Letter to Unitholders

Overview

Brookfield Infrastructure's business performed well during the first quarter, generating funds from operations (FFO) of $0.78 per unit, an 8% increase over the comparable period last year. First quarter results benefited from solid organic growth and contributions from our recent acquisitions, including strong performance from our global intermodal logistics operation, Triton. The performance of our new data center platforms in North America and Europe were also strong and, while it is early, the momentum building in each of these businesses positions us to exceed our initial return expectations.

While macro debates on the pace and size of interest rate cuts by central banks has been recently influencing market behavior, we believe that investors will soon return their focus to the micro factors that are key to differentiating businesses over the long term. Today, in spite of higher interest rates, our business is the strongest it has ever been, evidenced by our current revenue profile and the sector tailwinds driving our organic growth. In terms of our revenue profile, approximately 90% of these cash flows are regulated or contracted, and also inflation protected. This provides tremendous resiliency in this environment.

Our sector leading organic growth is highly correlated to the two most significant trends of this decade, namely, decarbonization and AI/digitalization. The investments we are currently making in our transmission, residential decarbonization, semiconductor and data center businesses will fuel our growth for many years.

Our strategic focus to start the year has been the execution of our capital recycling initiatives and the replenishment of our investment pipeline. Just four months into the year, we have generated over half of our $2 billion capital recycling target for the year. We have also announced three acquisitions resulting in the deployment of $500 million of equity net to BIP, two of which have already closed.

Operating Results

FFO for the first quarter of 2024 was $615 million, an 11% increase over the prior year period. This increase reflects organic growth of 7%, as well as strong contributions associated with over $2 billion of new investments, partially offset by the impact of our capital recycling program and higher interest costs. Organic growth during the period was supported by inflation indexation, strong transportation volumes and the commissioning of over $1 billion of new capital from our capital backlog.

Utilities

The utilities segment generated FFO of $190 million, compared to $208 million in the same period last year. The decline is primarily attributable to the sale of our interest in an Australian regulated utility business. After adjusting for asset sales and financings completed, organic growth for the segment was approximately 8%. This growth is primarily from inflation indexation and the commissioning of over $450 million of capital into the rate base during the last twelve months.

Our U.K. regulated distribution business has performed well as the U.K. housing market shows signs of recovery. Record years of new sales have grown our installed connections to over 3 million, with a further orderbook of 1.5 million connections that once built will add to our recurring revenue base. Connections built and inflation indexation increased revenue by 5% for the quarter compared to the prior year, which was partially offset by movements in foreign exchange rates.

During the quarter, our residential decarbonization platform expanded its presence in key markets and enhanced its operating capabilities. In North America, we centralized our U.S. sale centers under one management team, which will provide cost savings and increased scale. Operationally, we launched several partnerships accelerating decarbonization initiatives, and are working on a program with a nationally recognized insurance company to upgrade aging and less efficient water heaters.

Our North American submetering business continued to execute on its U.S. market expansion and acquired a submetering provider with operations across 40 states at an attractive valuation. Following this acquisition, the U.S. submetering portfolio will have over 200,000 customers, surpassing our Canadian operations for the first time, which has approximately 190,000 customers. This is a major milestone in our U.S. growth strategy, as the business operated solely in Canada when it was acquired in 2018 and the U.S. market has 10x the potential scale.

Transport

FFO for the transport segment was $302 million, representing a 57% increase over the same period last year. The step-change is attributable to strong underlying performance and the acquisition of Triton which is performing well above our plan. The balance of our transport operations grew by 10%, driven by inflationary tariff increases and higher volumes. Our rail networks and toll roads realized average rate increases of 9% and 7%, respectively, over the same period last year, highlighting the benefits of inflation indexation. Traffic levels on our roads increased by 4% and our diversified terminals recorded 7% higher volumes.

Additionally, we had a solid quarter of commercial wins across several of our Transport businesses. Our Australian ports business contracted an additional 30,000 lifts with its largest customer, resulting in A$7 million incremental EBITDA per year. Our Brazilian toll road operation entered into a definitive agreement to extend a concession duration by 11 years. The outcome was positive as it de-risks our operations by providing certainty over the revenue framework and term.

