

Brookfield Infrastructure Partners (Q1 Earnings Conference Call)
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Corporate Speakers:

- Bahir Manios; Brookfield Infrastructure Partners L.P.; CFO
- Ben Vaughan; Brookfield Infrastructure Partners L.P.; COO
- Sam Pollock; Brookfield Infrastructure Partners L.P.; CEO

Participants:

- Cherylyn Radbourne; TD Securities; Analyst
- Robert Kwan; RBC Capital Markets; Analyst
- Rupert Merer; National Bank Financial, Inc.; Analyst
- Frederic Bastien; Raymond James Financial; Analyst
- Robert Catellier; CIBC World Markets Inc.; Analyst
- Devin Dodge; BMO Capital Markets; Analyst
- Andrew Kuske; Credit Suisse Group AG; Analyst
- Asit Sen; BofA Merrill Lynch; Analyst
- Rob Hope; Scotiabank; Analyst
- Naji Baydoun; Industrial Alliance; Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Brookfield Infrastructure Partners First Quarter 2020 Conference Call. (Operator Instructions) As a reminder, this call may be recorded. I would now like to introduce your host for today's conference, Bahir Manios. You may begin.

Bahir Manios

Thank you, Operator. Good morning, everyone. I hope you're all keeping well. Thank you for joining us for Brookfield Infrastructure Partners First Quarter Earnings Conference Call for 2020. On the call with me today is Sam Pollock, our Chief Executive Officer, and Ben Vaughan, our Chief Operating Officer. Following our remarks, we look forward to taking your questions and comments.

At this time, I'd like to remind you that in responding to questions and in talking about our growth initiatives and our financial and operating performance, 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 our known risk factors, I would encourage you to review our annual report on Form 20-F, which is available on our website.

I'll be kicking off the call today with a review of our operating results and a quick update on our balance sheet and funding plan. After my remarks, Ben will provide some commentary on the impact of the COVID pandemic, and Sam will wrap up by providing an update on our recent strategic initiatives and provide an outlook for the rest of the year.

Results for the quarter reflect organic growth and incremental earnings associated with our asset rotation strategy. On a per unit basis, FFO was \$0.77, which is equivalent to \$0.86 prior to our unit split, which was in-line with our prior year levels. And to be clear, there is no change in our dividend. We understand that some people may misinterpret these numbers differently, so we just thought we would clarify that on the call today.

FFO growth was primarily driven by organic growth of 6% and earnings associated with \$1.6 billion of capital deployed during the past year. These positive factors were partially offset by the sale of four businesses, some impacts related to the COVID situation and the depreciation of foreign currencies.

Virus-related impacts were primarily experienced at our port and toll road operations, affecting results by \$10 million, while the lower Brazilian Real reduced results by \$17 million.

FFO from our utilities segment totaled \$146 million, compared to \$137 million in the prior year. The segment delivered organic growth of 8%, reflecting the robust nature of our contracted and regulated cash flows in this segment. This increase reflects inflation in taxation and \$310 million of capital commissioned into our rate base over the past 12 months.

Results also benefited from the first full quarter contribution of our North American regulated natural gas transmission business acquired in October 2019. These increases were partly offset by the sale of our Colombian regulated electricity distribution operation and the lower Brazilian Real converted to U.S. dollars, which lowered our results by \$9 million.

Our transport segment delivered FFO of \$120 million, down from \$139 million in the prior year. Compared to the first quarter of 2019, results reflect the initial contribution from our North American rail operation as well as good pricing across our rail and road networks.

These positive impacts were more than offset by the loss of earnings associated with the sale of our European ports business and an interest in our Chilean toll road operation. When combined with the impact of a lower Brazilian Real when converted to U.S. dollars, these factors collectively reduced results by \$18 million. Our North American and Australian container terminal operations were impacted by lower trade activity from China in the first quarter due to COVID-19, reducing volumes by 13% and FFO by \$5 million, relative to 2019 levels.

