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# HC2 HOLDINGS, INC.

Second Quarter 2017  
Conference Call

**Special Note Regarding Forward-Looking Statements.** Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: This presentation contains, and certain oral statements made by our representatives from time to time may contain, forward-looking statements. Generally, forward-looking statements include information describing actions, events, results, strategies and expectations and are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects," "may," "will," "could," "might," or "continues" or similar expressions. The forward-looking statements in this presentation include without limitation statements regarding our expectation regarding building shareholder value. Such statements are based on the beliefs and assumptions of HC2's management and the management of HC2's subsidiaries and portfolio companies. The Company believes these judgments are reasonable, but you should understand that these statements are not guarantees of performance or results, and the Company's actual results could differ materially from those expressed or implied in the forward-looking statements due to a variety of important factors, both positive and negative, that may be revised or supplemented in subsequent reports on Forms 10-K, 10-Q and 8-K. Such important factors include, without limitation, issues related to the restatement of our financial statements; the fact that we have historically identified material weaknesses in our internal control over financial reporting, and any inability to remediate future material weaknesses; capital market conditions; the ability of HC2's subsidiaries and portfolio companies to generate sufficient net income and cash flows to make upstream cash distributions; volatility in the trading price of HC2 common stock; the ability of HC2 and its subsidiaries and portfolio companies to identify any suitable future acquisition opportunities; our ability to realize efficiencies, cost savings, income and margin improvements, growth, economies of scale and other anticipated benefits of strategic transactions; difficulties related to the integration of financial reporting of acquired or target businesses; difficulties completing pending and future acquisitions and dispositions; effects of litigation, indemnification claims, and other contingent liabilities; changes in regulations and tax laws; and risks that may affect the performance of the operating subsidiaries and portfolio companies of HC2. These risks and other important factors discussed under the caption "Risk Factors" in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC"), and our other reports filed with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this presentation.

You should not place undue reliance on forward-looking statements. All forward-looking statements attributable to HC2 or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and HC2 undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

## Non-GAAP Financial Measures

In this presentation, HC2 refers to certain financial measures that are not presented in accordance with U.S. generally accepted accounting principles ("GAAP"), including Core Operating Subsidiary Adjusted EBITDA, Total Adjusted EBITDA (excluding Insurance) and Insurance AOI.

Management believes that Adjusted EBITDA measures provide investors with meaningful information for gaining an understanding of certain 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, because interest, taxes, depreciation, amortization and the other items for which adjustments are made as noted 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. In addition, management uses Adjusted EBITDA measures in evaluating certain of the Company's segments performance because they eliminate the effects of considerable amounts of noncash depreciation and amortization and items not within the control of the Company's operations managers. While management believes that these non-US GAAP measurements are useful as supplemental information, such adjusted results are not intended to replace our US GAAP financial results and should be read together with HC2's results reported under GAAP.

Management defines Adjusted EBITDA as Net income (loss) adjusted to exclude the impact of depreciation and amortization; amortization of equity method fair value adjustments at acquisition; (gain) loss on sale or disposal of assets; lease termination costs; asset impairment expense; (gain) loss on early extinguishment or restructuring of debt; interest expense; net gain (loss) on contingent consideration; other (income) expense, net; foreign currency transaction (gain) loss included in cost of revenue; income tax (benefit) expense; (gain) loss from discontinued operations; noncontrolling interest; bonus to be settled in equity; share-based compensation expense; acquisition and nonrecurring items. Adjusted EBITDA excludes results of our Insurance segment. A reconciliation of Adjusted EBITDA to Net income (loss) is included in the financial tables at the end of this release.

Management recognizes that 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 these non-GAAP measures exclude 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 do not purport to be alternatives to net income (loss) or other U.S. GAAP financial measures as a measure of our operating performance.

Management believes that Insurance AOI measures, used frequently in the insurance industry, provide investors with meaningful information for gaining an understanding of certain results and provides insight into an organization's operating trends and facilitates comparisons between peer companies.

Management defines Insurance AOI as Net income (loss) for the Insurance segment adjusted to exclude the impact of net investment gains (losses), including other-than-temporary impairment losses recognized in operations; asset impairment; intercompany elimination and acquisition and non-recurring items. Management believes that Insurance AOI provides a meaningful financial metric that helps investors understand certain results and profitability. While these adjustments are an integral part of the overall performance of the Insurance segment, market conditions impacting these items can overshadow the underlying performance of the business. Accordingly, we believe using a measure which excludes their impact is effective in analyzing the trends of our operations.

