. We have six reportable operating segments based on management's organization of the enterprise—Manufacturing, Marine Services, Utilities, Telecommunications, Life Sciences and Other, which includes operations that do not meet the separately reportable segment thresholds. While we generally intend to acquire controlling equity interests in our operating subsidiaries, we may invest to a limited extent, in a variety of debt instruments or minority equity interest positions. We expect to continue to focus on acquiring and investing in businesses with attractive assets that we consider to be undervalued or fairly valued, and growing our acquired businesses.

Recent developments

Preliminary Financial Results for the Third Quarter ending September 30, 2015

On November 2, 2015, we announced our preliminary summary financial information as of and for the three and nine months ended September 30, 2015. We are currently in the process of finalizing our unaudited consolidated financial results as of and for the three and nine months ended September 30, 2015.

Our independent registered public accounting firm is not expressing an opinion or any other form of assurance with respect to the preliminary unaudited consolidated financial data as of and for the three and nine months ended September 30, 2015 that is provided in this prospectus supplement.

Certain of these operating results and other financial data for the third fiscal quarter ended September 30, 2015, are set forth below.

Preliminary Third Quarter 2015 Financial Highlights:

Net revenue: We recorded total net revenue of \$277.5 million for the third quarter of 2015, an increase of \$98.0 million, or 54.6%, as compared to the third quarter of 2014 and an increase of \$53.5 million, or 23.9%, on a pro forma basis, driven primarily by the addition of our Marine Services segment and our continued expansion into emerging markets through our Telecommunications segment.

We recorded total net revenue of \$760.3 million for the nine months ended September 30, 2015, an increase of \$440.9 million, or 138.1%, as compared to the same period last year and \$130.2 million, or 20.7%, on a pro forma basis.

Adjusted EBITDA: We recorded total Adjusted EBITDA of \$14.1 million and \$39.4 million for the three and nineⁿ month period ended September 30, 2015, respectively.

During the third quarter, Adjusted EBITDA for our primary operating subsidiaries, Schuff and GMSL, was a combined \$24.7 million. Schuff continued to grow its Adjusted EBITDA during the quarter to \$14.4 million as the company continued to profit from improved margins in the Pacific division. In the Telecommunications segment, ICS enjoyed positive Adjusted EBITDA for the second consecutive quarter.

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Adjusted EBITDA for the first nine months of the year was largely the result of our ability to sub contract work at lower costs in our Manufacturing segment along with seasonal trends in our Marine Services segment. This was offset, in part by, early stage investments and increases in deal related diligence expenses in our Corporate and Other segments.

Balance sheet: As of September 30, 2015, we had consolidated cash, cash equivalents and short-term investmentsⁿ of \$84.7 million.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except per share amounts) (unaudited)			
Services revenue	\$ 151,933	\$ 41,267	\$ 373,492	\$ 126,731
Sales revenue	125,534	138,166	386,765	192,642
Net revenue	277,467	179,433	760,257	319,373
Operating expenses:				
Cost of revenue – services	138,099	39,464	334,608	120,101
Cost of revenue – sales	103,375	119,175	324,820	162,505
Selling, general and administrative	27,830	20,246	77,359	40,482
Depreciation and amortization	6,593	921	16,835	1,475
Gain on sale or disposal of assets	(1,957)	(448)	(986)	(81)
Lease termination costs	1,124	—	1,124	—
Total operating expenses	275,064	179,358	753,760	324,482
Income (loss) from operations	2,403	75	6,497	(5,109)
Interest expense	(10,343)	(2,103)	(28,992)	(3,116)
Amortization of debt discount	(40)	(805)	(216)	(1,381)
Loss on early extinguishment or restructuring of debt	—	(6,947)	—	(6,947)
Other income (expense), net	1,216	(1,092)	(3,528)	524
Foreign currency transaction gain	1,099	170	2,150	573
Loss from continuing operations before income (loss) from equity investees and income tax benefit (expense)	(5,665)	(10,702)	(24,089)	(15,456)
Income (loss) from equity investees	535	(288)	(724)	(288)
Income tax benefit (expense)	649	(4,515)	4,018	(6,470)
Loss from continuing operations	(4,481)	(15,505)	(20,795)	(22,214)
Loss from discontinued operations	(24)	(106)	(44)	(62)
Gain (loss) from sale of discontinued operations	—	663	—	(121)
Net loss	(4,505)	(14,948)	(20,839)	(22,397)
Less: Net income attributable to noncontrolling interest	(65)	(931)	(8)	(1,990)
Net loss attributable to HC2 Holdings, Inc.	(4,570)	(15,879)	(20,847)	(24,387)
Less: Preferred stock dividends and accretion	1,035	1,004	3,212	1,204

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Net loss attributable to common stock and participating preferred stockholders	\$ (5,605)	\$ (16,883)	\$ (24,059)	\$ (25,591)
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Basic loss per common share:

Loss from continuing operations attributable to HC2 Holdings, Inc.	\$ (0.22)	\$ (0.75)	\$ (0.96)	\$ (1.38)
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Gain (loss) from sale of discontinued operations	—	0.03	—	(0.01)
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Net loss attributable to HC2 Holdings, Inc.	\$ (0.22)	\$ (0.72)	\$ (0.96)	\$ (1.39)
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Diluted loss per common share:

Loss from continuing operations attributable to HC2 Holdings, Inc.	\$ (0.22)	\$ (0.75)	\$ (0.96)	\$ (1.38)
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Gain (loss) from sale of discontinued operations	—	0.03	—	(0.01)
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Net loss attributable to HC2 Holdings, Inc.	\$ (0.22)	\$ (0.72)	\$ (0.96)	\$ (1.39)
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Weighted average common shares outstanding:

Basic	25,592	23,372	25,093	18,348
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Diluted	25,592	23,372	25,093	18,348
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands) (unaudited)			
Net loss	\$ (4,505)	\$ (14,948)	\$ (20,839)	\$ (22,397)
Other comprehensive loss				
Foreign currency translation adjustment	(6,126)	(21)	(7,998)	(155)
Unrealized loss on available-for-sale securities, net of tax	(2,008)	(1,655)	(5,097)	(1,655)
Less: Comprehensive income attributable to the noncontrolling interest	(65)	(931)	(8)	(1,990)
Comprehensive loss attributable to HC2 Holdings, Inc.	\$ (12,704)	\$ (17,555)	\$ (33,942)	\$ (26,197)

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	September 30, 2015	December 31, 2014
	(in thousands, except share and per share amounts) (unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 81,066	\$ 107,978
Short-term investments	3,625	4,867
Accounts receivable (net of allowance for doubtful accounts receivable of \$1,576 and \$2,760 at September 30, 2015 and December 31, 2014, respectively)	187,474	151,558
Costs and recognized earnings in excess of billings on uncompleted contracts	37,266	28,098
Deferred tax asset – current	1,701	1,701
Inventories	14,408	14,975
Prepaid expenses and other current assets	27,835	22,455
Assets held for sale	6,349	3,865
Total current assets	359,724	335,497
Restricted cash	7,196	6,467
Long-term investments	77,154	48,674
Property, plant and equipment, net	221,842	239,851
Goodwill	30,665	27,990
Other intangible assets, net	26,674	31,144
Deferred tax asset - long-term	23,571	15,811
Other assets	18,201	18,614
Total assets	\$ 765,027	\$ 724,048
Liabilities, temporary equity and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 65,573	\$ 79,794
Accrued interconnection costs	36,689	9,717
Accrued payroll and employee benefits	22,127	20,023
Accrued expenses and other current liabilities	48,338	34,042
Billings in excess of costs and recognized earnings on uncompleted contracts	20,045	41,959
Accrued income taxes	1,470	512
Accrued interest	11,567	3,125
Current portion of long-term debt	13,454	10,444
Current portion of pension liability	—	5,966
Total current liabilities	219,263	205,582

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Long-term debt	374,404	332,927
Pension liability	27,664	31,244
Other liabilities	8,151	1,617
Total liabilities	629,482	571,370
Commitments and contingencies		
Temporary equity		
Preferred stock, \$0.001 par value – 20,000,000 shares authorized; Series A - 30,000 shares issued and outstanding at September 30, 2015 and December 31, 2014; Series A-1 - 10,000 and 11,000 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively; Series A-2 - 14,000 and 0 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	53,403	39,845
Stockholders' equity:		
Common stock, \$0.001 par value – 80,000,000 shares authorized; 25,623,982 and 23,844,711 shares issued and 25,592,356 and 23,813,085 shares outstanding at September 30, 2015 and December 31, 2014, respectively	26	24
Additional paid-in capital	151,662	147,081
Accumulated deficit	(62,727)	(41,880)
Treasury stock, at cost – 31,626 shares at September 30, 2015 and December 31, 2014	(378)	(378)
Accumulated other comprehensive loss	(28,273)	(15,178)
Total HC2 Holdings, Inc. stockholders' equity before noncontrolling interest	60,310	89,669
Noncontrolling interest	21,832	23,164
Total stockholders' equity	82,142	112,833
Total liabilities, temporary equity and stockholders' equity	\$ 765,027	\$ 724,048

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TABLE OF CONTENTS**Preliminary Condensed Consolidated Cash Flows**

	Nine Months Ended September 30,	
	2015	2014
	(in thousands) (unaudited)	
Cash flows from operating activities:		
Net loss	\$ (20,839)	\$ (22,397)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for doubtful accounts receivable	325	(114)
Share-based compensation expense	6,943	1,725
Depreciation and amortization	22,570	4,071
Amortization of deferred financing costs	1,030	288
Lease termination costs	1,124	—
(Gain) loss on sale or disposal of assets	(986)	635
(Gain) loss on sale of investments	(399)	(437)
Equity investment (income)/loss	724	288
Amortization of debt discount	216	1,381
Unrealized (gain) loss on investments	(32)	—
Loss on early extinguishment of debt	—	6,947
Deferred income taxes	(8,143)	1
Other, net	225	—
Unrealized foreign currency transaction (gain) loss on intercompany and foreign debt	90	57
Changes in assets and liabilities, net of acquisitions:		
(Increase) decrease in accounts receivable	(36,099)	6,037
(Increase) decrease in costs and recognized earnings in excess of billings on uncompleted contracts	(9,253)	522
(Increase) decrease in inventories	455	(1,984)
(Increase) decrease in prepaid expenses and other current assets	(4,799)	25,539
(Increase) decrease in other assets	1,483	1,558
Increase (decrease) in accounts payable	(15,675)	1,751
Increase (decrease) in accrued interconnection costs	26,915	(2,618)
Increase (decrease) in accrued payroll and employee benefits	2,936	3,055
Increase (decrease) in accrued expenses and other current liabilities	18,406	(3,785)
Increase (decrease) in billings in excess of costs and recognized earnings on uncompleted contracts	(21,933)	(7,695)
Increase (decrease) in accrued income taxes	2,060	(2,198)
Increase (decrease) in accrued interest	8,442	502
Increase (decrease) in other liabilities	(720)	(1,371)