The energy segment contributed FFO of \$115 million, compared to \$107 million in the prior year. Results increased by 12% on a same-store basis, excluding the contribution from our gas storage operations, which, as a result of timing and weather, earned higher spreads and stored greater volumes in the first quarter of last year.

Our North American residential infrastructure business benefited from the signing of 50,000 new customers and the ongoing success of our sales-to-rental strategy in the U.S. We closed the acquisition of the federally regulated portion of our Western Canadian Midstream business in December 2019, with these operations fully contributing to results in the quarter.

From our data infrastructure segment, FFO totaled \$42 million and an increase of almost 50%, relative to the prior year. Our underlying business continues to perform well with FFO from our French tower operation increasing due to inflation indexation and new points of presence added to our network. Results also benefited from the contribution of our newly acquired data transmission and distribution operations in New Zealand and the United Kingdom and a data storage business in South America.

Turning now to our balance sheet and liquidity position. Starting off, it's worth highlighting that maintaining a disciplined and consistent approach to financing at both the corporate and asset level through the market cycles is the only way to be prepared for unexpected market downturns. We implement prudent non-recourse financings at our business while maintaining a focus on liquidity and access to capital.

We have also taken an active approach to managing our debt maturity profile. Throughout the extended period of strong credit markets over the past five years, we proactively refinanced debt across our portfolio to extend our maturity profile and to minimize exposure to capital market disruptions. Excluding amortization payments and ordinary course working capital facility renewals, we have only 10% of our debt maturing in the next three years. So, our maturity profile is very well laddered, and we're in great shape as a consequence of that.

Our liquidity position is very strong as well, allowing us not only to support our operating businesses, but also to opportunistically pursue new investments. We currently have approximately \$4.3 billion of total liquidity, including \$3.3 billion of that at the corporate level. We completed two financing transactions in April, which added approximately \$1.3 billion to our resources, that included a \$400 million bond issuance

and the addition of an incremental \$1 billion to our revolving credit facility, that can be used to fund new investment opportunities.

Before I turn the call over to Ben, I wanted to spend a few minutes discussing the resiliency of our business, as it is a topic that we appreciate many investors are focused on during and following economic downturns. I'll start off by saying that trying to predict future results is always a precarious thing to do, especially during times that are truly unprecedented. However, we do now have a few months of experience operating through this new environment, which we now can reflect on.

When we measure the resiliency of our business, we begin with our utilities, energy, and data infrastructure operations, which contribute roughly 70% to 75% of our annual FFO. On a local currency basis, nearly all these businesses continue to perform in-line with budget. The stability and sustainability of these results reflect the regulated and capacity-based contractual frameworks of these operations. While a few of our assets in these segments have moderate exposure to market-sensitive revenues, the impact to our overall results is expected to be less than 2% annually, even in a scenario where COVID has a prolonged effect.

The only other variable that may affect results is the timing of commissioning of our backlog of secured growth due to construction slowdowns or stoppages. As an example, the pace of construction at our U.K. regulated distribution business slowed significantly in April, as a national construction shutdown was implemented across the U.K. and homebuilders suspended operations. While home construction is recommencing in May, activity levels may remain depressed for the balance of the year due to social distancing protocols. The impact on our 2020 results is expected to be less than 3%. More important though, the potential decrease in FFO would only reflect a delay in the recognition of accounting revenue and not a permanent loss of cash flows or economic value, as this backlog will eventually be added to our rate base.

Approximately 30% of our annual FFO comes from our transport segment, which includes rail, ports, and toll roads. This is the segment where we have the most exposure to GDP sensitive volumes. Our rail assets, which generate approximately 50% of the FFO in our transport segment, has proven very resilient in this current environment and ran on budget in the first quarter. So far in April, rail volumes in aggregate are approximately 3% below planned levels. Our rail networks carry predominantly basic bulk goods such as iron ore, agricultural and pulp and paper inputs and finished goods. Our exposure to intermodal traffic, which has been more impacted by reduced trade flows is relatively low.

