Brookfield Infrastructure Reports Second Quarter 2020 Results

AUG 05, 2020

BROOKFIELD, NEWS, Aug. 05, 2020 (GLOBE NEWSWIRE) -- Brookfield Infrastructure (NYSE: BIP; TSX: BIP.UN) today announced its results for the second quarter ended June 30, 2020.

“Our business has performed well during the quarter, reflecting the critical nature of our assets and the regulated and contractual frameworks that support them,” said Sam Pollock, Chief Executive Officer of Brookfield Infrastructure Partners. “We are optimistic that the economic recovery will continue for the balance of 2020. Our strong liquidity position and access to capital gives us confidence as we evaluate a number of attractive investment opportunities.”

	For the three months ended June 30		*For the six months ended June 30*	
US$ millions (except per unit amounts), unaudited[1]	**2020**	2019	**2020**	2019
Net income[2]	**$(61)**	$98	**$58**	$128
– per unit[3,4]	**$(0.25)**	$0.11	**$(0.12)**	$0.06
FFO[5]	**$333**	$337	**$691**	$688
– per unit (split-adjusted)[6]	**$0.72**	$0.76	**$1.49**	$1.55

Underlying results for the partnership benefitted from inflation-indexation, capital commissioned into earnings in the last 12 months as well as the benefit of our asset rotation strategy. These positive factors were more than offset by fair value adjustments related to our corporate hedging program which totaled nearly $90 million for the quarter compared to gains of approximately $35 million in the same period of 2019. This led to a net loss for the three-month period ended June 30, 2020 of $61 million compared to net income of $98 million in the prior year.

During the second quarter, our business generated Funds from Operations (FFO) of $0.72 on a per unit basis, down 5% from the prior year. The single largest impact on quarterly performance was the 27% depreciation of the Brazilian real which reduced FFO by $30 million . Adjusting for this alone, FFO per unit would have increased 3% compared to the prior year. Results for the quarter benefited from our capital recycling strategy. We deployed $1.2 billion of capital over the last 12 months at an average going-in FFO yield of 12%. These new investments were primarily funded with $1 billion of proceeds from asset sales and refinancing transactions. These positive factors were offset by lower market sensitive revenues, which were concentrated in our transport segment because of temporary lockdown measures. Overall, the impact of the economic shutdown reduced FFO by $27 million , with most of this being timing related and therefore not a permanent loss.

Segment Performance

Our utilities segment generated FFO of $130 million , compared to $143 million in the prior year. Results reflected a higher rate base due to inflation-indexation and approximately $280 million of capital commissioned in the last 12 months. This segment also benefited from the contribution from our North American regulated gas transmission business acquired last October. These contributions were more than offset by a delay in the recognition of connections revenue at our U.K. regulated distribution business, the loss of earnings associated with the sale of an electricity distribution utility in Colombia and the impact of the weaker Brazilian real.

FFO from our Transport segment was $108 million compared to $135 million in the prior year. Results reflected higher volumes across our Australian and Brazilian rail networks, as well as the contribution from our recently acquired North American rail operation. These positive factors were more than offset by the loss of earnings associated with the sale of a European port business and the partial sale of our interest in our Chilean toll road operation. Results were also affected by a weaker Brazilian real and lower volumes following government-imposed lockdowns, which together reduced results by $29 million . Among these factors, (i) foreign exchange accounted for $14 million and (ii) $13 million relates to lower volumes at our toll roads, for which we expect to be compensated, based on force majeure protections and ongoing dialogue with local regulators. The true economic impact from the downturn is therefore limited to $2 million (or less than 1% of BIP’s total FFO) in our port operations.

Our energy segment generated FFO of $106 million compared to $96 million in the prior year. Performance was insulated from the current economic environment, as over 75% of cash flows are underpinned by take-or-pay contracts with an average maturity of 11 years. Results benefited from higher transport volumes at our North American natural gas pipeline, over 55,000 new customers at our North American residential infrastructure business and the contribution from the federally regulated portion of our western Canadian midstream business acquired in December. These contributions were partially offset by the loss of income associated with the sale of our Australian district energy operation completed last November.

