

**Brookfield Infrastructure Partners LP (BIP Q2 2024 Results)**  
**August 1, 2024**

**Corporate Speakers:**

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

**Participants:**

- Cherilyn Radbourne; TD Cowen; Analyst
- Robert Kwan; RBC Capital Markets; Analyst
- Devin Dodge; BMO Capital Markets; Analyst

**PRESENTATION**

**Operator:** Welcome to the Brookfield Infrastructure Partners Second Quarter 2024 Results Conference Call. (Operator Instructions). Please be advised that today's conference is being recorded. I would now like to hand the conference over to David Krant, Chief Financial Officer. Please go ahead.

**David Krant:** Thank you, Liz, and good morning, everyone. Welcome to Brookfield Infrastructure Partners second 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 summary of our second quarter 2024 financial and operating results, followed by a discussion of our recent capital markets activities. 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.

During the second quarter, Brookfield Infrastructure generated strong financial and operating results while also advancing our strategic initiatives. For the three months ended June 30, 2024, we generated funds from operations, or FFO, of \$608 million, an increase of 10% over the prior year period. The current quarter benefited from organic growth that was at the midpoint of our target range as well as recent acquisitions that significantly contributed to results. This included a continuation of the strong performance at our global intermodal logistics operation, higher contributions from our increased stake in a Brazilian integrated rail and logistics provider, and three data center platform investments. These

positive drivers were partially offset by the impact of capital recycling, higher interest costs and the impact of foreign exchange.

Looking at our results by operating segments, starting with Utilities, we generated FFO of \$180 million compared to \$224 million in the same period last year. The decline is due to capital recycling activity including the sale of our interest in an Australian regulated utility business and additional interest costs associated with the financing completed at our Brazilian regulated gas transmission business during the first quarter. After removing these impacts, the base business grew organically as a result of inflation indexation and the contribution associated with \$450 million of capital commissioned into the rate base over the last 12 months.

Moving to our Transport segment, FFO was \$319 million, representing a 60% increase over the same period in the prior year. The increase is primarily attributable to our acquisition of a global intermodal logistics operation, which continues to perform ahead of expectations, as well as the incremental stake in our Brazilian integrated rail and logistics operation that delivered strong performance this quarter as tariffs increased by more than 15%. The remaining businesses also performed well achieving organic growth of 9%, which was primarily driven by inflationary tariff increases across the portfolio.

Our Midstream segment generated FFO of \$143 million, which is ahead of the prior year after excluding the impact of capital recycling. Strong demand and customer activity levels continued to benefit results, most prevalent at our North American gas storage business, where we continued to add contract duration at higher rates compared to prior years. The unprecedented growth in North American power demand has created further opportunities for our critical midstream assets. During the quarter, our business has capitalized on this favorable market environment by securing several accretive commercial agreements and bolt-on capital projects to meet growing customer demand.

Lastly, FFO from our Data segment was \$78 million, representing an 8% increase over the same period last year. This result reflects the contribution from recently completed acquisitions including the purchase of 40 retail colocation sites and two marquee hyperscale data center platforms. Across our global data center platform overall, we continued to see strong momentum in leasing activity on the tail of artificial intelligent investment and our customers' need for more processing and storage capacity.

Moving on from our financial and operating performance, I would now like to highlight some of our recent capital markets activity. In addition to replenishing our investment pipeline and progressing our asset sale plans, which Sam will speak to soon, our primary focus this quarter was capitalizing on very attractive debt capital markets to further derisk our asset-level balance sheets. Within our businesses, we completed approximately \$5 billion of non-recourse financings during the quarter, and our activity can be broadly bucketed into three categories.

The first category is right sizing capital structures. As our businesses grow their underlying cash flows, we can raise additional debt while preserving the existing capital structure. In

the last nine months, we have generated approximately \$1.4 billion of proceeds, of which \$1.1 billion reflects capital recycling activity. This is in specific instances where we are within 24 months of an expected sale and the new capital structure allows us to reduce the equity required by a future buyer and pull forward future sale proceeds.