Our port assets are predominantly container terminals. We experienced volume declines of approximately 15% in the first quarter. Our port volumes started to rebound early in the second quarter as production from China came back online but is still running approximately 10% below plan today due to the general decline in economic activity. Overall, our port volumes have been relatively robust, as our assets are predominantly in the U.K., Australia, and California, where the goods we move are critical to the basic functioning of these economies.

Our toll roads have been the most impacted from a volume perspective, with traffic declines of approximately 40% across our portfolio. The positive here is that in most jurisdictions where we operate, regulators have acknowledged that the current conditions qualify as a force majeure event, which positions us for the possibility of being kept whole on a value basis via either direct compensation or extension of the duration of our concessions.

In conclusion, we believe that the reduction in near-term FFO due to the economic impact of COVID is temporary and that the long-term run rate earnings capacity for our overall business is, for the most part, unaffected. Furthermore, while our distribution payout ratio will likely exceed our target levels for the balance of the year, our distributions remain covered by operating cash flows. We also have ample liquidity and no near-term refinancing requirements of any consequence, providing us the flexibility to pursue new investments.

And so, with that, I thank you for your time this morning, and I'll turn the call over to Ben.

Ben Vaughan

Thanks, Bahir, and good morning, everyone. Today, I'll provide a summary of our key operating priorities as we navigate through the current environment. But just before I talk about priorities, I just wanted to highlight that our management team has had experience operating through numerous periods of market dislocation and uncertainty in the past. And while the distinguishing factors of this downturn were the suddenness and the extent of the economic contraction, we know it is important to always be prepared for challenges, and therefore, all of our businesses maintain robust and detailed business continuity plans. And these plans have served us well as we've maintained 100% asset availability to-date through this period.

Our key areas of focus during the current environment have been: first, the health and safety of our people; second, maintaining asset availability; third, monitoring counterparties; and fourth, revising our business plans with a focus on maintaining cash flows and strong liquidity.

In terms of health and safety, we focused on ensuring our employees are following appropriate social distancing and where possible, working remotely. We've implemented a number of revised business processes to protect frontline employees with a strong focus on protective equipment, including masks, gloves, sanitizer, and implementing additional controls to ensure that all interactions can be done in a safe manner.

Given the broad scope of our operations, we have had some incidents of COVID-19 illness across the group, but the numbers have been very modest, and we've been able to avoid any larger concentrated outbreaks amongst our operating teams.

In terms of asset availability, as I mentioned before, we've maintained 100% availability throughout this period. We quickly mobilized in the January/February time frame to ensure that all of our businesses were formally qualified as critical infrastructure in the jurisdictions in which we operate, and we were granted this status across all assets. This provides us with the right to maintain operations and labor mobility even under severe lockdown scenarios. We also implemented plans to assess our critical inventories of supplies and supply chains to ensure that we are mitigating risk beyond just our own asset base.

While we've had no availability issues to-date, as Bahir mentioned a minute ago, we have had delays in certain growth projects due to construction restrictions, mostly at our last-mile connections business in the U.K. and our fiber-to-the-home network build-outs in France. But I'm pleased to report that as of very early May, construction activity in these jurisdictions has slowly begun to methodically restart.

In terms of counterparties, we've had no issues across the group to-date. Our counterparties largely consist of either strong corporate counterparties that remain financially healthy or our revenues are socialized across diversified rate bases or bases of clients, so receiving payments has not been a major issue so far.

And then the last area of focus has been on revising plans for each of our companies to ensure that any impacts from the economic contraction are well-understood. In instances where we have experienced some revenue declines, we have reduced costs and revised the timing of certain capital projects where possible, to ensure that cash flows remain strong, and AFFO levels are maintained to the greatest extent possible.

The last comment I'll make is we're very proud that our businesses have risen to the occasion in tough times. In addition to keeping operations up, many of our companies have made important contributions to the local communities in which we operate. We're making a concerted effort across our various offices and portfolio companies to donate funds, time, essential equipment and supplies to support communities and first responders.

For example, in North America, our Western Canadian Midstream business is contributing to a number of local causes, including donating equipment such as portable generators to indigenous communities to generate electricity. In the Asia Pacific region, our New Zealand data distribution business has provided

mobile connectivity to an isolation center that was used to quarantine people who returned to New Zealand from Asia. We also removed data limits on home broadband while reducing prices for data plans and provided charging stations at local hospitals to benefit frontline health workers.