**By accepting this document, each recipient agrees to and acknowledges the foregoing terms and conditions.**



# Agenda

OVERVIEW AND FINANCIAL HIGHLIGHTS	Philip Falcone	<i>Chairman, President and CEO</i>
Q AND A	Philip A. Falcone	<i>Chairman, President and CEO</i>
	Michael J. Sena	<i>Chief Financial Officer</i>
	Andrew G. Backman	<i>Managing Director</i>



The logo consists of the letters 'HC2' in a bold, sans-serif font. The 'H' and '2' are white, while the 'C' is a vibrant green. The text is set against a black diamond-shaped background.

HC2

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## Quarterly Overview

- ◆ **Second quarter performance once again highlight the unique value HC2 brings to the market with our diverse, uncorrelated industry holdings**
  - **Construction**: \$590 million backlog; >\$800 million inclusive of contracts awarded, but not yet signed; >\$400 million of additional potential opportunities that could be awarded including sporting arenas/stadiums, healthcare facilities, commercial office buildings and convention centers
  - **Marine Services**: Continued strong joint venture performance, in particular Huawei Marine; Long-term offshore power, telecom install and telecom maintenance fundamentals remain strong
  - **Telecommunications**: Continued focus on higher margin wholesale traffic mix and improved operating efficiencies
  - **Energy**: Continued growth due to increase in number of fueling stations owned and/or operated
- ◆ **Adjusted EBITDA for Core Operating Subsidiaries\***
  - \$17.9 million in second quarter, as compared to \$27.1 million in the year-ago quarter
  - \$45.7 million year-to-date, as compared to \$39.8 million for the year-ago period
- ◆ **Cash and Investments as of June 30, 2017:**
  - \$1.7 billion of consolidated cash, cash equivalents and investments, which includes the Insurance segment
  - \$104.6 million in Consolidated Cash (excluding Insurance segment)
- ◆ **Cumulative outstanding Preferred Equity of \$26.7 million at June 30, 2017; Down significantly from \$55.0 million of total Preferred issued**

# HC2 Segment Overview



## Core Operating Subsidiaries

### Construction: DBM GLOBAL (SCHUFF)

- ◆ 2Q17 Revenue: \$138.9m
- ◆ 2Q17 Adjusted EBITDA: \$11.1m
- ◆ YTD Adjusted EBITDA: \$19.7m
- ◆ Backlog \$590m; >\$800m with contracts awarded, but not yet signed
- ◆ Solid long-term pipeline with additional >\$400m in potential project value that could be awarded over next several quarters



### Marine Services: GMSL

- ◆ 2Q17 Revenue: \$36.4m
- ◆ 2Q17 Adjusted EBITDA: \$3.6m
- ◆ YTD Adjusted EBITDA: \$20.0m
- ◆ Continued strong joint venture performance; Solid long term telecom and offshore power maintenance & install opportunities



### Energy: ANG

- ◆ 2Q17 Revenue: \$4.1m
- ◆ 2Q17 Adjusted EBITDA: \$1.0m
- ◆ YTD Adjusted EBITDA: \$2.2m
- ◆ Delivered 2,814,000 Gasoline Gallon Equivalents (GGEs) in 2Q17 vs. 828,000 GGEs in 2Q16
- ◆ ~40 stations currently owned and / or operated vs. two stations at time of HC2's initial investment in 3Q14



### Telecom: PTGI ICS

- ◆ 2Q17 Revenue: \$160.6m
- ◆ 2Q17 Adjusted EBITDA: \$2.2m
- ◆ YTD Adjusted EBITDA: \$3.8m
- ◆ Continued focus on higher margin wholesale traffic mix and improved operating efficiencies



## Core Financial Services Subsidiaries

### Insurance: CIG

- ◆ ~\$69m of statutory surplus
- ◆ ~\$79m total adjusted capital
- ◆ ~\$2.1b in total GAAP assets
- ◆ Completed merging CGI and UTA into one legal entity; meaningful cost savings, lower required statutory capital (4Q16)
- ◆ Platform for growth through additional M&A

## Early Stage and Other Holdings

### Life Sciences: PANSEND

- ◆ **MediBeacon:** Completed "Pilot Two" Clinical Study at Washington University in St. Louis (1Q17)
- ◆ **R2 Dermatology:** Received FDA Approval for second generation R2 Dermal Cooling System (2Q17)
- ◆ **BeneVir:** Granted additional patent protecting oncolytic immunotherapy Stealth-1H & other assets (2Q17)
- ◆ **Genovel:** Novel, Patented, "Mini Knee" and "Anatomical Knee" replacements
- ◆ **Triple Ring Technologies:** R&D engineering company specializing in medical devices, homeland security, imaging, sensors, optics, fluidics, robotics & mobile healthcare



### Other:

- ◆ **704Games (Formerly DMR)**  
Owns worldwide exclusive licensing rights to NASCAR® simulation style racing titles on interactive entertainment platforms





