

**Brookfield Infrastructure Partners (Q1 2024 Results)**  
**May 01, 2024**

**Corporate Speakers:**

- David Krant; Brookfield Infrastructure Partners; Chief Financial Officer
- Sam Pollock; Brookfield Infrastructure Partners; Chief Executive Officer
- Ben Vaughan; Brookfield Infrastructure Partners; Chief Operating Officer

**Participants:**

- Cherilyn Radbourne; TD Cowen; Analyst
- Devin Dodge; BMO Capital Markets; Analyst
- Robert Kwan; RBC Capital Markets; Analyst
- Robert Hope; Scotiabank; Analyst
- Robert Catellier; CIBC Capital Markets; Analyst

**PRESENTATION**

**Operator:** Hello. And welcome to the Brookfield Infrastructure Partners First Quarter 2024 Results Conference Call and Webcast. (Operator Instructions) Please be advised that today's conference call is being recorded. It is now my pleasure to introduce Chief Financial Officer, David Krant.

**David Krant:** Thank you, Operator. And good morning, everyone. Welcome to Brookfield Infrastructure Partners' first quarter 2024 earnings conference call.

As introduced, my name is David Krant. And I'm the Chief Financial Officer of Brookfield Infrastructure. I'm joined today by our Chief Executive Officer, Sam Pollock; and our Chief Operating Officer, Ben Vaughan.

I'll begin the call today with a discussion of our first quarter 2024 financial and operating results, followed by some brief remarks on our strong financial position. I'll then turn the call over to Sam, who will provide an update on our strategic initiatives before concluding with the outlook for the business.

At this time, I would like to remind you that in our remarks today we may make forward-looking statements. These statements are subject to known and unknown risks and future results may differ materially. For further information on known risk factors, I would encourage you to review our annual report on Form 20-F, which is available on our website.

Brookfield Infrastructure's business recorded an excellent start to the year. During the first quarter of 2024, we generated funds from operations, or FFO, of \$615 million, representing an 11% increase over the prior year period. This increase reflects organic growth of 7%, as well as contributions associated with over \$2 billion of capital deployed in the second half of last year. We've been pleased with the performance of our new

investments, notably our newest data center platforms in North America and Europe. While it is early, the momentum building in each of these businesses positions us to exceed our initial return expectations.

Taking a closer look at our results by segment. Our Utilities generated FFO of \$190 million compared to \$208 million in the same period last year. The lower reported result is primarily attributable to capital recycling initiatives completed over the last 12 months, most notably the sale of our interest in an Australian-regulated utility. After adjusting for asset sales and financings completed, organic growth for the segment was 8%. This growth is primarily attributable to inflation indexation and the commissioning of over \$450 million of capital into the rate base during the last 12 months.

Moving to our Transport segment. FFO was \$302 million, representing a 57% increase over the same period last year. The step change is largely attributable to the acquisition of Triton, which is performing well above our plan. Geopolitical events in the Middle East have resulted in lengthening of certain shipping trade routes, thereby increasing global demand for containers. 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.

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.

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 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 the fundamentals for the business continue to improve. Growth in North American LNG export capacity, the necessity of gas as a backup for intermittent generation sources and extreme weather-based events continue to support storage rates and contract duration. As a result, we have successfully increased FFO at a compound annual growth rate of over 20% in the past five years.

As we have highlighted before, last year we sold our interest in two noncore U.S. gas storage assets to strategic buyers. 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, FFO from our Data segment was \$68 million, which is comparable to the same period last year. Results for the quarter benefited from a full contribution from our German telecom tower operation, two hyperscale data center platform acquisitions and the purchase of 40 retail colocation data centers 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 of last year.

Focusing on our global data center platform, we continue to see significant activity 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 three years. In the last 12 months, we have commissioned approximately 40 megawatts, which is expected to contribute roughly \$45 million of run rate EBITDA on a 100% basis.

In addition to the strong financial and operational start to the year, we have an excellent financial position. 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 return to their focus on the micro factors that are key to differentiating businesses over the long term.

Today, despite higher interest rates, our business is the strongest it has ever been. This is evidenced by our curved revenue profile and sector tailwinds driving our organic growth outlook.

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 digitalization. The investments we are currently making in our transmission, residential decarbonization, semiconductor and data center businesses will fuel our growth for many years to come.

Lastly, I wanted to touch on the strength of our balance sheet and the depth of debt capital markets. Credit markets have performed exceptionally well thus far in 2024. Investment-grade index spreads remain only modestly higher than post-financial crisis lows, despite nearly \$0.5 trillion of supply in the first quarter. This environment has provided a constructive backdrop to opportunistically de-risk and optimize capital structures of many of our businesses, while taking advantage of record low spreads.