And in emerging markets such as India and Brazil, our businesses have undertaken programs to distribute food and personal protective equipment and have donated funds to support public health initiatives and various community projects.

So, with that, thank you for your time this morning, and I'll now turn the call over to Sam.

Sam Pollock

Thank you, Ben, and good morning, everyone. For my remarks today, I'll provide a brief update on some recent strategic initiatives, following which I'll finish up the call by providing an outlook for the company.

During the quarter, I'm pleased to report that we successfully launched Brookfield Infrastructure Corporation, or BIPC. The special distribution of BIPC shares took place on March 31, whereby we issued existing unitholders with one Class A share of BIPC for every nine units of BIP LP. We have subsequently seen strong support for BIPC shares in the market, with trading volumes over the first 30 days at over 50% of the public float and the share price trading, in fact, slightly higher than the BIP LP unit price.

We are very pleased with the launch and the positive reception thus far. Our intention is to fully support the growth of the BIPC float over time and are actively considering initiatives in this regard.

Our second major initiative has been to progress the closing of our large-scale acquisition of approximately 130,000 telecom towers in India from Reliance Jio. Reliance recently announced a strategic deal with Facebook, which we believe will significantly enhance the overall profile of our main counterparty. The only significant outstanding approval remaining in order to close the transaction is from the Department of Telecommunications in India, and this is expected to be obtained in the coming weeks. We expect to invest up to \$500 million of equity in the business, alongside our institutional partners.

Lastly, since March, we've been actively evaluating a number of high-quality publicly traded infrastructure businesses that have traded off along with the broader market. While we are always analyzing the public markets for value opportunities, we've expanded our efforts these last few months as a number of private transactions has decreased in light of the current environment. Based on our analysis, we believe that certain companies are trading at a substantial discount to their intrinsic value. To date, we've invested approximately \$450 million, with BIP's share being about \$220 million into the shares of a handful of companies and hope that some of these will lead to large-scale transactions. If not, we will monetize our stakes as share prices recover and earn an attractive return in sectors we know well.

I'll close off today's call by discussing our outlook for the balance of the year. Our outlook is guided by the current state of affairs and the cautious approach most governments are taking towards opening up their economies. We are nonetheless encouraged by reports from our colleagues who work in certain parts of Asia that have already commenced reopening procedures, whereby in those markets, many business activities have returned to somewhat near normal and are doing this while adhering to social distancing protocols. Our current view of global economic conditions is that the closure of nonessential businesses will largely continue through the second quarter, after which we will see a steady recovery, with the exact cadence varying by region.

While the significant stimulus injected into the economy by governments will help speed up the recovery, we expect the shape of the recovery to be more of a swoosh than a U or a V. Assuming no significant second wave of infections in the fall, we anticipate most sectors and regions will return to a more normalized environment by the end of the year or during the first half of 2021. If that is not the case, we have contingency plans in place and are confident in our ability to manage our existing operations while also identifying investment opportunities.

While it's too early to comment on learnings from the pandemic, our conviction regarding the attractiveness and sustainability of the infrastructure sector has been reinforced. It is with considerable pride that we've been able to report to you today that every operating business owned by Brookfield Infrastructure was deemed an essential service and thus has been operating throughout this period. Our business is very resilient, and therefore, we have the confidence to actively look for potential opportunities to grow the portfolio on a value basis. We take a long-term view when analyzing businesses and will not get caught up in the near-term negativity.

As we have discussed in the past, we tend to be more cautious when the economic environment is frothy, and we look to invest in scale when capital is scarce. To that end, we began investing in the capital markets aggressively in March but have pulled back somewhat in April as the markets quickly recovered. We would describe our current investment posture as optimistically patient. We believe that a large-scale value opportunity will arise over the next 12 months, and we're reminded by our experience during the global financial crisis in 2009 and 2010, when a transformative Babcock & Brown investment we made did not present itself to us until almost nine months after Lehman bankruptcy.