The second category is maturity extensions. We have proactively refinanced \$3.4 billion in maturities occurring over the next several years. Across these transactions, the combined average rate increase was only 50 basis points. The benefit of pushing out maturities greatly outweighs the modest increase in financing costs, which is also more than offset by the inflationary revenue increases we've experienced over the last several years.

A great example of where we were able to achieve a term extension at an attractive price was at our Western Canadian natural gathering and processing operations. In July, we completed a \$720 million 8-year bond issuance with the proceeds used to repay a 2026 maturity. The newly issued bonds allowed us to fully derisk the maturity profile and extend the average duration of debt outstanding by two years. In addition, the new bonds were priced very competitively at a coupon in line with the debt being refinanced.

The third and final category is opportunistic repricing's. We took advantage of the strong spread environment and completed approximately \$1 billion of loan repricing's across three of our businesses during the second quarter. These activities reduced our cost of financing by over \$7 million annually net to BIP. These repricing transactions are a unique feature of the floating rate loan market and allow the issuer to reduce the credit spread of a previously issued loan while keeping the existing capital structure in place.

Our balance sheet position was strong to begin the year and has been further bolstered by this activity. Over the next 12 months, only 1% of our asset level debt is maturing, and we have no corporate maturities until 2027. In addition, we maintain significant corporate liquidity of \$1.9 billion and remain well positioned to support growth initiatives.

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

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**Sam Pollock:** Thank you, David. And good morning, everyone. For my remarks today, I'm going to provide an update on our strategic initiatives, and then I'll conclude with the business outlook.

In relation to our strategic initiatives, both public and private infrastructure deal flow has been a little slower to start of the year. However, one of the benefits of our business is that we have many avenues to deploy capital. In periods where large-scale M&A activity is lower, we focus heavily on tuck-in and organic growth opportunities embedded in our portfolio. In 2024 alone, we secured or completed seven follow-on acquisitions comprising nearly \$4 billion of enterprise value. Most significantly, we were able to complete the acquisition of 40 data center sites due to a previous owner mismanaging their capital structure and ending up in bankruptcy. The quarter also included the follow-on acquisition

of a 10% stake in our Brazilian integrated rail and port logistics business. And earlier in the year, we signed the bolt-on acquisition of a tower portfolio in India, which remains on track to close early in the fourth quarter or sooner.

We also maintain a large project backlog, which has increased by 15% from this time last year to approximately \$7.7 billion. In the Midstream sector, we are supporting increased producer activity through contracted facility and pipeline expansions. In total, these projects represent almost \$800 million in capital, which will generate over \$140 million in EBITDA and will fully contribute to results over the next two years. In our Data segment, we are commercializing our existing land bank and investing over \$1 billion in near-term growth capital to build data centers for our hyperscale customers. In addition, we are supporting their growth ambitions through strategic land acquisitions in Athens, Chicago, Frankfurt, Milan and Phoenix.

With respect to new investments, market conditions are trending positively. As a result, we expect the back half of 2024 to be active for M&A. Much of this is driven by the improved interest rate environment as the Bank of Canada and the European Central Bank are leading the way with the loosening of their monetary policies. Additionally, the large industry tailwinds such as AI are creating opportunities for well-capitalized businesses like ours, where we are an obvious partner of choice for technology companies that are seeking alternative access to private capital. Our novel transaction with Intel from several years ago is providing the blueprint for similar large-scale opportunities, which are gaining momentum.

In relation to capital recycling, we are extremely active and have three advanced processes in a number of areas. We have six further asset sales progressing that are expected to generate almost \$2.5 billion in proceeds when combined with our three advanced processes. This quarter, we monetized assets totaling approximately \$210 million, bringing our total capital recycling for the year to about \$1.4 billion.