Geopolitical events in the middle east have resulted in the lengthening of certain shipping trade routes thereby increasing global demand for containers and driving higher fleet utilization. As a result, Triton's fleet utilization has increased to over 98%, while also securing attractive rates on recently contracted long-duration leases. This is in contrast to the reduction in utilization we had conservatively underwritten, in anticipation of reduced global economic activity.

Midstream

Our midstream segment generated FFO of $170 million, which is comparable to the prior year after excluding the impact of capital recycling initiatives. Although our direct commodity price exposure is limited, the prevailing environment has been very favorable for customer activity levels and demand for our critical midstream assets. This demand has been most robust across our North American Gas Storage operations where we have extended contract duration and achieved rates higher than last year.

Our Canadian natural gas gathering and processing operation continues to add incremental processing capacity and expand its gas gathering capabilities to support regional production growth. At our McMahon facility, we initiated a C$50 million expansion project that has approximately 60% of its revenue contracted and underpinned by take-or-pay arrangements that extend through 2030. When combined with the Gordondale project announced last year, the business has secured approximately C$45 million of incremental EBITDA, which is expected to commence by the end of 2025. Separately, the federal government issued the final permit required for the Northeast British Columbia Connector project. This was a critical milestone in the regulatory process and for making a final investment decision for the project, which is underpinned by growing regional volumes and producer activity.

Data

Our data segment generated FFO of $68 million, which is comparable to the same period last year. Results for the quarter benefited from a full quarter contribution from our German telecom tower operation, two hyperscale data center platform acquisitions and the purchase of 40 retail colocation sites out of bankruptcy. These acquisitions were largely offset by the sale of our interest in a New Zealand integrated data distribution business, which closed in June 2023.

We continue to see significant activity across our global data center platform from the major hyperscale customers. As a result, we have been able to commercialize significant capacity on favorable contract terms that are long duration and underpinned by highly creditworthy counterparties. Today, we have approximately 670 megawatts of booked-but-not-built capacity that we expect to come online over the next 3 years. In the last twelve months, we commissioned approximately 40 megawatts, which is expected to contribute $45 million of run-rate EBITDA ($7 million net to BIP).

At our U.S. retail colocation data center operation, Centersquare, we are focused on integrating the recently acquired sites into our existing business. In total, we expect to realize $25 million of annual run-rate synergies, once the integration is complete. Commercially, the combined business is experiencing strong leasing velocity that has exceeded our expectations. During the quarter, new annualized billings of over $10 million were initiated, while new bookings of $55 million annually will be installed throughout 2024 and 2025.

Balance Sheet and Liquidity

Credit markets have performed exceptionally well thus far in 2024. Markets have digested significant supply with new issue and secondary performance reflecting continued expectations for an economic soft-landing. Investment grade index spreads remain only modestly higher than the post-financial crisis lows despite nearly half a trillion of supply in the first quarter. This was the second busiest quarter on record, as issuers accelerated their programs to capitalize on record low spreads. This environment has provided a constructive backdrop to opportunistically de-risk and optimize the capital structures of many of our businesses.

As a reminder, 90% of the debt reported on our financial statements is non-recourse to Brookfield Infrastructure. Although less efficient from a cost perspective, financing our business at the asset-level is a critical element of our risk management strategy. All our investments are financed at a prudent and sustainable level given the highly regulated and contracted nature of our cash flows, while maintaining as much flexibility as possible.

During the quarter, we completed several key financing initiatives with the objective of extending duration and reducing overall financing costs. Some of the notable achievements include:

- In February and March, our Canadian natural gas gathering and processing operation completed two successful financings. We raised C$460 million of new project financing, with an average term of over 5 years at an attractive coupon of 6.1%. We also re-priced an existing $850 million institutional term loan, reducing the credit spread by 50 basis points.