We passed on many opportunities before the right one came along. Our situation today is vastly better than it was at the time we executed the BBI transaction. Our market capitalization is approximately 15x greater, and we have a committed infrastructure fund to invest alongside us that is almost 20x larger. And our sector and geographic expertise and scale is greater as well. We have a seasoned team focused on identifying transactions with a particular area of interest around large-scale value opportunities in the transport, energy, and utility sectors.

This concludes our remarks for today's call, so I'll pass the line back to operator, and we'll be pleased to take Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Cherilyn Radbourne with TD Securities.

Cherilyn Radbourne

Sam, I wonder if you could add a little bit to that discussion on how the investment team is pacing itself. And I guess if one were of the view that the recovery might be rapid, then one should act now. And I'm sure the pace of inbound has picked up. But on the other hand, some businesses out there may not be positioned to withstand a drawn-out recovery, in which case, one should be very patient.

Sam Pollock

I guess my comments to you would be that there's always the innate trait of fear of missing out. And I know there is some of that that's taken place. And I think some of the exuberance in the last month in the market may have been just that sentiment where people feared they were missing out on the crisis.

Our view, and we've been through many crises over the last 25 to 30 years while working, has taught us that these things typically take a lot longer to play out, and there's usually more shoes to drop. And so, while it's possible this time could be different and the recovery comes back fast and we miss out, we just think it's more prudent, and based on our experience, we think we'll be rewarded for being patient and seeing opportunities as they unfold over the coming quarters, as opposed to trying to jump into the market right now.

Cherilyn Radbourne

Okay. And then clearly, there's been some concern about how well-equipped countries like Brazil and India are to cope with the virus, so maybe you can elaborate on what you're seeing on the ground?

Sam Pollock

Ben, do you want to take this one? Or do you want me to?

Ben Vaughan

Yes. Look, I'm happy to take it. Yes, Cherilyn. So, on the ground, we are seeing in India, probably most of the issues have been concentrated in and around the Mumbai area, and that area is still relatively shut down, but other areas of the country have already slowly started to reopen economic activity. And as you know, both India and Brazil are huge countries with large populations. So, it's tough to generalize across the entire country, but there are pockets, from our understanding, where issues are very contained. And then there are other pockets where I don't think they've quite flattened the curve yet. So, we're seeing both dynamics sort of play out at the same time, which maybe is a bit similar to what we're seeing in North America and some parts of Europe as well.

And then in Brazil, it's a bit of the opposite. I think what you'll read in the media is that Brazil hasn't quite flattened the curve yet. We do know that more in the south end of the country, it's probably flattened, and they've been a bit more disciplined. In the northern part of the country, I don't think they're quite there yet on flattening the curve. But economic activity is sort of slowly picking up.

I guess, just anecdotally, especially in the last probably two weeks, we have seen a pickup in activity across a number of businesses in India and in Brazil. So slowly but surely, we're seeing some activity levels come back.

Operator

Our next question comes from Robert Kwan with RBC Capital Markets.

Robert Kwan

Just on the public security investments, I guess, a few different things. Is there anything that you can talk about where you're seeing the best value, whether that be geography or asset type? And then you also mentioned that you pulled back somewhat. So, do you still see some pockets of value? And if so, where?

Sam Pollock

Robert, so I'll have to first say that I won't be giving you our list of stocks or be too specific, and I hope you understand that. But what I would say is that what's changed in the past month and a half, from mid-March to today, is that when the market really fell off, we probably had a list of 10 to 15 names, and we were trying to decide which ones to really focus on, and we probably had intentions of diving into many of them. And we did dive into a bunch right off the bat. That list has narrowed quite a bit as some of them very quickly recovered. But there still are a few that we think represent good value and are misunderstood in the market today. And so that would be the change that's happened is the number of opportunities has shrunk a little bit.

As far as regions, our focus is mostly in North America and Europe. Those are the larger markets, and there's some interesting names there. There's probably maybe one or two that we're following in Asia Pacific. But I think that's as much as I can give you.