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Increase (decrease) in pension liability	(8,665)	—
Net cash (used in) provided by operating activities	(33,599)	11,758
Cash flows from investing activities:		
Purchase of property, plant and equipment	(16,751)	(4,064)
Sale of property and equipment and other assets	4,994	3,696
Purchase of equity investments	(11,506)	(15,363)
Sale of equity investments	1,026	—
Sale of assets held for sale	1,479	—
Purchase of available-for-sale securities	(10,857)	(3,277)
Sale of available-for-sale securities	5,850	24
Investment in debt securities	(19,347)	(250)
Sale of investments	—	1,111
Cash paid for business acquisitions, net of cash acquired	(568)	(163,510)
Purchase of noncontrolling interest	(239)	(6,978)
Contribution by noncontrolling interest	—	15,500
Receipt of dividends from equity investees	2,448	—
(Increase) decrease in restricted cash	(727)	—
Net cash used in investing activities	(44,198)	(173,111)

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	Nine Months Ended September 30,	
	2015	2014
	(in thousands) (unaudited)	
Cash flows from financing activities:		
Proceeds from long-term obligations	425,527	492,068
Principal payments on long-term obligations	(379,037)	(294,237)
Payment of fees on restructuring of debt	—	(837)
Payment of deferred financing costs	(1,137)	—
Proceeds from sale of common stock, net	—	6,000
Proceeds from sale of preferred stock, net	14,033	39,765
Proceeds from the exercise of warrants and stock options	—	24,344
Payment of dividends	(3,855)	(750)
Taxes paid in lieu of shares issued for share-based compensation	—	(41)
Net cash provided by financing activities	55,531	266,312
Effects of exchange rate changes on cash and cash equivalents	(4,646)	(2,217)
Net change in cash and cash equivalents	(26,912)	102,742
Cash and cash equivalents, beginning of period	107,978	8,997
Cash and cash equivalents, end of period	\$ 81,066	\$ 111,739
Supplemental cash flow information:		
Cash paid for interest	\$ 21,445	\$ 2,388
Cash paid for taxes	\$ 1,701	\$ 7,761
Preferred stock accreting dividends and accretion	\$ 151	\$ 491
Non-cash investing and financing activities:		
Purchases of property, plant and equipment under financing arrangements	\$ 1,808	\$ —
Property, plant and equipment included in accounts payable	\$ 1,521	\$ —
Conversion of preferred stock to common stock	\$ 1,000	\$ —

TABLE OF CONTENTS*Preliminary Pro Forma Adjusted Summary*

The results of operations for Schuff, American Natural Gas, LLC (ANG), and GMSL have been included in the consolidated financial statements subsequent to their acquisition dates.

The following schedule presents unaudited consolidated pro forma results of operations data as if the acquisitions of Schuff, ANG and GMSL had occurred on January 1, 2014. This information neither purports 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 thousands, except per share amounts):

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Net revenue	\$ 223,927	\$ 630,035
Net income (loss) from continuing operations	\$ (11,009)	\$ 1,636
Net income (loss) from discontinued operations	(3,067)	(3,115)
Gain (loss) from sale of discontinued operations	663	(121)
Net income (loss) attributable to HC2	\$ (13,413)	\$ (1,600)
Per share amounts:		
Income (loss) from continuing operations	\$ (0.47)	\$ 0.09
Income (loss) from discontinued operations	(0.13)	(0.17)
Gain (loss) from sale of discontinued operations	0.03	(0.01)
Net income (loss) attributable to HC2	\$ (0.57)	\$ (0.09)

All expenditures incurred in connection with the Schuff and ANG acquisitions were expensed and are included in selling, general and administrative expenses. Transaction costs incurred in connection with the Schuff acquisition were \$0.3 million during the nine months ended September 30, 2014. Transaction costs incurred in connection with the GMSL acquisition were \$4.3 million during the nine months ended September 30, 2014. We recorded net revenue and net income (loss) as follows (in thousands):

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Net Revenue	Net Income (Loss)	Net Revenue	Net Income (Loss)
Schuff	\$ 137,706	\$ 3,491	\$ 192,182	\$ 6,065
ANG	460	(386)	460	(386)

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Summary information with respect to our geographic and operating segments is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Revenue by Geographic Region				
United States	\$ 173,348	\$ 161,402	\$ 494,511	\$ 266,390
United Kingdom	101,327	15,678	254,396	49,360
Other	2,792	2,353	11,350	3,623
Total	\$ 277,467	\$ 179,433	\$ 760,257	\$ 319,373
Net Revenue by Segment				
Telecommunications	\$ 116,872	\$ 41,267	\$ 267,554	\$ 126,731
Manufacturing	122,932	137,706	380,783	192,182
Utilities	1,841	460	4,432	460
Marine Services	35,062	—	105,939	—
Other	760	—	1,549	—
Total	\$ 277,467	\$ 179,433	\$ 760,257	\$ 319,373
Income (Loss) from Operations				
Telecommunications	\$ (523)	\$ (1,344)	\$ (612)	\$ (1,241)
Life Sciences	(1,811)	(495)	(4,736)	(1,430)
Manufacturing	12,995	10,716	30,256	14,843
Utilities	(164)	(758)	(638)	(758)
Marine Services	4,296	—	13,074	—
Other	(1,995)	—	(4,580)	—
Corporate	(10,395)	(8,044)	(26,267)	(16,523)
Total	\$ 2,403	\$ 75	\$ 6,497	\$ (5,109)
Capital Expenditures				
Telecommunications	\$ 205	\$ 38	\$ 215	\$ 294
Life Sciences	204	—	230	—
Manufacturing	1,276	3,321	3,124	3,707
Utilities	1,184	41	2,842	41
Marine Services	816	—	10,188	—
Other	152	—	152	—
Corporate	—	—	—	22
Total	\$ 3,837	\$ 3,400	\$ 16,751	\$ 4,064

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

TABLE OF CONTENTS**Preliminary Results of Operations**

In the following presentations and narratives within this Results of Operations, we compare our results of operations for the three and nine months ended September 30, 2015 to the three and nine months ended September 30, 2014.