Following an active quarter of refinancings, today, over 90% of our capital structure is fixed rate with an average term of seven years. Only 4% of our asset level debt is maturing over the next 12 months and we have 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 in place today. Moreover, our corporate liquidity at the end of

the first quarter remained strong with over \$2 billion available to support our growth initiatives.

That concludes my remarks for this morning and I'll now turn the call over to Sam.

**Sam Pollock:** Thank you, David. And good morning, everyone. As Dave mentioned at the outset of the call I'm going to provide an update on our strategic initiatives and conclude with an outlook for the year ahead.

As we've advanced through 2024, market conditions have continued to improve. 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've made significant progress in our capital recycling plan, 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, regardless of transaction activity in the sector.

In April, we signed binding documentation to sell the fiber platform within our French Telecom Infrastructure business. The transaction has an enterprise value of over EUR 1 billion and is expected to result in an IRR of 17% and a multiple of capital of approximately 1.9x. We created this greenfield fiber development segment in 2017 and quickly scaled the business to become a leading wholesale fiber-to-the-home network in the region. We expect to generate up to \$100 million in proceeds when the transaction closes later this year.

The balance of our capital recycling initiatives were completed through opportunistic asset level financing to right size capital structures and pull forward future sale proceeds. During the quarter, we completed a \$1.6 billion financing at our Brazilian regulated gas transmission business that resulted in approximately \$500 million of proceeds. This recapitalization takes advantage of the strong demand for high-quality issuers in Brazil and low leverage levels at the company. When combined with two previously completed refinancings, we have generated over \$1 billion for the partnership and successfully reduced the equity required from future buyers.

Moving to acquisitions. 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 in a high-performance business with strong fundamentals at an approximately 20% discount to our view of fair value.

The other initiative we are advancing is the follow-on acquisition of a portfolio of telecom towers in India, which is expected to close in the fourth quarter. The total equity consideration is \$1 billion, with our share expected to be approximately \$150 million.

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-out strategic partnerships and are concentrated in OECD countries in Asia Pacific, North America and Europe.

As we look ahead, the 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 this 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.

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

This concludes my remarks and I will now pass it over to the operator for Q&A.

## QUESTIONS AND ANSWERS

**Operator:** And our first question comes from the line of Cherilyn Radbourne with TD Cowen.

**Cherilyn Radbourne:** With regard to the levers that the business had to decarbonization and digitalization, is there a way that you can help us frame how much of the current FFO is levered to those trends? Or more importantly, where you would see that going over the next five years based on the orientation of your Capex project backlog and the M&A pipeline?

**Sam Pollock:** Maybe I'll start for a second there to give Dave a few minutes to do some stuff on his calculator to see if he can answer some of those questions.

At a high level, what I would say is that, from an M&A perspective, today probably I'm going to estimate 80% -- 75% to 80% of our new investment opportunities probably relate to data and decarbonization sectors or at least the trends. And I would expect that to continue at least for the foreseeable future. And that's been the case, other than Triton, that's been the case in the last probably a year or two.

In relation to our backlog, the vast majority of it relates to the utility sector, which is obviously focused on decarbonization initiatives, as well as our data centers and semiconductor investments. So you can definitely see that in our backlog. But maybe Dave...

**David Krant:** Yes. I can give you some numbers to frame that with and to help fill that in. I think if we look at our business today, Cherilyn, and it won't surprise you, if you look at our residential decarbonization platform and our data sector, we have about 30% of our FFO from those two segments or subsegments.

But in contrast, if you look at our backlog today, 80% of our capital projects are in those two areas. So to your point, you will certainly see the proportion of cash flows grow for those subsegments disproportionately than something like our Midstream or Transport businesses. They just make up much less of our backlog and growth CapEx.

**Cherilyn Radbourne:** Great. That's really helpful, even though I sort of spring that on you. The letter also comments that the credit markets have provided a very supportive backdrop to de-risk and optimize the capital structure across a variety of your businesses. Just given the relatively long average duration of your debt, are there still opportunities to take advantage of that backdrop? Or do you think you're largely complete on that front for the year?

**David Krant:** The short answer is, we've done a lot, which we're really happy about, the ability to execute in the start of 2024, but there is still some to do if markets continue to remain favorable. There's a few that we're looking at in the near term. Intel is one where we have projects financed that we'd love to take out at spreads at these levels. So that one we'll monitor closely over the next few weeks.

And then over the balance of the year, if there are opportunities to de-risk maturities that are coming due, Cherilyn, it's not 2024, but certainly 2025 maturities and 2026 even that we'll look to, if we can de-risk those and extend like we've seen at NorthRiver, at G&W where we're pushing out maturities five, six, seven years, that's something we're more than happy to do, even if it cost us a few basis points or incremental interest in the short term because, again, you can't put a price on having that strength and duration of our capital structure.