Robert Kwan

Fair enough. And then just on that, have you made any initial approaches to the Boards or management teams for the securities that you have accumulated?

Sam Pollock

I don't think I'd typically give that type of commentary on transactions. So, I won't go there.

Robert Kwan

Yes, fair enough. You mentioned that it's still too early to make some definitive comments around this downturn. But as you noted, look, it's not like we haven't seen other cycles or global disruptions. But early thoughts, does the current environment cause any modification in your thinking as to how you approach asset classes, whether that's returns or hurdle rates, financing structures or even just looking at our portfolio construction and distribution policy? We get these types of events and it kind of becomes a lot clearer which assets are truly resilient versus the ones that have expenditures.

Sam Pollock

Yes. I think that's an interesting question, and that's one that I think deserves examination over a longer period of time. So, as I kind of alluded to in my remarks, it's a little early to draw too many conclusions today because I think we'll need to see how this all plays out. I guess what I would reiterate is somewhat what we wrote in the letter is that a lot of the things that we have been following have been very helpful in this particular crisis. And whether that's making sure you have long-dated maturity profiles and very manageable debt levels and liquidity, those are obviously critical in any downturn.

I think the diversification has really helped us. I think, for some businesses, if you were just focused in transportation today, you're pretty distressed. The fact that we've got a broad-based business has been very helpful because it's always hard to know where the stress will come. And I think as far as elements of this that we know that we will have to focus on in future underwritings, one is making sure that our force majeure clauses are bulletproof. We think they're very good in our concession agreements, but we'll now find out how good they are. And so, I think that's something that everyone will be highly focused on.

And then I think we've always ascribed a higher return threshold to patronage-based businesses. These are basically volume-based assets like toll roads and ports because we've never predicted this type of scenario per se, but we've always known that the cycles do come. I'm not sure everyone in our sector has done that. But I think this will maybe cause a slight re-rating of toll roads and ports, just because people will recognize that volumes can go down.

Operator

Our next question comes from Rupert Merer with National Bank.

Rupert Merer

Sam, you gave some comments on your outlook for the global macro environment. But looking specifically at Brazil, the Real has traded down. I don't think we're seeing much inflation there yet. What's your internal view on the potential for recovery of the Real with the easing of the impact of COVID-19 or your view on the direction of inflation in Brazil?

Sam Pollock

Thanks, Rupert. Look, we haven't changed our long-term view of the country. We still believe that the fundamentals remain very positive. And as we've said on a number of calls over the past year, we're pleased with the reforms that have been instituted by the Finance Minister. And we think the direction they're taking is very positive.

It is unfortunate that the political rhetoric has impacted the reputation of the country a bit. I think a lot of the impact on the currency has to do with the fact that it is a commodity export country and whether it's oil or iron ore, different things, agriculture, and that many countries, including Canada and Australia, have seen their currencies drop down. And added on to that, it is just the Latin America halo, so I think it's fallen a bit more. But in local currency, our businesses are doing extremely well. And we believe that as uncertainty lifts over the coming quarters, that as you see oil prices go back up as the current lot gets worked out, you'll see the Real, as well as a number of other currencies, improve relative to the U.S. dollar.

I can't really comment on inflation because I think that's out of my bandwidth.

Rupert Merer

All right. Fair enough. And secondly, Ben, you mentioned you're looking to bring down costs in some areas to offset the impact of COVID-19. Can you talk about how much you're able to flex costs in your operations? And coming out of this, do you see any potential for permanent benefits from changes that you may be making to the business?

Ben Vaughan

Yes. Look, that's a good question. I guess, in terms of our ability to flex costs, it's pretty decent. Largely, what we've done, I'd say the strategic approach we've taken is to maintain capacity. So, we've generally

been furloughing certain employees in certain businesses, but maintaining the capacity for when activity returns to more normalized levels. So, it's been meaningful to-date, but it's been with an approach of keeping the ability to bring all the assets right back up to full potential when things rebound. So, I'd just make that strategic comment.