We have included below certain pro forma results of operations for the three and nine months ended September 30, 2014, which include pro forma financial information for the Manufacturing, Marine Services, and Utilities operating segments. These pro forma results give effect to the acquisitions of Schuff, GMSL and ANG as if they had occurred on January 1, 2014. The pro forma results of operations were derived from the unaudited historical financial statements of Schuff for the five months ended May 26, 2014, of ANG for the seven months ended July 31, 2014 and of GMSL for the nine months ended September 30, 2014. Management believes that presenting pro forma net revenue, cost of revenue and selling, general and administrative expenses is important to understanding our financial performance, providing better analysis of trends in our underlying businesses as it allows for comparability to prior period results. The unaudited pro forma results of operations are not intended to represent or be indicative of our consolidated results of operations or financial condition that would have been reported had the acquisitions been completed as of their respective dates, and should not be construed as representative of the future consolidated results of operations or financial condition of the combined entity. The pro forma results of operations are limited to the discussion of net revenue, cost of revenue and selling, general and administrative expenses, as presented below.

Preliminary results of operations for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014

Net Revenue

(in thousands)	2015		Three Months Ended September 30, 2014 Actual		2014 Pro Forma		2015 Compared to 2014 Pro Forma	
	Net Revenue	% of Total	Net Revenue	% of Total	Net Revenue	% of Total	Variance	Variance %
Telecommunications	\$ 116,872	42.1 %	\$ 41,267	23.0 %	\$ 41,267	18.4 %	\$ 75,605	183.2 %
Manufacturing	122,932	44.3 %	137,706	76.7 %	137,706	61.5 %	(14,774)	(10.7)%
Marine Services	35,062	12.6 %	—	—%	44,393	19.8 %	(9,331)	(21.0)%
Utilities	1,841	0.7 %	460	0.3 %	561	0.3 %	1,280	228.2 %
Other	760	0.3 %	—	—%	—	—%	760	100.0 %
Total Net Revenue	\$ 277,467	100.0 %	\$ 179,433	100.0 %	\$ 223,927	100.0 %	\$ 53,540	23.9 %
Less net revenue from:								
Marine Services					(44,393)			
Utilities					(101)			
Total Net Revenue - Actual					\$ 179,433			

Net revenue: Net revenue increased \$98.0 million, or 54.6%, to \$277.5 million for the three months ended September 30, 2015 from \$179.4 million for the three months ended September 30, 2014. Compared to 2014 pro forma, revenues increased \$53.5 million driven primarily by our Telecommunications segment, partially offset by our Manufacturing and Marine Services segments. The increase in Telecommunications was primarily due to the expansion into Latin America and other emerging markets. The decrease in Manufacturing was primarily due to the decline in projects in the Midwest and Gulf Coast regions of the United States, particularly within the industrial market, including

automotive plants and oil and gas projects. The decrease in Marine Services compared to 2014 pro forma was primarily due to a decrease in installation projects as compared to the prior year period and the

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impact of exchange rate fluctuations. On a constant currency basis, net revenue for Marine Services decreased by \$6.6 million or 14.9% compared to 2014 pro forma net revenue.

Cost of Revenue

(in thousands)	Three Months Ended September 30,						2015 Compared to	
	2015		2014 Actual		2014 Pro Forma		2014 Pro Forma	
	Cost of Revenue	% of Net Revenue	Cost of Revenue	% of Net Revenue	Cost of Revenue	% of Net Revenue	Variance	Variance
Telecommunications	\$ 114,373	97.9 %	\$ 39,464	95.6 %	\$ 39,464	95.6 %	\$ 74,909	189.8 %
Manufacturing	99,903	81.3 %	118,839	86.3 %	118,788	86.3 %	(18,885)	(15.9)%
Marine Services	23,727	67.7 %	—	—%	25,379	57.2 %	(1,652)	(6.5)%
Utilities	1,102	59.9 %	336	73.0 %	402	71.7 %	700	174.1 %
Other	2,369	311.7 %	—	—%	—	—%	2,369	100.0 %
Total Cost of Revenue	\$ 241,474	87.0 %	\$ 158,639	88.4 %	\$ 184,033	82.2 %	\$ 57,441	31.2 %
Less cost of revenue from:								
Manufacturing					51			
Marine Services					(25,379)			
Utilities					(66)			
Total Cost of Revenue – Actual					\$ 158,639			

Cost of revenue: Cost of revenue increased \$82.8 million to \$241.5 million, or 87.0% of net revenue, for the three months ended September 30, 2015 from \$158.6 million, or 88.4% of net revenue for the three months ended September 30, 2014. Compared to 2014 pro forma, cost of revenue increased \$57.4 million driven primarily by our Telecommunications segment, partially offset by our Manufacturing segment. The increase in Telecommunications was primarily due to the increase in net revenues. Cost of revenue as a percentage of net revenue increased 230 basis points quarter-over-quarter due to a shift in focus to lower margin but also lower risk customers in our Telecommunications segment. The decrease in Manufacturing was primarily due to the decrease in net revenues and cost savings on projects in the Pacific region.