- In March, our Indian gas pipeline raised INR 65 billion in the local bond market to refinance an existing maturity. The issuance has an average term of 5 years and an all-in coupon that is 100 basis points below previous levels. During the same month, our North American hyperscale data center platform closed on a $720 million asset securitization with a coupon of 5.5%, providing additional liquidity to fund its highly contracted development pipeline.

- In April, Triton raised $450 million of asset-backed financing to repay revolver borrowings and bolster liquidity for future fleet investments. The issuance had an average term of 5 years at a coupon of 5.9%.

- Also in April, our North American rail operation completed a refinancing of its existing term loan through the issuance of a $2.7 billion term loan and $700 million of new senior secured notes. The issuances have an average term of over 7 years and an all-in rate of 5.6% which, after hedging, is in-line with our previous borrowing costs.

Our balance sheet remains well capitalized with only 4% of our asset-level debt maturating over the next 12 months and no corporate maturities until 2027. Based on where interest rates are today and recently completed or well-progressed financings, we expect less than $600 million of asset-level maturities in 2024 to have higher borrowing costs than those being replaced. On a combined basis, over 90% of our capital structure is fixed rate, with an average term of seven years. Moreover, our corporate liquidity as of the end of the first quarter remains strong with over $2 billion of liquidity available to support growth initiatives.

Strategic Initiatives

Market conditions have continued to improve during 2024. Activity levels for M&A processes have increased and, as a result, the environment for transacting should be more balanced this year as compared to the prior year. We have made significant progress on our capital recycling plans, securing $1.2 billion in proceeds of which $1.1 billion has been closed to date. This success sets us up well to achieve our $2 billion annual capital recycling target.

In April, we signed binding documentation to sell the fiber platform within our French Telecom Infrastructure business to a financial buyer. The transaction has an enterprise value of over €1 billion (approximately €175 million net to BIP) and is expected to result in an IRR of 17% and a multiple of capital of approximately 1.9x. We acquired the company in 2015, which at the time consisted of telecom towers and broadcasting segments. We subsequently created the greenfield fiber development segment in 2017, taking advantage of a favorable market environment and regulatory framework established by the French government. During our ownership we quickly scaled the business to become a leading wholesale fiber-to-the-home network operator, successfully passing over 765,000 homes. We expect to generate up to $100 million in net-to-BIP proceeds when the transaction closes later this year.

At our Australian port business, we completed the sale of two smaller-scale regional service-based logistics businesses. The combined enterprise value was approximately A$120 million, with net proceeds to BIP of approximately $15 million. We expect to monetize the remaining four service businesses over the next 12-24 months, which we expect will generate a further $60 million net to BIP.

During the quarter we also completed several opportunistic asset level financings to right-size capital structures and pull forward future sale proceeds. At our Brazilian regulated gas transmission business, we completed a $1.6 billion financing that resulted in approximately $500 million of proceeds net to BIP. This recapitalization takes advantage of the strong demand for high quality issuers in Brazil and low leverage levels at the company, with corporate level leverage increasing to a modest 2.7x EBITDA for a highly contracted business such as this. When combined with two refinancings completed at two pipeline operations in North America, we generated over $1 billion for the partnership, while making these businesses more attractive to a wider buyer universe.

The investment pipeline remains quite full, but we are being very selective in pursuing only those opportunities with high risk adjusted returns. There are a significant number of organic and tuck-in opportunities that are our primary focus at the moment, since these are typically our highest returning investments.

Our largest investment in the quarter was a low-risk follow-on investment. We acquired an incremental 10% stake in our Brazilian integrated rail and logistics provider from an existing shareholder for approximately $365 million. The purchase increased our ownership to 21% (37% total Brookfield ownership) in a high performing business with strong fundamentals at an over 20% discount to our view of fair value. Additionally, the acquisition improves Brookfield's governance as we are now the business's largest shareholder.

We are also continuing to advance the follow-on acquisition of a portfolio of telecom towers in India, which is expected to close in Q4 2024, subject to regulatory approvals. The total equity consideration is expected to be approximately $1 billion, with BIP's share expected to be approximately $150 million. All together our total capital deployment so far this year is over $500 million.