# Segment Financial Summary

(\$m)		Q2 2017	Q2 2016	YTD 2017	YTD 2016
Adjusted EBITDA	<b>Core Operating Subsidiaries</b>				
	Construction	\$11.1	\$13.2	\$19.7	\$24.7
	Marine Services	3.6	11.8	\$20.0	\$12.3
	Energy	1.0	0.5	\$2.2	\$0.9
	Telecom	2.2	1.5	\$3.8	\$1.8
	<b>Total Core Operating</b>	<b>\$17.9</b>	<b>\$27.1</b>	<b>\$45.7</b>	<b>\$39.8</b>
	<b>Early Stage and Other Holdings</b>				
	Life Sciences	(\$4.9)	(\$2.7)	(\$9.0)	(\$5.3)
	Other	(2.2)	(3.3)	(\$3.3)	(\$7.3)
	<b>Total Early Stage and Other</b>	<b>(\$7.1)</b>	<b>(\$6.0)</b>	<b>(\$12.3)</b>	<b>(\$12.6)</b>
	Non-Operating Corporate	(\$6.3)	(\$5.9)	(\$12.2)	(\$11.6)
	<b>Total HC2 (excluding Insurance)</b>	<b>\$4.6</b>	<b>\$15.2</b>	<b>\$21.3</b>	<b>\$15.5</b>
Adjusted Operating Income	<b>Core Financial Services</b>				
	Insurance	\$2.6	(\$4.7)	\$1.6	(\$7.3)

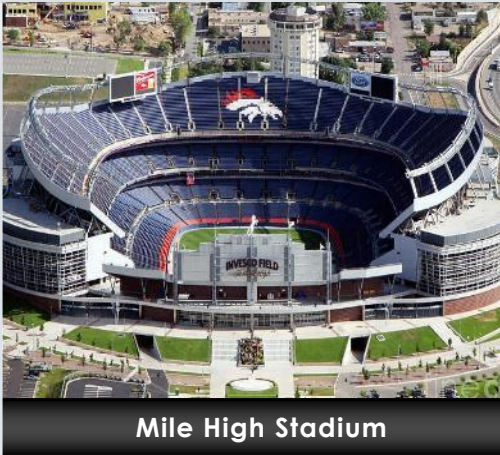
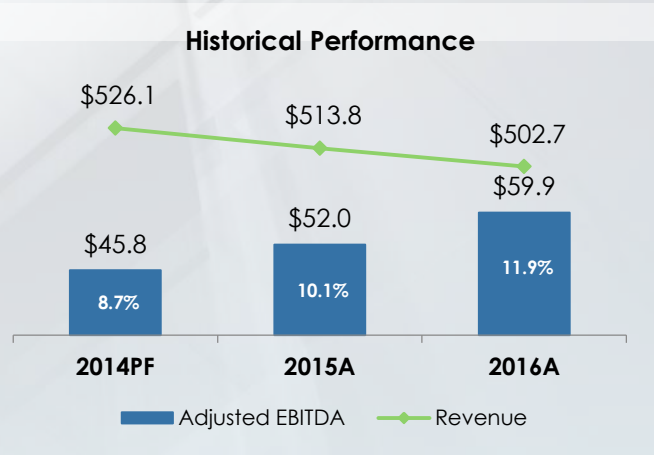
Note: Reconciliations of Adjusted EBITDA and Adjusted Operating Income to U.S. GAAP Net Income in appendix. Table may not foot due to rounding. Adjusted Operating Income for Q1 2016 has been adjusted to exclude certain intercompany eliminations to better reflect the results of the Insurance segment, and remain consistent with internally reported metrics. Additional details in appendix. Q1 2016 benefitted from the release of valuation allowance impacting the net tax provision

## Second Quarter Update

- ◆ 2Q17 Net Income<sup>1</sup>: \$4.2m vs. \$9.4m for 2Q16; YTD17 Net Income \$7.4m vs. \$13.7m for YTD16
- ◆ 2Q17 Adjusted EBITDA: \$11.1m vs. \$13.2m for 2Q16 driven in part by better than bid performance on commercial projects in 2Q16 (Apple Headquarters and Wilshire Grand)
- ◆ YTD Adjusted EBITDA: \$19.7m vs. \$24.7m for the comparable 2016 year-to-date period, due primarily to timing associated with design changes on certain existing projects in 1Q17 backlog and better-than bid performance on Apple Headquarters and Wilshire Grand in 2Q16
- ◆ Expect to remain on track for solid full year 2017 performance based on current backlog and 2H17 projected workflow
- ◆ Recorded backlog of \$590m at end of 2Q17
- ◆ Taking into consideration awarded, but not yet signed contracts, backlog would have been >\$800m
- ◆ Continue to see large opportunities totaling >\$400 million that could be awarded over next several quarters including new sporting arenas or stadiums, healthcare facilities, commercial office buildings and convention centers