TABLE OF CONTENTS*Selling, General and Administrative Expenses*

(in thousands)	Three Months Ended September 30,						2015 Compared to	
	2015	2014 Actual		2014 Pro Forma		2014 Pro Forma		
	SG&A	% of Net Revenue	SG&A	% of Net Revenue	SG&A	% of Net Revenue	Variance	Variance %
Telecommunications	\$ 1,800	1.5 %	\$ 2,308	5.6 %	\$ 2,308	5.6 %	\$ (508)	(22.0)%
Manufacturing	10,510	8.5 %	8,058	5.9 %	8,058	5.9 %	2,452	30.4 %
Marine Services	2,922	8.3 %	—	—%	2,843	6.4 %	79	2.8 %
Utilities	491	26.7 %	679	147.6 %	742	132.3 %	(251)	(33.8)%
Life Sciences	1,805	—%	494	—%	494	—%	1,311	265.4 %
Other	(93)	(12.2)%	—	—%	—	—%	(93)	100.0 %
Corporate	10,395	—%	8,707	—%	8,707	—%	1,688	19.4 %
Total SG&A	\$ 27,830	10.0 %	\$ 20,246	11.3 %	\$ 23,152	10.3 %	\$ 4,678	20.2 %
Less SG&A from:								
Marine Services					(2,843)			
Utilities					(63)			
Total SG&A - Actual					\$ 20,246			

Selling, general and administrative expenses: Selling, general and administrative expenses increased \$7.6 million to \$27.8 million, or 10.0% of net revenue, for the three months ended September 30, 2015 from \$20.2 million, or 11.3% of net revenue for the three months ended September 30, 2014. Compared to 2014 pro forma, selling, general and administrative expenses increased \$4.7 million driven primarily by our Manufacturing, Life Sciences and Corporate segments and was partially offset by a decrease in our Telecommunications segment. The increase in Manufacturing is primarily due to an increase in bonus expense due to improved financial performance. The increase in Life Sciences is due primarily to the full year impact of acquisitions made in the fourth quarter of 2014. The increase in Corporate is due primarily to an increase in stock compensation expense along with salaries and benefits, partially offset by a decrease in professional fees. The decrease in Telecommunications is primarily due to a decrease of \$0.4 million in salaries and benefits and \$0.1 million in occupancy costs.

Depreciation and amortization expense: Depreciation and amortization expense for the three months ended September 30, 2015 and 2014 was \$8.5 million and \$2.8 million, respectively, a portion of which was included in cost of revenue. The increase was due to the impact of purchase accounting for Schuff and GMSL.

Gain on sale or disposal of assets: Gain on sale or disposal of assets was \$2.0 million and \$0.4 million for the three months ended September 30, 2015 and 2014, respectively. The gain was primarily the result of the sale of a parcel of land by our Manufacturing segment.

Lease termination costs: Lease termination costs were \$1.1 million and zero for the three months ended September 30, 2015 and 2014, respectively. The increase was the result of early termination costs of a lease associated with our Telecommunications segment which was the result of our continued consolidation of equipment from higher to lower cost markets.

Interest expense: Interest expense was \$10.3 million and \$2.1 million for the three months ended September 30, 2015 and 2014, respectively. The increase in interest expense in the 2015 period was due to the issuance of our 11% Notes.

Other income (expense), net: Other income (expense), net was income of \$1.2 million and expense of \$1.1 million for the three months ended September 30, 2015 and 2014, respectively. The increase was primarily due to interest income and gains and losses related to our long-term investments.

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Foreign currency transaction gain: Foreign currency transaction gain was \$1.1 million and \$0.2 million for the three months ended September 30, 2015 and 2014, respectively. The gains and losses are attributable to transactions denominated in a currency other than the subsidiaries' functional currency.

Income (loss) from equity investees: Income from equity investees was \$0.5 million and a loss of \$0.3 million for the three months ended September 30, 2015 and 2014, respectively. The slight increase was due to investments that were made starting in the fourth quarter of 2014.

Income tax benefit (expense): Income tax benefit was \$0.6 million and expense of \$4.5 million for the three months ended September 30, 2015 and 2014, respectively. The benefit recorded relates to losses generated for which we expect to obtain benefits for in the future. The tax benefit associated with losses generated by certain businesses that do not qualify to be included in the US consolidated income tax return are being 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. During the three months ended September 30, 2015 a benefit was recorded associated with certain costs related to prior acquisitions that were determined to be tax deductible upon the filing of the 2014 income tax returns. In addition, certain net operating losses of Genovel Orthopedics, Inc. (Genovel) were no longer eligible to be included in the US consolidated income tax return and as such, a full valuation allowance was recorded against the Genovel deferred tax assets during the quarter.

Preliminary results of operations for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014

Net Revenue

(in thousands)	Nine Months Ended September 30,						2015 Compared to 2014 Pro Forma	
	2015		2014 Actual		2014 Pro Forma		Variance	%
	Net Revenue	% of Total	Net Revenue	% of Total	Net Revenue	% of Total		
Telecommunications	\$ 267,554	35.2 %	\$ 126,731	39.7 %	\$ 126,731	20.1 %	\$ 140,823	111.1 %
Manufacturing	380,783	50.1 %	192,182	60.2 %	369,923	58.7 %	10,860	2.9 %
Marine Services	105,939	13.9 %	—	—%	132,215	21.0 %	(26,276)	(19.9)%
Utilities	4,432	0.6 %	460	0.1 %	1,166	0.2 %	3,266	280.1 %
Other	1,549	0.2 %	—	—%	—	—%	1,549	100.0 %
Total Net Revenue	\$ 760,257	100.0 %	\$ 319,373	100.0 %	\$ 630,035	100.0 %	\$ 130,222	20.7 %
Less net revenue from:								
Manufacturing					(177,741)			
Marine Services					(132,215)			
Utilities					(706)			
Total Net Revenue - Actual					\$ 319,373			

Net revenue: Net revenue increased \$440.9 million, or 138.1%, to \$760.3 million for the nine months ended September 30, 2015 from \$319.4 million for the nine months ended September 30, 2014 resulting largely from the full year impact of acquisitions completed during 2014. On a pro forma basis, revenues increased \$130.2 million driven primarily by our Telecommunications, and to a lesser extent, our Manufacturing and Utilities segments which were

partially offset by our Marine Services segment. The increase in Telecommunications was primarily due to the expansion into Latin America and other emerging markets. The increase in our Manufacturing segment was primarily due to continued revenue growth on projects in the Pacific region. The increase in our Utilities segment resulted from an increase in the number of filling stations. These increases were offset in part by

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our Marine Services segment. On a constant currency basis, net revenue from our Marine Services segment compared to 2014 pro forma decreased by \$16.8 million or 12.7% during the current year as compared to the prior year primarily due to lower vessel utilization.