FFO from our data infrastructure segment was $43 million , which was 43% higher than the prior year. Our French telecom business benefited from inflationary price increases and our build-to-suit tower program, which has added over 200 new sites. Results also reflected the contribution of earnings associated with recently acquired data transmission and distribution operations in New Zealand and the United Kingdom .

The following table presents FFO by segment:

US$ millions, unaudited	*For the three months ended June 30* 2020	2019	*For the six months ended June 30* 2020	2019
FFO by segment				
Utilities	**$130**	$143	**$276**	$280
Transport	**108**	135	**228**	274
Energy	**106**	96	**221**	203
Data Infrastructure	**43**	30	**85**	58
Corporate	**(54)**	(67)	**(119)**	(127)
FFO	**$333**	$337	**$691**	$688

Update on Strategic Initiatives

During the quarter, we made progress on several initiatives:

I. ***North American Electricity Transmission*** – The sale of our North American electricity transmission operation closed in July, resulting in $60 million of proceeds to BIP and an IRR of 21%. We are advancing two other asset sale processes that we expect will generate over $700 million of additional liquidity. We believe that essential and de-risked infrastructure businesses that performed uninterrupted throughout this recent period will attract strong interest at premium prices.

II. ***Indian Telecom Towers*** – The closing of our large-scale acquisition of 130,000 telecom towers in India from Reliance Jio is expected shortly. We have received positive feedback recently from Indian regulators that the remaining approvals are on track. Since we signed our deal, Reliance Jio has raised approximately $20 billion of equity capital from technology companies and private equity investors which has further solidified the credit quality of our anchor tenant. We will invest approximately $500 million of equity (BIP's share) in the business.

III. ***Capital Market Investments*** – During the broad market sell-off in March, we acquired stakes in several high-quality infrastructure companies at attractive entry points. The ensuing rebound allowed us to monetize some of our positions and realize substantial profits in a short period of time. We have fully exited a number of these investments, realizing total profits of approximately $40 million (BIP's share – approximately $25 million). We continue to accumulate positions in a handful of companies that we hope will lead to broader strategic initiatives in time.

IV. ***U.S. Midstream*** – Dislocation in North American energy markets may provide unique opportunities to invest at value. Our focus is on highly contracted businesses with solid counterparties, limited exposure to volume and pricing risk and long-life, critical infrastructure that complements our existing operations. We believe several opportunities exist to implement this strategy, both in the public and private markets.

Lastly, we are very pleased with the market's response thus far to Brookfield Infrastructure Corporation (BIPC). Not only has there been significant demand for these shares but BIPC was also recently added to the Russell 2000 Index. We intend to support the growth of BIPC's public float to improve the company's trading liquidity, and recently completed our first initiative in this regard in coordination with Brookfield Asset Management, who agreed to sell a portion of its holdings in BIPC. This successful secondary offering in Canada increased the public float of BIPC by approximately 15%.

Board of Directors Update

After 13 years on the Board of Brookfield Infrastructure, the vast majority as Chairman of the Board, Derek Pannell has stepped down from his current role as Independent Director and will be retiring. Anne Schaumburg, Chair of the Board, stated, "I would like to thank Derek Pannell for his countless contributions to the Board over the past 13 years. His commitment to the success of Brookfield Infrastructure has been invaluable."

Distribution and Dividend Declaration

The Board of Directors has declared a quarterly distribution in the amount of $0.485 per unit, payable on September 30, 2020 to unitholders of record as at the close of business on August 31, 2020. The regular quarterly dividends on the Cumulative Class A Preferred Limited Partnership Units, Series 1, Series 3, Series 5, Series 7, Series 9 and Series 11 have also been declared, as well as the dividend for BIP Investment Corporation Senior Preferred Shares, Series 1. In conjunction with the Partnership's distribution declaration, the Board of Directors of BIPC has declared an equivalent quarterly dividend of $0.485 per share, also payable on September 30, 2020 to shareholders of record as at the close of business on August 31, 2020.

Additional Information

The Board has reviewed and approved this news release, including the summarized unaudited financial information contained herein.

Brookfield Infrastructure's Letter to Unitholders and Supplemental Information are available at www.brookfield.com/infrastructure.

Associated Files