And I'd say the second thing we've done; we have a number of asset carve-outs and cost-out initiatives in businesses that we were executing in any event. And if anything, we've just sort of accelerated some of those programs. And it's really forced our management teams to work hard and dig deep on those. So, I'd say, if anything, we've probably had a little bit of a very modest acceleration of some cost-outs that we were going to undertake this calendar year and into early next year in any event.

Rupert Merer

Okay. So, nothing sort of that wasn't already in the plans as far as removing costs from structure?

Ben Vaughan

I wouldn't say anything highly material. I mean my only other anecdotal observation is I do think people have been leveraging video-based meeting technology really well in the last couple of months. And anecdotally, many of our businesses are talking about reducing travel budgets going forward, but that's just neither here nor there at this point. But it has been interesting to watch a large organization like ours seamlessly move to a much deeper commitment to video-based technology and actually have probably almost more face-to-face interaction than we would have six months ago or a year ago to some degree. So, like I said, it's more anecdotal than anything, but I do think there will be some impact to cost structures around leveraging technology.

Operator

Our next question comes from Frederic Bastien with Raymond James.

Frederic Bastien

My question is for Sam. You've historically stayed away from airports because of perennially high valuations. Thinking maybe COVID might be this once in a lifetime opportunity for you guys to get into that sector, what are your thoughts?

Sam Pollock

Frederic, well, yes, I think that's a perceptive comment. It has been challenging in the past to invest on the value basis in the airport sector. And part of it is because of the low return thresholds that people put to those type of businesses. In spite of what's taken place, we still think that they are attractive assets. There will be some complexity in formulating views regarding the return of air traffic and the splits between domestic and international, which could give us an opportunity to use some of our expertise to buy for value. So, without being too long-winded about it, yes, I think you're right. We will look at the sector if there is an opportunity to enter it on a value basis, then we would seek to do so.

Frederic Bastien

Are there any opportunities that you have looked at currently?

Sam Pollock

I can't comment on that.

Operator

Our next question comes from Robert Catellier with CIBC Capital Markets.

Robert Catellier

I was wondering if you could give a little bit more detail on the structure and timing of settling the force majeure claim on the toll roads. And it seems more logical that any of the settlements might come in the form of extending the concession rather than some type of other value transfer. Can you just comment on that, please?

Ben Vaughan

Yes, it's Ben here. It's always hard to guess the exact timing of these things. I think some of them might happen relatively quickly once the world normalizes, and some might take up to a year or more to work out with the regulators. And I do think you're right that, generally speaking, the easiest way to settle these types of rebalancings is to just add duration to the concession contracts to keep the concessionary revenue neutral. It's generally a little more unlikely that you'd get some cash payment, so I think concession extensions is probably the way it will go. And I think it will range in duration, but probably within the next year and shortly after that, we'll have it all settled.

Robert Catellier

So then assuming you've amortized all your debt and taken most of your capital out and got your return of and on capital in the original duration of the concession in the original terms, so those extended years would be highly accretive.

Ben Vaughan

Yes, I think that's correct. And the principal would be to fill in for the cash flows that you were missing during the period of abnormally lower. That would be the difference.

Robert Catellier

Just moving on to currency, following up on that subject. The nature of your platform implies that you can't really avoid currency risk because they're so international in scope. But with the recent weakness in the Brazilian Real, has it given you cause to reconsider maximum exposure levels to any one currency or otherwise change your risk management approach?

Sam Pollock

I think we've always sought to create a balanced, diversified portfolio by region and by sector. And we haven't really changed our policies in that regard. We are sensitive to it. We made investments recently in Brazil that maybe took us a little higher than we normally would be, but that was because we saw incredible value. And we still think those investments will be very accretive for us, namely the pipeline transaction and the electricity transmission transactions. And so, I'm sure once those get realized, we will naturally be more balanced like we were in the past.

Operator

Our next question comes from Devin Dodge with BMO Capital Markets.

Devin Dodge

Maybe a question on India. Looks like the slowdown that we're seeing, it just seems like it came at a really bad time, just given that there was a bit of a credit crisis before this all got started. Just interested to get your thoughts on what opportunities you're seeing and whether you've seen an uptick in that opportunity set.