In terms of our business outlook, recent market developments have provided an encouraging backdrop. Equity indices have reached historic highs, as I previously mentioned, G7 nations have initiated monetary easing measures that should reinvigorate large-scale M&A activity.

Our strong alignment with the global mega trends offers an exciting and underappreciated growth opportunity for our business. Several years ago, we coined the term “Three D’s”, namely Digitalization, Decarbonization and Deglobalization to describe these themes. While our business spans all three, we are significantly levered towards Digitalization and Decarbonization.

We are in active discussions with several blue-chip technology companies that are interested in leveraging Brookfield Infrastructure's market-leading scale and expertise. The tailwinds created from AI adoption supports exponential growth in our global data center platforms that service the large hyperscalers as well as our electric utilities and natural gas infrastructure.

Although we've been very active pursuing growth through bolt-on acquisitions and organic capital projects during the past few quarters, we are experiencing significant improvement in our business to achieve our 2024 capital recycling and deployment targets. Strict adherence to our financial guardrails has resulted in a strong balance sheet and liquidity position with tremendous access to large-scale capital. This combined with our connectivity into global transaction activity and our ability to move quickly should continue to create attractive investment opportunities for our business.

This concludes my remarks, and I'll now pass it over to Liz (Operator) for some Q&A.

## QUESTIONS AND ANSWERS

**Operator:** (Operator Instructions) Our first question will come from the line of Cherilyn Radbourne with TD Cowen.

**Cherilyn Radbourne:** Thanks very much and good morning. I wanted to pick up on the comment in the letter regarding capital deployment opportunities tied to AI across Data, Utility and Midstream.

I think the opportunities in data are fairly self-explanatory, but maybe you could spend some time to add color on where you're seeing leverage in the utilities and natural gas sectors?

**Sam Pollock:** I guess the term that's probably going to get coined in the next little while will be "AI infrastructure", and that will be the whole ecosystem around building large-scale AI data centers. And that will include not only data centers themselves, but also the equipment that goes inside them as well as the power and the transmission that will support those facilities. And obviously, the power side is largely going to be served by companies like BIP who have many relationships with the hyperscalers already.

But, in addition to building a power facility, you also have to connect it to build the transformers and connect it to the grid. A lot of our businesses are tied to that type of activity.

In addition to that, I think it's recognized that renewables probably can't be built quick enough to service all the power needs that will be available for these large gigawatt-sized data centers that are being talked about. Natural gas, in our view, as well as possibly nuclear, but in the short term it will be natural gas, will need to be utilized to provide the power. This is creating opportunities for us to invest across our natural gas complex to facilitate the movement of gas and the storage of gas to serve that whole ecosystem.

It's probably a little bit more complicated to get into it for each type of situation, but I would just say that all our natural gas complexes are in this discussion with a number of hyperscalers.

**Cherilyn Radbourne:** Okay. That's helpful. And then on the opportunities that are progressing based on the Intel blueprint, can you talk about how much capital you have the appetite and capacity to deploy to those opportunities? And just what some of the guardrails are in negotiating that type of deal?

**Sam Pollock:** Sure. So as far as amount of capital, I'd say given the interest we have from our global LP base to participate in those types of deals, I think it's unlimited.

I think we could source tens of billions of dollars for similar type transactions, whether it's for chip facilities or to provide the capital to go inside, as I mentioned, a lot of these future AI data centers.

I think structure-wise or what are some of the limiting factors, probably the most important one will be the counterparty that we need to have stand behind for a lot of the commercial elements of the transaction.

Intel was obviously a very strong credit for that particular situation. I think any of the hyperscalers or some of the other large chip manufacturers would be great counterparties as well. In some cases, it may be governments, as governments are now stepping into this area. I think the opportunity set is huge and we expect to be a leader in this area.

**Cherilyn Radbourne:** And if I could tack on one quick follow-on. Are all of those technologies in the technology space? Or is there anything that would be analogous outside of tech?