Cost of Revenue

(in thousands)	Nine Months Ended September 30,						2015 Compared to	
	2015		2014 Actual		2014 Pro Forma		2014 Pro Forma	
	Cost of Revenue	% of Net Revenue	Cost of Revenue	% of Net Revenue	Cost of Revenue	% of Net Revenue	Variance	Variance %
Telecommunications	\$ 261,756	97.8 %	\$ 120,101	94.8 %	\$ 120,101	94.8 %	\$ 141,655	117.9 %
Manufacturing	319,447	83.9 %	162,169	84.4 %	312,231	84.4 %	7,216	2.3 %
Marine Services	72,853	68.8 %	—	%	88,097	66.6 %	(15,244)	(17.3)%
Utilities	2,599	58.6 %	336	73.0 %	799	68.5 %	1,800	225.3 %
Other	2,773	179.0 %	—	%	—	%	2,773	100.0 %
Total Cost of Revenue	\$ 659,428	86.7 %	\$ 282,606	88.5 %	\$ 521,228	82.7 %	\$ 138,200	26.5 %
Less cost of revenue from:								
Manufacturing					(150,062)			
Marine Services					(88,097)			
Utilities					(463)			
Total Cost of Revenue - Actual					\$ 282,606			

Cost of revenue: Cost of revenue increased \$376.8 million to \$659.4 million, or 86.7% of net revenue, for the nine months ended September 30, 2015 from \$282.6 million or 88.5% of net revenue, for the nine months ended September 30, 2014 resulting largely from the full year impact of acquisitions completed during 2014. Compared to 2014 pro forma, cost of revenue increased \$138.2 million driven primarily by our Telecommunications, and to a lesser extent, our Manufacturing and Utilities segments which was partially offset by our Marine Services segment. The increase in Telecommunications was primarily due to the increase in net revenue. Cost of revenue as a percentage of net revenue increased 300 basis points year over year due to a shift in focus to lower margin but also lower risk customers at our Telecommunications segment. The increase in Manufacturing was primarily due to the increase in revenue, partially offset by cost savings on projects in the Pacific region. The increase in our Utilities segment resulted from an increase in net revenue. The decrease in Marine Services was primarily due to a reduced cost base due to the non-recurring charters and installations in 2014 and the impact of exchange rate fluctuations. On a constant currency basis, cost of revenues for our Marine Services segment decreased by \$8.4 million or 9.5%.

TABLE OF CONTENTS*Preliminary Selling, General and Administrative Expense*

(in thousands)	Nine Months Ended September 30,						2015 Compared to	
	2015	2014 Actual		2014 Pro Forma		2014 Pro Forma	Variance	
	SG&A	% of Net Revenue	SG&A	% of Net Revenue	SG&A	% of Net Revenue	Variance	%
Telecommunications	\$ 4,942	1.8 %	\$ 7,475	5.9 %	\$ 7,475	5.9 %	\$ (2,533)	(33.9)%
Manufacturing	29,658	7.8 %	14,497	7.5 %	28,794	7.8 %	864	3.0 %
Marine Services	7,784	7.3 %	—	—%	8,527	6.4 %	(743)	(8.7)%
Utilities	1,265	28.5 %	679	147.6 %	1,117	95.8 %	148	13.2 %
Life Sciences	4,728	—%	1,429	—%	1,429	—%	3,299	230.9 %
Other	2,715	175.3 %	—	—%	—	—%	2,715	100.0 %
Corporate	26,267	—%	16,402	—%	16,402	—%	9,865	60.1 %
Total SG&A	\$ 77,359	10.2 %	\$ 40,482	12.7 %	\$ 63,744	10.1 %	\$ 13,615	21.4 %
Less SG&A from:								
Manufacturing					(14,297)			
Marine Services					(8,527)			
Utilities					(438)			
Total SG&A – Actual					\$ 40,482			

Selling, general and administrative expenses: Selling, general and administrative expenses increased \$36.9 million to \$77.4 million, or 10.2% of net revenue, for the nine months ended September 30, 2015 from \$40.5 million or 12.7% of net revenue, for the nine months ended September 30, 2014 resulting largely from the impact of acquisitions completed in 2014. Compared to 2014 pro forma, selling, general and administrative expenses increased \$13.6 million driven primarily from our Corporate segment and, to a lesser extent, our Other and Life Sciences segments partially offset by our Telecommunications segment. The increase in Corporate included \$8.1 million higher stock compensation along with salaries and benefits resulting from increased headcount, \$2.1 million higher professional fees and \$1.0 million higher travel and entertainment expenses related to our acquisition activity, partially offset by \$1.5 million lower occupancy costs. The increase in Life Sciences and Other is due primarily to the full year impact of acquisitions made in the fourth quarter of 2014. The decrease in Telecommunications was primarily due to a \$1.7 million decrease in salaries and benefits resulting from headcount reductions, a \$0.5 million decrease in professional fees and a \$0.3 million decrease in general and administrative expenses.

Depreciation and amortization expense: Depreciation and amortization expense for the nine months ended September 30, 2015 and 2014 was \$22.6 million and \$4.1 million, respectively, a portion of which was included in cost of revenue. The increase was due to the impact of purchase accounting for Schuff and GMSL.

Gain on sale or disposal of assets: Gain on sale or disposal of assets was \$1.0 million and \$0.1 million for the nine months ended September 30, 2015 and 2014, respectively. The gain in the nine months ended September 30, 2015 was primarily the result of the sale of a parcel of land by our Manufacturing segment.