## Strategic Initiatives

- ◆ Continue to select profitable, strategic and “core competency” jobs, not all jobs
- ◆ Solid long-term pipeline of prospective projects; No shortage of transactions to evaluate
- ◆ Commercial / Stadium / Healthcare sectors remain strong
- ◆ Opportunities to add higher margin, value added services to overall product offering



(1) Second quarter 2016 inclusive of a \$1.3 million prior period beneficial adjustment to depreciation & amortization expense



## Second Quarter Update

- ◆ 2Q17 Net (Loss): \$(3.1)m vs. Net Income of \$6.0m for 2Q16; YTD17 Net Income \$8.1m vs. \$0.1m for YTD16
- ◆ 2Q17 Adjusted EBITDA: \$3.6m vs. \$11.8m for 2Q16 due primarily to higher costs associated with two off shore power installation & repair projects in 2Q17 and very strong joint venture performance from Huawei Marine in 2Q16
- ◆ YTD17 Adjusted EBITDA: \$20.0m vs. \$12.3m for the comparable 2016 year-to-date period due primarily to higher total joint venture income in 1H17, in particular Huawei Marine, and a one-time telecom charge in 1Q16
- ◆ Huawei Marine backlog at record levels at end of 2Q17
- ◆ Expect to remain on track for solid full year 2017 performance based on current backlog and 2H17 projected workflow
- ◆ Positioned well for solid long-term telecom maintenance & install opportunities
- ◆ Positioned well for significant long-term offshore power maintenance & install opportunities

## Strategic Initiatives



HUAWEI MARINE

49% ownership

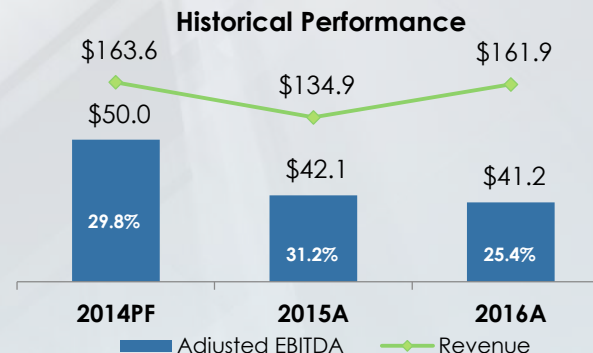
Total HMN*	2016	2015	2014
Revenue	~\$207m	~\$203m	~\$88m
Profit	~\$25m	~\$14m	~\$2m
Cash / Equivalents	~\$48m	~\$27m	~\$16m



SBSS

49% ownership

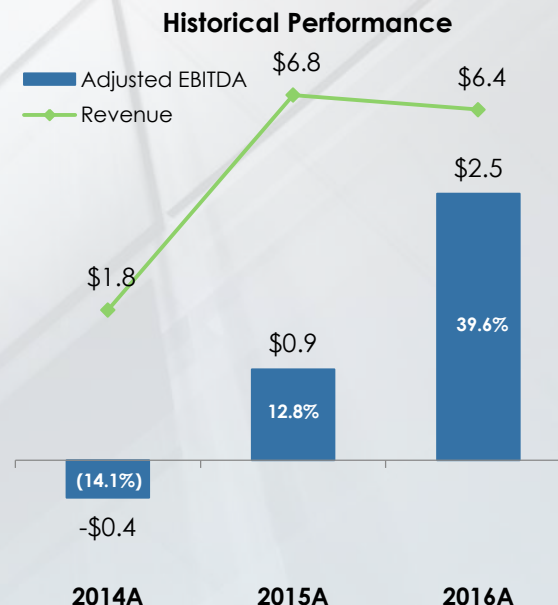
- ◆ Joint Venture established in 1995 with China Telecom
- ◆ China's leading provider of submarine cable installation
- ◆ Located in Shanghai and possesses a fleet of advanced purpose-built cable ships



Note: 2014 PF Adj. EBITDA inclusive of approx. \$10m offshore power installation vs. minimal contribution in 2015 & 1H16 as a result of Prysmian agreement which expired in 4Q15