**Operator:** And our next question comes from the line of Devin Dodge with BMO Capital Markets.

**Devin Dodge:** So I want to start with a question on Inter Pipeline, so this might be for Ben. But it seems like there may have been some additional challenges there with the PDH startup at Heartland. Can you provide some color on the nature of those issues and when we should be expecting the facility to ramp up to full production?

**Ben Vaughan:** Yes. It's Ben here. Yes. IPL is providing updates directly on the Heartland start. So we don't have much to add to the updates that they're providing. The facility made a little over 170 million pounds last quarter, which was in line with the previous quarter. And I believe in the IPL recent disclosure, they plan to achieve full run rate by mid this year, bring the plant up online and bring it back, the PGP side, to full run rate. So we don't have much to add over and above what they've disclosed.

**Devin Dodge:** Makes sense. Okay. And then I was going to ask about Intel. So when we look at the capital backlog for this project, it seems to have moved higher versus a year ago despite, I think, somewhere in the range of like \$400 million to \$500 million of spending that's occurred over the last 12 months. Can you speak to how this project is proceeding and if you're starting to see some cost escalation there? Or is it like additional scope or how we should be thinking about that?

**Ben Vaughan:** Let me cover the first part, Devin. In terms of the increase in the size of the project for BIP, it's really just a function of our flagship infrastructure fund having its final close. During fundraising, we assumed Brookfield will be 25%. We ultimately ended up at 25.5%, so we've updated our capital backlog to reflect our final ownership in the fund. I wouldn't read through that to say there's any issues on scope or capital sides of the project. It's still in line with the guidance we would have given at the beginning, it's just the net to BIP figures are a little larger.

**Sam Pollock:** And to be clear, we haven't made any adjustment because we thought price of the construction was going higher, so that's not the case. And again, there's only so much we can report on this because Intel provides updates directly. And they did provide an update, I think, on April 15. But the main takeaway from our perspective is that from the pace of construction funding and the expectation regarding our economics, they remain very much in line and it's proceeding as we underwrote.

**Operator:** Our next question comes from the line of Robert Kwan with RBC Capital Markets.

**Robert Kwan:** If I can just start with a question on the transaction environment. And you mentioned that you're being very selective. I assume by calling this out, I presume you're being even more selective than normal. So I'm just wondering what's behind that? Is that you are seeing valuations move higher or are you kind of treating yourself a little bit here as capital-constrained?

**Sam Pollock:** It's Sam here. So no, I don't think it's really either of those things. I would say that we still see a fair amount of situations that we can pursue. But we want to preserve some of our capital for what could be coming down the pipe. And so we think

that the longer that deal activity remains a little bit slowed or depressed that this could result in situations people become more stressed and feel that they need to get done and as a result, creates a real contrarian opportunity.

So yes, we might be wrong in that, but we've had such great success in the last couple of years in deploying capital and we still deployed \$500 million in the first quarter. So it's not as if we're not deploying capital. But I do think we are sort of holding on to a bit of our powder for potential opportunities, we think, might be in front of us.

**Robert Kwan:** Got it. And as you just think about some of these elevated returns, you hopefully can achieve without changing the 12% to 15% target. Do you have kind of some soft hurdles as to what types of returns you'd be targeting at based on trying to be more selective?

**Sam Pollock:** Yes, look, everything has got to be risk-adjusted, but for the last year and a bit, we have definitely targeted opportunities in the 15% to 20% range with ability to even achieve returns in excess of that if certain parts of our business plan come together.

So we're definitely being a bit greedy at the moment to take one of Buffet's words, I guess. I think that's just the environment that we're in at the moment.

**Robert Kwan:** Got it. If I can just finish with Triton here. You commented that it's performing well above your plan. Just wondering if you could be a little more specific about what aspects of the business have outperformed and whether you expect that to be ongoing? And then just a second question is, I think part of the original thesis was what Triton could do for just broader synergies and information for your global shipping business. So if you can just talk maybe a little bit about what you've seen to-date and what you expect to get out of Triton.

**Sam Pollock:** Maybe Ben will take the first part, and maybe I can touch on the second part.

**Ben Vaughan:** Sure, Sam. It's Ben here. Yes, just in terms of the underlying business, it's really been a story of excellent utilization. So our utilization is substantially full. It's north of 98% utilized. So, with a combination, I'd say of the, I'll call it the Red Sea dynamics a little while ago, and then just good trade flows more recently, our clients have called on our fleet to be fully utilized. So it's sort of that simple and rates are solid. So I'd say, in general, the early story of Triton is just excellent utilization of the assets at good rates and locking in that duration of the fleet and extending that out.