Lease termination costs: Lease termination costs were \$1.1 million and zero for the nine months ended September 30, 2015 and 2014, respectively. The increase was the result of early termination costs of a lease associated with our Telecommunications segment which were the result of our continued consolidation from higher to lower cost markets.

Interest expense: Interest expense was \$29.0 million and \$3.1 million for the nine months ended September 30, 2015 and 2014, respectively. The increase in interest expense in 2015 was due to the issuance of our 11% Notes.

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Other income (expense), net: Other income (expense), net was expense of \$3.5 million and income of \$0.5 million for the nine months ended September 30, 2015 and 2014, respectively. The decrease in other income was due to settlement cost payments to our preferred stockholders, partially offset by interest income and net gains related to our long-term investments.

Foreign currency transaction gain: Foreign currency transaction gain was \$2.2 million and \$0.6 million for the nine months ended September 30, 2015 and 2014, respectively. The gains and losses are attributable to transactions denominated in a currency other than the subsidiaries' functional currency.

Income (loss) from equity investees: Loss from equity investees was \$0.7 million and \$0.3 million for the nine months ended September 30, 2015 and 2014, respectively. The increase was due to investments that were made starting in the fourth quarter of 2014.

Income tax benefit (expense): Income tax benefit was \$4.0 million and income tax expense was \$6.5 million for the nine months ended September 30, 2015 and 2014, respectively. The 2014 expense recorded is primarily related to the operations of Schuff which were not reduced by tax losses from other business units since Schuff was not eligible to be included in the US consolidated income tax return during this period. A full valuation allowance was recorded against the tax benefit associated with the operating losses of the other business units during this period. The 2015 year to date effective tax rate of 16.2% differs from the US statutory rate of 35% due to the capitalization of certain business transaction costs and the impact of 2014 return-to-provision adjustments.

TABLE OF CONTENTS**Preliminary Adjusted EBITDA**

Our Adjusted EBITDA was \$14.1 million and \$39.4 million for the three and nine months ending September 30, 2015, respectively. The drivers in Adjusted EBITDA were largely the result of running our fabrication facilities at optimal capacity levels and our ability to sub contract work at lower costs in our Manufacturing segment along with lower revenues in the installation business in our Marine Services segment resulting from the nature of project work in this business. This was offset, in part by, early stage investments in our Other segment, as well as Corporate.

Three Months Ended September 30, 2015

	Marine					
	Manufacturing	Services	Telecommunications	Corporate	Other⁽¹⁾	HC2
Net income (loss)	\$ 7,116	\$ 8,016	\$ (362)	\$ (12,549)	\$ (6,791)	\$ (4,570)
Adjustments to reconcile net income (loss) to Adjusted EBIT:						
(Gain) loss on sale or disposal of assets	(990)	(968)	—	—	1	(1,957)
Lease termination costs	—	—	1,124	—	—	1,124
Interest expense	354	929	—	9,050	10	10,343
Amortization of debt discount	—	—	—	40	—	40
Other (income) expense, net	(141)	(214)	1	(873)	11	(1,216)
Foreign currency transaction (gain) loss	—	(937)	(163)	1	—	(1,099)
Income tax (benefit) expense	5,284	130	—	(6,063)	—	(649)
Loss from discontinued operations	—	—	—	—	24	24
Noncontrolling interest	383	—	—	—	(318)	65
Share-based payment expense	—	—	—	2,322	22	2,344
Acquisition related costs	—	—	—	2,732	—	2,732
Other costs	—	—	109	—	—	109
Adjusted EBIT	12,006	6,956	709	(5,340)	(7,041)	7,290
Depreciation and amortization	513	5,085	98	—	897	6,593
Depreciation and amortization (included in cost of revenue)	1,928	—	—	—	—	1,928
Foreign currency (gain) loss (included in cost of revenue)	—	(1,739)	—	—	—	(1,739)
Adjusted EBITDA	\$ 14,447	\$ 10,302	\$ 807	\$ (5,340)	\$ (6,144)	\$ 14,072

- (1) Other includes Utilities, Life Sciences and income (loss) from equity investees not included in our Marine Services segment.

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Nine Months Ended September 30, 2015

	Marine					
	Manufacturing	Services	Telecommunications	Corporate	Other⁽¹⁾	HC2
Net income (loss)	\$ 16,182	\$ 19,983	\$ (299)	\$ (39,083)	\$ (17,630)	\$ (20,847)
Adjustments to reconcile net income (loss) to Adjusted EBIT:						
(Gain) loss on sale or disposal of assets	(69)	(968)	50	—	1	(986)
Lease termination costs	—	—	1,124	—	—	1,124
Interest expense	1,064	2,888	—	25,007	33	28,992
Amortization of debt discount	—	—	—	216	—	216
Other (income) expense, net	(164)	(251)	(5)	3,941	7	3,528
Foreign currency transaction (gain) loss	—	(1,842)	(309)	1	—	(2,150)
Income tax (benefit) expense	12,188	142	—	(16,348)	—	(4,018)
Loss from discontinued operations	20	—	—	—	24	44
Noncontrolling interest	967	—	—	—	(959)	8
Share-based payment expense	—	—	—	6,921	22	6,943
Acquisition related costs	—	—	—	4,701	—	4,701
Other costs	—	—	109	—	—	109
Adjusted EBIT	30,188	19,952	670	(14,644)	(18,502)	17,664
Depreciation and amortization	1,490	13,196	294	—	1,855	16,835
Depreciation and amortization (included in cost of revenue)	5,735	—	—	—	—	5,735
Foreign currency (gain) loss (included in cost of revenue)	—	(804)	—	—	—	(804)
Adjusted EBITDA	\$ 37,413	\$ 32,344	\$ 964	\$ (14,644)	\$ (16,647)	\$ 39,430

(1) Other includes Utilities, Life Sciences and income (loss) from equity investees not included in our Marine Services segment.