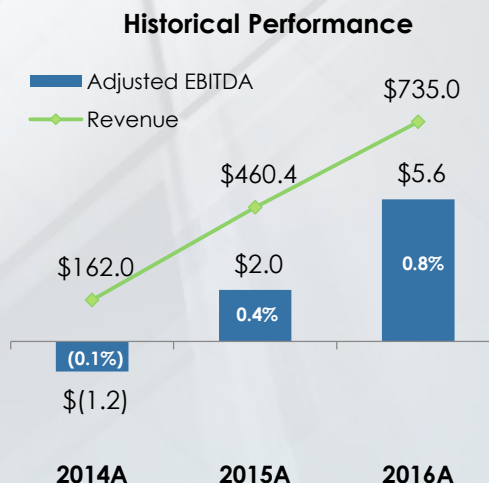
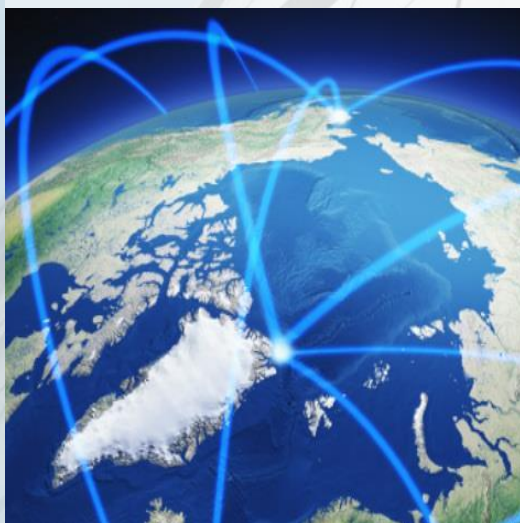
## Second Quarter Update

- ◆ 2Q17 Net (Loss): \$(0.4)m vs. Net Income of \$0.1m for 2Q16; YTD17 Net (Loss) of \$(1.1)m vs. Income of \$0.04m for YTD16
- ◆ 2Q17 Adjusted EBITDA: \$1.0m vs. \$0.5m for 2Q16
- ◆ YTD17 Adjusted EBITDA: \$2.2m vs. \$0.9m for the comparable 2016 year-to-date period
- ◆ Delivered 2,814,000 Gasoline Gallon Equivalents (GGEs) in the second quarter vs. 828,000 GGEs in the year-ago quarter, due primarily to newly developed and acquired CNG fueling stations
- ◆ ~40 stations currently owned and / or operated or under development vs. 2 stations at time of initial investments (3Q14)
- ◆ Focused on increasing volumes at existing stations, while also expanding geographic footprint through both internal / organic growth and strategic M&A opportunities



## Second Quarter Update

- ◆ Strong quarterly results again due to continued focus on higher margin wholesale traffic mix and improved operational efficiencies
  - 2Q17 Net Income: \$2.1m vs. \$1.0m for 2Q16; YTD17 Net Income of \$3.6m vs. \$2.2m for YTD16
  - 2Q17 Adjusted EBITDA: \$2.2m vs. \$1.5m for 2Q16
  - YTD17 Adjusted EBITDA: \$3.8m vs. \$1.8m for the comparable 2016 year-to-date period
  - Fourth consecutive quarter of cash dividend to HC2
- ◆ One of the key objectives: leverage the infrastructure and management expertise within PTGi-ICS
  - Over 800+ wholesale interconnections globally provides HC2 the opportunity to leverage the existing cost effective infrastructure by bolting on higher margin products and M&A opportunities
  - A focused strategic initiative has been launched within PTGi-ICS to identify potential M&A opportunities





## Second Quarter Update

- ◆ Continental Insurance Group serves as a platform for run-off Long Term Care ("LTC") books of business and for acquiring additional run-off LTC businesses
  - 2Q17 Net Income: \$0.2m vs. Net (Loss) of \$(2.3)m for 2Q16; YTD17 Net (Loss) of \$(0.6)m vs. \$(9.8)m for YTD16
  - 2Q17 Adjusted Operating Income: \$2.6m vs. \$(4.7)m for 2Q16
  - YTD17 Adjusted Operating Income: \$1.6m vs. \$(7.3)m for comparable 2016 period
  - ~\$69m statutory surplus at end of second quarter
  - ~\$79m total adjusted capital at end of second quarter
  - ~\$2.1b in total GAAP assets at June 30, 2017
  - Completed merging CGI and UTA into one legal entity; Beneficial to statutory capital (12/16)
- ◆ Strategy:
  - A concentrated focus on LTC and acquisitions of additional books of run-off LTC business
  - A platform to provide a vehicle for multi-line insurers who do not consider LTC a core business segment to exit the market
  - Enhancing efficiency and effectiveness through scale and a concentrated focus on LTC

## HC2's Pansend Life Sciences Segment Is Focused on the Development of Innovative Healthcare Technologies and Products

### BeneVir

- ◆ 80% equity ownership of company focused on immunotherapy; Oncolytic virotherapy for treatment of solid cancer tumors
- ◆ Founded by Dr. Matthew Mulvey & Dr. Ian Mohr (who co-developed T-Vec); Biovex (owner of T-Vec) acquired by Amgen for ~\$1 billion
- ◆ BeneVir's T-Stealth is a second generation oncolytic virus with new features and new intellectual property
- ◆ BeneVir holds exclusive worldwide license to develop BV-2711 (T-Stealth)
- ◆ Granted new patent entitled "*Oncolytic Herpes Simplex Virus and Therapeutic Uses Thereof*", covering the composition of matter for Stealth-1H, BeneVir's lead oncolytic immunotherapy, as well as other platform assets (2Q17)