**Sam Pollock:** That's a very good question. I think the structure that we have come up with, elements of it are being used in areas that relate to hydrogen and other decarbonization type of facilities that are large. Some of those will be done by our sister company, but some also touch us to the extent that it relates to industrial gases.

I would say the type of approach that we used for Intel does have many opportunities outside of just AI and technology. Batteries being another area where, I guess, we've had lots of conversations.

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

**Robert Kwan:** If I can just kind of just follow on and start with the comments around similar deals like the Intel deal and what you're seeing out of your private investors and that demand.

Can you just talk about, having gone through the Intel and getting the feedback from kind of the investors in the public funds, just the thought on whether you think that the derisking you've done on something like that is being appreciated versus the relatively low return out of that deal?

And then especially just the multiyear lag between capital out the door before it shows up in cash flow? And just how you would expect BIP to participate in any of these types of deals going forward?

**Sam Pollock:** Hey Robert, I think that could be a long conversation because you touched on a lot of elements there. I'll try to keep it somewhat brief.

Obviously, there is a different level of patience for lack of a better expression between private investors and public investors which are maybe more a bit more quarter-to-quarter. It's easier for us to do those type of transactions, those long-lead development type deals in private funds and obviously that's the rationale behind the private equity industry.

However, I think the benefit of Brookfield Infrastructure is the fact that we are a large, diversified business. We have many businesses at all stages of maturity. We have lots of businesses that are generating significant amounts of cash flow. And then, we have these platform businesses that we talked about in the past that generate high IRRs over the long run, but maybe a little less cash flow in the short run.

Our investors for BIP, for instance, get the benefit of that whole suite of assets. And I think that's very attractive. I appreciate it would be great if everything we could buy would be generating cash flow on day 1, but then again, I think our returns would be lower. I think to get the higher returns that people want, we need to have some of these businesses that have a bit of a growth wedge to them.

I think in the Intel transaction, in the end, we're going to find that's going to be very high returning opportunity. The situation today, though, is that we still have a couple of years to wait before we truly see the benefits of that.

But I think, hopefully, having the long history that we do, our shareholders are generally patient and like the dividend growth that we have and have the same sort of patience that many of our private fund investors do.

I realize that's a long-winded answer, I apologize for it, but it was a little bit tough to tackle all things you mentioned.

**Robert Kwan:** I appreciate the color, it was a multifaceted question. Just if I can turn to your comment in the letter just around the M&A market heating up, and there's both sides of it, so I'll try to touch on both.

But just some thoughts on how the up to \$2.5 billion of asset sale proceeds, you might intend to use that? Would you expect that fully back into acquisitions? Would you look to maybe create some dry powder by paying down some of the Holdco lines or even on the other side, would you expect acquisition activity to exceed the \$2.5 billion figure?

**Sam Pollock:** It's a little difficult to look into the crystal ball as to exactly what the proceeds could be. I think today, we feel confident about \$2.5 billion, but it could be more.

In relation to some of the Holdco facilities, obviously to the extent that they're related to those asset sales, and most of them are, they would just be paid off and go with the asset. We don't have too many other Holdco facilities in the structure. The intention, as always, is to redeploy that into higher earning investments to continue the cycle of buying high-quality assets with returns in the plus or minus 15% range.

We've done a little better in the last couple of years, but maybe that trends back down a little bit as rates come down, but in that range historically. And then add value, invest in them, fix them up and then sell them at returns probably closer to 10% to 11%. We'll continue to do that.

**Robert Kwan:** And if I can just finish, like what geographies for subclasses are you seeing as having the strongest valuation so for the divestiture side and then just where you're seeing the more attractive valuations on the acquisition side?

**Sam Pollock:** This will sound a bit like a broken record. On the opportunity side, we see them everywhere. We have a pretty balanced pipeline across the Asia-Pacific, where I think we had the most advanced deals earlier in the year and probably some of those got pushed a little bit, but we think they are still coming and gives us a lot of confidence about some of the activity we have for later in the year.