Preliminary Liquidity and Capital Resources***Preliminary Short- and Long-Term Liquidity Considerations and Risks***

As of September 30, 2015, we had \$81.1 million of cash and cash equivalents compared to \$108.0 million as of December 31, 2014. As of September 30, 2015, we had \$387.9 million of indebtedness compared to \$343.4 million as

of December 31, 2014, and as of September 30, 2015, we had \$53.4 million of outstanding Preferred Stock compared to \$39.8 million as of December 31, 2014. We are required to make semi-annual interest payments on our outstanding 11% Notes on June 1st and December 1st of each year. We are required to make dividend payments on our outstanding Preferred Stock on January 15th, April 15th, July 15th, and October 15th of each year.

We believe that we will continue to meet our liquidity requirements, fund our fixed obligations (such as operating leases), and other cash needs for our operations for at least the next twelve months.

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Pro forma capital expenditures for the three and nine months ended September 30, 2014 include pro forma financial information for the Manufacturing and Marine Services operating segments. These pro forma capital expenditures give effect to the acquisitions of Schuff and GMSL as if they had occurred on January 1, 2014. Pro forma capital expenditures consist of the following (in thousands):

	As Reported		Pro Forma
	Nine Months Ended September 30,		
	2015	2014	2014
Manufacturing	\$ 3,124	\$ 3,707	\$ 10,707
Marine Services	10,188	—	4,205
Telecommunications	215	294	294
Utilities	2,842	41	41
Life Sciences	230	—	—
Other	152	22	22
Total	\$ 16,751	\$ 4,064	\$ 15,269

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

Changes in Cash Flows

Net cash used in operating activities was \$33.6 million for the nine months ended September 30, 2015 as compared to net cash provided of \$11.8 million for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, net loss, net of non-cash operating activity, provided \$2.8 million of cash. Other major drivers included an increase in accounts receivable of \$36.1 million, a decrease in billings in excess of costs and recognized earnings on uncompleted contracts of \$21.9 million, a decrease in accounts payable of \$15.7 million, an increase in costs and recognized earnings in excess of billings of \$9.3 million, a decrease in pension liability of \$8.7 million and an increase in prepaid expenses and other current assets of \$4.8 million, partially offset by an increase in accrued interconnection costs of \$26.9 million, an increase in accrued expenses and other current liabilities of \$18.4 million and an increase in accrued interest of \$8.4 million. For the nine months ended September 30, 2014, net loss, net of non-cash operating activity, used \$7.6 million of cash. Other major drivers included a decrease in prepaid expenses and other current assets of \$25.5 million and a decrease in accounts receivable of \$6.0 million, partially offset by a decrease in billings in excess of costs and recognized earnings on uncompleted contracts of \$7.7 million and a decrease in accrued expenses and other current liabilities of \$3.8 million.

Net cash used in investing activities was \$44.2 million for the nine months ended September 30, 2015 as compared to net cash used of \$173.1 million for the nine months ended September 30, 2014. Net cash used in investing activities for the nine months ended September 30, 2015 included purchases of \$19.3 million in debt securities, \$16.8 million of capital expenditures, purchases of \$11.5 million in equity investments and purchases of \$10.9 million in available-for-sale securities, partially offset by the sale of available-for-sale securities of \$5.9 million and sale of property and equipment of \$5.0 million. Net cash used in investing activities for the nine months ended September 30, 2014 included \$127.6 million for the GMSL acquisition, \$85.0 million for the Schuff acquisition, \$15.5 million for the ANG acquisition, \$14.2 million for the Novatel Wireless, Inc. (Novatel) investment, \$7.0 million for Schuff's purchase of its common stock and \$4.1 million of capital expenditures, partially offset by \$62.6 million acquired in the GMSL acquisition and \$15.5 million contribution by the non-controlling interest of ANG.

Net cash provided by financing activities was \$55.5 million for the nine months ended September 30, 2015 as compared to net cash provided of \$266.3 million for the nine months ended September 30, 2014. Net cash

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provided by financing activities for the nine months ended September 30, 2015 included \$425.5 million of proceeds from credit facilities and the 11% Notes and \$14.0 million of proceeds from the issuance of preferred stock, partially offset by \$379.0 million used to make principal payments on our credit facilities. Net cash provided by financing activities for the nine months ended September 30, 2014 included \$492.1 million of proceeds from credit facilities, \$45.8 million of proceeds from the issuance of preferred stock and common stock and \$24.3 million of proceeds from the exercise of warrants and stock options, partially offset by \$294.2 million used to make principal payments on our credit facilities.

Preliminary Investments

As of September 30, 2015 and December 31, 2014, the fair value of the available for sale securities recorded within short-term investments was \$2.6 million and \$4.9 million, respectively. As of September 30, 2015, our cost basis in available for sale securities recorded within short-term investments was \$6.0 million, on which we had unrealized losses on such securities of \$3.4 million recorded in accumulated other comprehensive loss. As of December 31, 2014, our cost basis in available for sale securities recorded within short-term investments was \$2.4 million, on which we had unrealized gains on such securities of \$2.5 million recorded in accumulated other comprehensive loss.

Our long-term investments are summarized as follows (in thousands):

September 30, 2015	Cost	Unrealized Gains	Unrealized Losses	Carrying Value
<i>Common Equity</i>				
Novatel Wireless, Inc.	\$ 11,430	\$ —	\$ —	\$ 11,430
DTV America Corporation	2,828	1,856	—	4,684
Total Common Equity	14,258	1,856	—	16,114
<i>Preferred Equity</i>				
NerVve Technologies, Inc.	4,619			