**Sam Pollock:** And just on the second part of your question, our ability to leverage the information coming out of the trade flows. I'd say we're still in the early days of achieving that. We do interact very closely with the Triton management team and they do have excellent intelligence as to what's taking place. But I wouldn't say today that we've been able to utilize that information for any specific transaction. So our hope is, obviously to be able to do that, but I don't have any at this time to report on that.

**Operator:** And our next question comes from the line of Robert Hope with Scotiabank.

**Robert Hope:** Just want to continue the commentary on the M&A market, especially given kind of your view maybe being -- holding some back and the expectation of better entry-points moving forward. Under that kind of premise, as well as the commentary that market conditions continue to improve, how are you looking at your asset monetization goal? We've seen it be more biased towards financing and refinancing now. Could we see an acceleration of asset monetizations to give you some further cushion on the capital side?

**Sam Pollock:** So as I said in our remarks and in our letter, we are seeing more activity broadly speaking. But we're coming off a relatively low base in regards to that. But we continue to see improvement as interest rates start to find a settling point.

As far as what we're doing at the current moment in time, we are focused on monetizing those businesses that are probably a little on the smaller side and relatively de-risked just to appeal to the broadest audience possible. And I'd say the other sort of group that we're trying to target in our disposition programs are strategics because I'd say they're still relatively more active in the M&A market than financial. Financial investors are probably the one group that are a little less active than what we've seen in the past.

**Robert Hope:** And then maybe moving over to the data segment. Maybe can you provide some additional color on kind of the opportunity set moving forward, just given the significant amount of interest that this segment is seeing across a number of geographies? Could we see you pivot more towards the organic side to build out the backlog there versus the M&A side?

**Sam Pollock:** I think it's a combination of everything. So our organic pipeline is very strong. So we have a lot of build-to-suit opportunities with our tower businesses. We continue to take on new territories to build out our fiber-to-the-home in the U.S., as well as in other regions. Obviously the data center sector is just on fire and we have a huge backlog there. So I think in relation to the organic side of the business, it's the biggest it's ever been.

We also see lots of interesting opportunities from a carve-out and M&A perspective and it has to do sort of with the same dynamic, which is the fact that a lot of parties also have significant organic growth opportunities, but don't have the capital to execute them. And so they're looking for partners or they're looking to sell businesses that they can no longer continue to grow. So I think we'll hopefully have a balanced approach to deploying in the data sector, which is both M&A and organic going forward.

**Operator:** And our next question comes from the line of Robert Catellier with CIBC Capital Markets.

**Robert Catellier:** I just have a couple of follow-up questions here. First, on HPC. I'm curious if you know if there's a line of sight to a technical solution to that screen issue and visibility to getting that facility producing at nameplate capacity again?

**Ben Vaughan:** I think what we said last call was that we are working through the full startup of the PGP facility. And I think IPL, as I mentioned a minute ago, disclosed the facility we've got to be back up by mid-2024. And we would fully expect the facility over time to achieve its full nameplate capacity.

**Robert Catellier:** Okay. And then given the strength of Triton, does that impact your investment plans there? In other words, is there an opportunity to invest in more capacity given how utilized the fleet is? Or is there potential for that this is a little bit of a budge if geopolitics calm down and the utilization settles down a bit?

**Sam Pollock:** So Robert, the nature of the business is such that Triton, because of its scale, is able to get itself into the queue with suppliers of containers and always had sort of a running source of containers because of that. And we make capital allocation decisions at various points in time to take on more inventory or less inventory and that's really where the management team has been very successful over time is being able to predict when to hold inventory, when not. They are fortunate to have inventory on hand when this latest crisis for the shippers took place with the Red Sea, and so, that's what pushed what we thought was going to be a relatively soft year in our underwriting to one turned out to be one of the best years of utilization.

We will replenish our inventory over the next couple of months. And so we should very soon have a normal level. And then the management team will continuously decide if they increase that or decrease that, depending on where they see current per diems and just whether or not they think it's a good time to invest in inventory or not. But that is what they do really well.

**Operator:** And I'm showing no further questions at this time. So with that, I'll now turn the call back over to CEO, Sam Pollock for any closing remarks.

**Sam Pollock:** Okay. Thank you, Operator. And thank you, everyone, who joined our call. We appreciate your interest in the company and we look forward to updating you again on our progress for 2024 objectives on our next call in August. Talk to you then. Bye.

**Operator:** Ladies and gentlemen, thank you for participating. This does conclude today's program and you may now disconnect.