- ◆ 75% equity ownership of dermatology company focused on lightening and brightening skin
- ◆ Founded by Pansend in partnership with Mass. General Hospital and inventors Dr. Rox Anderson, Dieter Manstein and Dr. Henry Chan
- ◆ Over \$20 billion global market
- ◆ Received Food and Drug Administration approval for the R2 Dermal Cooling System (4Q16)
- ◆ Received Food and Drug Administration approval for second generation R2 Dermal Cooling System (2Q17)

### GENOVEL

- ◆ 80% equity ownership in company with unique knee replacements based on technology from Dr. Peter Walker, NYU Dept. of Orthopedic Surgery and one of the pioneers of the original Total Knee.
- ◆ "Mini-Knee" for early osteoarthritis of the knee; "Anatomical Knee" – A Novel Total Knee Replacement
- ◆ Strong patent portfolio

### MediBeacon

- ◆ 50% equity ownership in company with unique technology and device for monitoring of real-time kidney function
- ◆ Current standard diagnostic tests measure kidney function are often inaccurate and not real-time
- ◆ MediBeacon's Optical Renal Function Monitor will be first and only, non-invasive system to enable real-time, direct monitoring of renal function at point-of-care
- ◆ \$3.5 billion potential market
- ◆ Successfully completed a key clinical study of its unique, real-time kidney monitoring system on subjects with impaired kidney function at Washington University in St. Louis. (1Q17)



- ◆ Profitable technology and product development company
- ◆ Areas of expertise include medical devices, homeland security, imaging systems, sensors, optics, fluidics, robotics and mobile healthcare
- ◆ Located in Silicon Valley and Boston area with over 90,000 square feet of working laboratory and incubator space
- ◆ Contract R&D market growing rapidly
- ◆ Customers include Fortune 500 companies and start-ups

- ◆ **Collateral Coverage Ratio at Quarter End Exceeded 2.0x**
- ◆ **\$104.6 million in Consolidated Cash (excluding Insurance segment)**
  - \$56.0 million Corporate Cash
- ◆ **\$11.5 million Received in Dividends and Tax Share from DBM Global and PTGi ICS in Second Quarter**
- ◆ **Cumulative Outstanding Amount of Preferred Equity \$26.7 million at June 30, 2017**
  - Reduced a total of \$28.5 million from \$55.0 million of total preferred issued
- ◆ **\$38 million Private Placement of 11% Senior Secured Notes Completed in Second Quarter**
  - Net proceeds for working capital, general corporate purposes, as well as the financing of acquisitions and investments;
  - Notes issued at an issue price of 101.000% plus accrued interest from June 1, 2017
- ◆ **Entered into a series of transactions that, if certain conditions are met and approved by the Federal Communications Commission, will result in HC2 and its subsidiaries owning over 50% of shares of common stock of DTV America Corporation (“DTVA”)**
  - DTVA is an aggregator and operator of low power television licenses and stations across the United States. DTVA currently owns and operates >50 LPTV stations in more than 40 U.S. cities

(\$m)	Balance Sheet (at June 30, 2017)
Market Cap <sup>(1)</sup>	\$257.1
Preferred Equity	\$26.7
Total Debt	\$400.0
Corporate Cash <sup>(2)</sup>	\$56.0
Enterprise Value <sup>(3)</sup>	\$627.8

(1) Market capitalization on a fully diluted basis, excluding preferred equity, using a common stock price per share of \$5.98 on August 8, 2017

(2) Cash and cash equivalents

(3) Enterprise Value is calculated by adding market capitalization, total preferred equity and total debt amounts, less Corporate cash





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## Questions and Answers



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## Appendix: Reconciliations

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# Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA

## Three Months Ended June 30, 2017

(in thousands)