But the pipelines in North America and Europe have definitely filled up as well. I think we're seeing good opportunities there.

We're probably maybe less active in South America, but that's a market that I think that we're seeing, particularly in Brazil, some good improvements in sentiment. I think there could be more activity there as well. And on sell side, look, the deepest market will always be the U.S. market that goes about saying, and then after that, probably Europe.

So unfortunately, I don't have any real shockers for you there. It's the same as usual.

**Operator:** (Operator Instructions) Our next question will come from the line of Devin Dodge with BMO Capital Markets.

**Devin Dodge:** Good morning. There seems to be a bit more M&A activity lately in the midstream sector. You're a well-known contrarian investor. Just wondering if we should expect you to be leading into that increased demand for these types of assets and whether we could see one or more of your mature investments sold in the near term?

And if the answer is yes, just what types of assets within midstream are getting the most potential or most interest from potential buyers.

**Sam Pollock:** I would concur, I think the midstream sector is a very interesting place. A lot of buyers have returned there over the last couple of years. It's been from an operational

perspective, one of our best segments for sure for the last while, and we foresee that to definitely continue in the short and medium term.

We see lots of opportunities. Today, we've got businesses across a number of geographies. A lot of the, let's call it, M&A/deployment is being done through those platforms. We are looking for new investments as well, but much of it is being done at the subsidiary level, and the deployment is significantly high. And I think we'll take advantage of all those opportunities.

As far as capital recycling, we look across our businesses, the one that I think we've talked about in the past that is probably the most mature and we've done a lot to it, and I think is incredibly well-positioned is our natural gas storage business. That may be one that we look to bring in partners or sell down pieces. It's doing exceptionally well and I think it's well recognized today as being critical, particularly in a number of markets for balancing loads, particularly related to LNG. And if I think of one of our best positioned assets today, it probably has to be that asset.

**Devin Dodge:** And then data centers, there was some discussion in the letter about it. Just wondering if you could provide a bit of an update on the development pipeline and when we could start to see that self-funding strategy start to ramp up.

**Sam Pollock:** On the development side, I think we've given a lot of information earlier on the call just on new areas we've gone into to add to our land bank and today, we're just building out the existing facilities that are contracted and for those relatively few pieces of land where we have power, we're very close to having those under contract as well. They exist in South America, Brazil, Chile and in the U.S. in Phoenix and Chicago. We've got obviously Europe, Germany, France and Spain as well as Greece. All of them are active at the moment and then we've got activities going on in Chennai and Mumbai and in India, Korea, New Zealand and Australia and I probably missed a few places...

We've got a lot of things going on in all those areas. Every one of those places has construction activity underway. As far as the capital recycling, we are well-advanced on a number of situations. I think the goal here is to not only do one-offs, which we will do some one-off transactions. But in addition to that, to have something that's probably more programmatic, where we have a series of investors who will look to repeatedly buy completed properties.

Those initiatives are underway and we're quite encouraged. Obviously, we have the benefit of being able to take advantage of our several thousand number of clients across the world and data centers are attractive to many of them today. A lot of them don't have them in their portfolio and they are looking to get exposure. I'd say stay tuned. Hopefully, next quarter, we'll have some more updates and if not next quarter, definitely the quarter after that.

**Operator:** That concludes today's question and answer session. I'd like to turn the call back to Sam Pollock for closing remarks.

**Sam Pollock:** All right. Thank you, Liz, and we appreciate your help. And thank you to everyone for joining the call this morning. We hope everyone's summer has been going well and we look forward to providing an even more detailed update at our upcoming Annual Investor Day event, which will be held in Toronto on September 24. Thank you again and take care.

**Operator:** This concludes today's conference call. Thank you for participating. You may now disconnect.