Scarcity Value in Natural Gas Storage

Brookfield Infrastructure began acquiring North American natural gas storage assets in 2012 and, by the end of 2014, had assembled a platform of over 300 billion cubic feet (bcf) of gas storage capacity across eight facilities in the U.S. and Canada. At the time, the natural gas storage sector had been coming off a period of significant asset build out driven by cyclically high natural gas prices and storage rates. However, as shale gas production began rising rapidly across North America, industry dynamics inverted causing lower storage rates and precipitated a decline in asset values well below replacement cost. This created a contrarian investment opportunity for Brookfield to invest approximately $800 million (BIP's share – approximately $310 million), with the conviction that storage rates and valuations would recover once natural gas markets normalized.

At the time, there were several key attributes underpinning our long-term view of intrinsic value. These are irreplaceable infrastructure assets that are essential in balancing natural gas demand between seasons and periods of market disruption. Further, these assets have strong regulatory, geographic and operational barriers to entry, resulting in favorable competitive positions in each of their respective operating regions. From a market and sector perspective, we believed the supply and demand imbalances that caused lower asset utilization rates would normalize as long lead projects, such as LNG export capacity, came online and resulted in increased demand for natural gas. We also felt that there was an asymmetric upside opportunity not only to recovering market conditions, but also to the increasing number of market dislocation events such as extreme weather, upstream or downstream operational disruptions and geopolitical events.

Over the past several years our thesis has played out as the natural gas storage market has experienced significant improvements in its underlying fundamentals. While gas production in North America has continued to expand, LNG exports have emerged as a major new demand source for natural gas, with the export markets now having a major influence on domestic gas prices. Geopolitical events affecting the reliability of supply, the intermittency of renewable power generation and market dislocation events have additionally underscored the important role existing storage infrastructure serves in the North American natural gas market. Limited investment in the sector over the past decade, combined with political and regulatory reluctance to construct new traditional energy infrastructure, have created significant scarcity value for in place storage capacity. The fundamentals for the business continue to improve. Growth in LNG export capacity throughout North America, the criticality of having gas as a backup for intermittent generation sources and extreme weather-based events continue to support storage rates and contract durations. Over the past five years, we have successfully increased FFO at a CAGR of over 20% on a same store basis.

In April of 2023, we sold our interests in two non-core U.S. gas storage assets to strategic buyers for gross proceeds of $235 million (BIP's share – approximately $100 million). The sale included our interest in Tres Palacios in Texas and our Salt Plains facility in Oklahoma. We realized attractive transaction multiples for these assets of 21x and 15x EBITDA, respectively. Through these sales and the dividends received during our ownership, we have returned more than our original invested capital and still own one of the largest independent gas storage businesses in North America that today generates over $240 million of EBITDA annually.

Lastly, we are seeing several ways our assets can support energy transition opportunities. Our facilities are strategically located in close proximity to renewable power generation and heavy CO2 emission regions, which offers long-term regional collaboration on energy transition and decarbonization projects. Storage infrastructure is a logical entry point for renewable natural gas and hydrogen to enter the natural gas value chain, and we continue to see ways we can offer valuable new services to the market. We are excited for what the future holds and believe gas storage assets are positioned extremely well to participate in both conventional energy and energy transition efforts over the long term.

Outlook

Our longer-term outlook for the global economy remains positive, however, our expectation is that we may experience several additional quarters of volatility as we settle into a flat to lower interest rate environment and geopolitical situations in Europe and the Middle East remain unresolved. Nonetheless, in this environment, infrastructure assets should continue to attract significant interest from institutional investors worldwide as a source of stability for their portfolios. This interest in the sector is best exemplified by new allocations to the asset class, which we have seen accelerate over the past six months. In addition, we are also witnessing significant excitement about the growth in the data sector driven by the tailwinds created from digitalization, including advancements in AI and the build out of fiber and telecom networks to support the growth in data consumption.