Three Months Ended June 30, 2017								
	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	HC2
	Construction	Marine Services	Energy	Telecom	Life Sciences	Other & Elimination		
Net Income (loss) attributable to HC2 Holdings, Inc.								\$ (17,911)
Less: Net Income (loss) attributable to HC2 Holdings Insurance Segment								164
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	\$ 4,179	\$ (3,053)	\$ (365)	\$ 2,060	\$ (4,106)	\$ (3,757)	\$ (13,033)	\$ (18,075)
<u>Adjustments to reconcile net income (loss) to Adjusted EBITDA:</u>								
Depreciation and amortization	1,240	5,255	1,381	94	41	331	16	8,358
Depreciation and amortization (included in cost of revenue)	1,302	-	-	-	-	-	-	1,302
Amortization of equity method fair value adjustment at acquisition	-	(325)	-	-	-	-	-	(325)
Asset impairment expense	-	-	-	-	-	1,810	-	1,810
(Gain) loss on sale or disposal of assets	(145)	-	18	-	-	-	-	(127)
Lease termination costs	-	55	-	-	-	-	-	55
Interest expense	174	1,040	154	14	-	16	10,675	12,073
Net loss on contingent consideration	-	-	-	-	-	-	88	88
Other (income) expense, net	28	490	255	(9)	(11)	803	214	1,770
Foreign currency (gain) loss (included in cost of revenue)	-	83	-	-	-	-	-	83
Income tax (benefit) expense	3,232	(134)	(1)	-	(0)	0	(6,543)	(3,446)
Noncontrolling interest	369	(156)	(492)	-	(911)	(1,372)	-	(2,562)
Bonus to be settled in equity	-	-	-	-	-	-	585	585
Share-based payment expense	-	394	91	-	76	18	527	1,106
Acquisition and nonrecurring items	701	-	-	-	-	-	1,168	1,869
<b>Adjusted EBITDA</b>	<b>\$ 11,080</b>	<b>\$ 3,649</b>	<b>\$ 1,041</b>	<b>\$ 2,159</b>	<b>\$ (4,911)</b>	<b>\$ (2,151)</b>	<b>\$ (6,303)</b>	<b>\$ 4,564</b>
<b>Total Core Operating Subsidiaries</b>	<b>\$ 17,929</b>							





# Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA

## Three Months Ended June 30, 2016

(in thousands)

### Three Months Ended June 30, 2016

	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	HC2
	Construction	Marine Services	Telecom	Energy	Life Sciences	Other & Elimination		
Net Income (loss) attributable to HC2 Holdings, Inc.								\$ 1,935
Less: Net Income (loss) attributable to HC2 Holdings Insurance Segment								(2,293)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	\$ 9,364	\$ 6,002	\$ 68	\$ 1,009	\$ (2,004)	\$ (2,608)	\$ (7,603)	\$ 4,228
<u>Adjustments to reconcile net income (loss) to Adjusted EBITDA:</u>								
Depreciation and amortization	303	6,084	468	140	36	336	-	7,367
Depreciation and amortization (included in cost of revenue)	(206)	-	-	-	-	-	-	(206)
Amortization of equity method fair value adjustment at acquisition	-	(359)	-	-	-	-	-	(359)
(Gain) loss on sale or disposal of assets	(1,845)	7	-	-	-	1	-	(1,837)
Lease termination costs	-	-	-	338	-	-	-	338
Interest expense	303	1,285	14	-	-	1	8,966	10,569
Net gain on contingent consideration	-	(192)	-	-	-	-	-	(192)
Other (income) expense, net	(32)	403	(344)	29	-	(10)	465	511
Foreign currency (gain) loss (included in cost of revenue)	-	(1,540)	-	-	-	-	-	(1,540)
Income tax (benefit) expense	4,524	(212)	-	-	-	1	(9,404)	(5,091)
Noncontrolling interest	768	200	244	-	(812)	(1,044)	-	(644)
Share-based payment expense	-	152	90	-	34	40	1,359	1,675
Acquisition and nonrecurring items	-	-	-	18	-	-	313	331
<b>Adjusted EBITDA</b>	<b>\$ 13,179</b>	<b>\$ 11,830</b>	<b>\$ 540</b>	<b>\$ 1,534</b>	<b>\$ (2,746)</b>	<b>\$ (3,283)</b>	<b>\$ (5,904)</b>	<b>\$ 15,150</b>
<b>Total Core Operating Subsidiaries</b>	<b>\$ 27,083</b>							

# **Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA** **Six Months Ended June 30, 2017**

(in thousands)

Six Months Ended June 30, 2017								
	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	HC2
	Construction	Marine Services	Energy	Telecom	Life Sciences	Other & Elimination		
Net Income (loss) attributable to HC2 Holdings, Inc.								\$ (32,407)
Less: Net Income (loss) attributable to HC2 Holdings Insurance Segment								(597)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	\$ 7,382	\$ 8,099	\$ (1,062)	\$ 3,562	\$ (7,516)	\$ (9,187)	\$ (33,088)	\$ (31,810)
<u>Adjustments to reconcile net income (loss) to Adjusted EBITDA:</u>								
Depreciation and amortization	2,880	10,340	2,629	191	79	661	33	16,813
Depreciation and amortization (included in cost of revenue)	2,542	-	-	-	-	-	-	2,542
Amortization of equity method fair value adjustment at acquisition	-	(650)	-	-	-	-	-	(650)
Asset impairment expense	-	-	-	-	-	1,810	-	1,810
(Gain) loss on sale or disposal of assets	(393)	(3,500)	14	-	-	-	-	(3,879)
Lease termination costs	-	249	-	-	-	-	-	249
Interest expense	381	2,342	290	23	-	2,407	20,745	26,188
Net loss on contingent consideration	-	-	-	-	-	-	319	319
Other (income) expense, net	7	1,555	1,375	65	(15)	2,918	258	6,163
Foreign currency (gain) loss (included in cost of revenue)	-	107	-	-	-	-	-	107
Income tax (benefit) expense	5,311	376	12	-	(0)	0	(4,366)	1,333
Noncontrolling interest	632	338	(1,239)	-	(1,702)	(1,977)	-	(3,948)
Bonus to be settled in equity	-	-	-	-	-	-	585	585
Share-based payment expense	-	739	182	-	168	47	1,489	2,625
Acquisition and nonrecurring items	946	-	-	-	-	-	1,861	2,807
<b>Adjusted EBITDA</b>	<b>\$ 19,688</b>	<b>\$ 19,995</b>	<b>\$ 2,201</b>	<b>\$ 3,841</b>	<b>\$ (8,986)</b>	<b>\$ (3,321)</b>	<b>\$ (12,164)</b>	<b>\$ 21,254</b>
<b>Total Core Operating Subsidiaries</b>	<b>\$ 45,725</b>							



# Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA

## Six Months Ended June 30, 2016

(in thousands)

Six Months Ended June 30, 2016								
	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	HC2
	Construction	Marine Services	Telecom	Energy	Life Sciences	Other & Elimination		
Net Income (loss) attributable to HC2 Holdings, Inc.								\$ (28,527)
Less: Net Income (loss) attributable to HC2 Holdings Insurance Segment								(9,789)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	\$ 13,748	\$ 84	\$ 41	\$ 2,211	\$ (706)	\$ (13,104)	\$ (21,012)	\$ (18,738)
<u>Adjustments to reconcile net income (loss) to Adjusted EBITDA:</u>								
Depreciation and amortization	832	11,239	897	246	55	672	-	13,941
Depreciation and amortization (included in cost of revenue)	1,727	-	-	-	-	-	-	1,727
Amortization of equity method fair value adjustment at acquisition	-	(717)	-	-	-	-	-	(717)
(Gain) loss on sale or disposal of assets	(941)	(10)	-	-	-	1	-	(950)
Lease termination costs	-	-	-	338	-	-	-	338
Interest expense	613	2,355	23	-	-	1	17,903	20,895
Net gain on contingent consideration	-	(192)	-	-	-	-	-	(192)
Other (income) expense, net	(76)	1,015	(375)	(996)	(3,221)	5,996	(1,146)	1,197
Foreign currency (gain) loss (included in cost of revenue)	-	(1,687)	-	-	-	-	-	(1,687)
Income tax (benefit) expense	7,969	(852)	-	-	-	-	(13,630)	(6,513)
Noncontrolling interest	829	45	222	-	(1,532)	(1,088)	-	(1,524)
Share-based payment expense	-	761	104	-	56	200	3,745	4,866
Acquisition and nonrecurring items	-	266	27	18	-	-	2,514	2,825
<b>Adjusted EBITDA</b>	<b>\$ 24,701</b>	<b>\$ 12,307</b>	<b>\$ 939</b>	<b>\$ 1,817</b>	<b>\$ (5,348)</b>	<b>\$ (7,322)</b>	<b>\$ (11,626)</b>	<b>\$ 15,468</b>
<b>Total Core Operating Subsidiaries</b>	<b>\$ 39,764</b>							





# Reconciliation of U.S. GAAP Net Income (Loss) to Insurance AOI Three and Six Months Ended June 30, 2017 and 2016

(in thousands)

Adjusted Operating Income - Insurance ("Insurance AOI")						
	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)
Net Income (loss) - Insurance segmen	\$ 164	\$ (2,293)	\$ 2,457	\$ (597)	\$ (9,789)	\$ 9,192
Effect of investment (gains) losses	(1,095)	(2,418)	1,323	(1,876)	2,457	(4,333)
Asset impairment expense	2,842	-	2,842	3,364	-	3,364
Acquisition and non-recurring items	736	-	736	736	-	736
<b>Insurance AOI</b>	<b>\$ 2,647</b>	<b>\$ (4,711)</b>	<b>\$ 7,358</b>	<b>\$ 1,627</b>	<b>\$ (7,332)</b>	<b>\$ 8,959</b>

The calculation of Insurance Net Loss has been revised to exclude adjustments for intercompany eliminations as they are not considered relevant in evaluating the performance of our Insurance segment. For first quarter 2016, this resulted in a change to the previously reported Insurance loss of (\$12.3) million for the quarter to a loss of (\$7.5) million.

The calculation of Insurance AOI has been revised to exclude adjustments for intercompany eliminations as they are not considered relevant in evaluating the performance of our Insurance segment. For first quarter 2016, this resulted in a change to the previously reported Insurance AOI loss of (\$3.6) million for the quarter to a loss of (\$2.6) million.



HC2

Envision. Empower. Execute.

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August 2017