With respect to our strategic initiatives, we believe that we are on track to achieving our 2024 capital recycling and deployment objectives for the year. The progress we have already made towards our capital recycling objectives has given us confidence that we will be successful in achieving our $2 billion target regardless of transaction activity in the sector. We are also screening a large pipeline of early-stage M&A opportunities that we believe could achieve returns in excess of our targets. These opportunities range from asset carve-outs to strategic partnerships and are concentrated in OECD countries in Asia Pacific, North America and Europe. These new investment opportunities are in addition to the large number of organic investment opportunities within our existing asset base.

We believe our strong business performance and strategic outlook outweighs any factors related to the near-term interest rate environment. Over the long run, interest rates will stabilize but there are few infrastructure businesses like ours that are globally diversified across sectors and geographies, that can offer investors a stable and growing distributions, which over time will easily overtake any interest rate increases. This global footprint continues to be a competitive advantage and enables us to arbitrage varying economic conditions to buy and sell assets for attractive valuations in the same market environment.

On behalf of the Board and management, thank you to our unitholders and shareholders for their ongoing support.

Sincerely,

Sam Pollock
Chief Executive Officer

May 1, 2024

Cautionary Statement Regarding Forward-looking Statements

This letter to unitholders contains forward-looking information within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words, "will", "continue", "believe", "growth", "potential", "prospect", "expect", "target", "should", "future", "could", "plan", "anticipate", "outlook", "focus", "plan to", derivatives thereof and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify the above mentioned and other forward-looking statements. Forward-looking statements in this letter to unitholders include statements regarding the likelihood and timing of successfully completing the transactions and other growth initiatives referred to in this letter to unitholders, the integration of newly acquired businesses into our existing operations, the future performance of those acquired businesses and growth projects, financial and operating performance of Brookfield Infrastructure and some of its businesses, commissioning of our capital backlog, availability of investment opportunities, including tuck-in acquisitions, the state of political and economic climates in the jurisdictions in which we operate or intend to operate, the expansion of our businesses and operating segments into new jurisdictions, the adoption of new and emerging technologies in the jurisdictions in which we operate, performance of global capital markets and our strategies to hedge against risk in such markets, ability to access capital, anticipated capital amounts required for the growth of our businesses, the continued growth of Brookfield Infrastructure and its businesses in a competitive infrastructure sector, the effect expansion and growth projects of our customers will have on our businesses, and future revenue and distribution growth prospects in general. Although Brookfield Infrastructure believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on them, or any other forward-looking statements or information in this letter. The future performance and prospects of Brookfield Infrastructure are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of the Partnership and Brookfield Infrastructure to differ materially from those contemplated or implied by the statements in this letter to unitholders include general economic, social and political conditions in the jurisdictions in which we operate or intend to operate and elsewhere which may impact the markets for our products or services, the ability to achieve growth within Brookfield Infrastructure's businesses, some of which depends on access to capital and continuing favorable commodity prices, the impact of political, economic and other market conditions on our businesses, the fact that success of Brookfield Infrastructure is dependent on market demand for an infrastructure company, which is unknown, the availability and terms of equity and debt financing for Brookfield Infrastructure, the impact of health pandemics on our business and operations, the ability to effectively complete transactions in the competitive infrastructure space (including the ability to complete announced and potential transactions referred to in this letter to unitholders, some of which remain subject to the satisfaction of conditions precedent, and the inability to reach final agreement with counterparties to such transactions, given that there can be no assurance that any such transactions will be agreed to or completed) and to integrate acquisitions into existing operations, changes in technology which have the potential to disrupt the businesses and industries in which we invest, the market conditions of key commodities, the price, supply or demand for which can have a significant impact upon the financial and operating performance of our business, regulatory decisions affecting our regulated businesses, weather events affecting our business, the effectiveness of our hedging strategies, completion of growth and expansion projects by customers of our businesses, traffic volumes on our toll road businesses and other risks and factors described in the documents filed by Brookfield Infrastructure with the securities regulators in Canada and the United States including under "Risk Factors" in Brookfield Infrastructure's most recent Annual Report on Form 20-F and other risks and factors that are described therein. Except as required by law, Brookfield Infrastructure undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.