Sam Pollock

Devin, just to be clear, the opportunity set in India?

Devin Dodge

Yes.

Sam Pollock

Yes. So today, our primary focus is just to close the Indian telecom transaction. There's nothing that I would describe that's particularly advanced in India on any other asset. And to be honest, there's not a lot of private activity. There are a few processes that we are involved with, but they will get extended due to just the challenges of completing physical due diligence. But today, I would say, in India, there is nothing that we're particularly focused on.

Devin Dodge

Okay. Maybe switching gears. A lot of your energy midstream assets, they're protected by take-or-pay agreements. I'm just wondering, how are you feeling about counterparty risk for your pipeline assets, both in the energy segment and in utilities?

Ben Vaughan

Like I mentioned in my comments earlier, we're feeling pretty good about our counterparties at this point. On the midstream business, we largely have investment-grade international players or very strong local competitors. In that business, we've seen everyone behave very rationally and take prudent actions to make sure that they stay healthy through this period. So, at this point, we haven't seen any issues to-date.

And broadly, in the utilities, we also haven't had any large collection issues I know there has been a bit of a theme across various jurisdictions around allowing people to defer payments of utility bills, but we haven't seen any impact in our businesses. And in some instances, we are seeing that governments are going to step in and help provide support in those situations. But like I said, we're not actively engaged in any of that at this time. So, no issues noted to-date.

Operator

Our next question comes from Andrew Kuske with Credit Suisse.

Andrew Kuske

Probably the first question is just a point of clarification on the \$450 million that you've invested. I think the language in the press release was shares of a handful of companies. And the clarification is, was it just shares? Or have you taken any holdings in debt positions of companies?

Sam Pollock

The vast majority of it is in shares. There might be a modest amount of debt, but it is primarily shares.

Andrew Kuske

Okay. Appreciate that. And then I think the color was also on BIPC, that you plan on supporting the entity and is this maybe the playbook to look at what Brookfield renewable is doing with Terraform Power as a potential use of the BIPC vehicle in the future? .

Sam Pollock

One of the attractions for us of setting up BIPC was having that flexibility that should an opportunity arose to do a merger or an acquisition utilizing shares, we now had a security where we could affect a role over for the company that's been acquired. So yes, it is available. Whether or not those opportunities will arise, I can't comment on. Don't know. But absolutely, if it helps do a transaction, it makes it more palatable, then we'd be prepared to use that flexibility.

Andrew Kuske

And then maybe just as a follow-up. I mean, clearly, from a market standpoint, there's been receptivity to the vehicle. How big do you think the market size is for a C structure versus your current LP structure at the top of the house?

Sam Pollock

And just to clarify, Andrew, are you asking how big you think the demand is for it? Or how much capacity we had to issue more BIPC? I wasn't quite sure.

Andrew Kuske

It's more the investor interest in it, if the LP audiences is x, is the C structure audience 2x or 3x?

Sam Pollock

Yes, just to be clear, we'd be speculating because I don't really know the answer. But based on the inbounds and the number of conversations that has had, I would suspect it's several Xs.

Operator

Our next question comes from Asit Sen with Bank of America.

Asit Sen

I have one on transport and one on data infrastructure. Thanks for all the details on transport. Bahir, I think the COVID impact for the quarter, tolls, and port, you quantified \$10 million and Brazil Real reduced by \$17 million. Any thoughts on broadly quantifying in Q2 now that we are in May? And directionally, is there any other color?

And then secondly, regulators have acknowledged this as a force majeure event. Is it in all jurisdictions or any specific ones?

Bahir Manios

Relating to the COVID impact, we did give a bit of, as you mentioned, color in the letter and in my remarks as to what we're seeing so far in Q2, at least. And so that's traffic volumes in our toll road business going down by about 40%. Our port operations being impacted volume-wise by 10% to 15%. And then our rail business somewhere in the range of 5% to 10%, albeit it was better than that in April.

As far as Q3 and Q4, look, it all depends on how it goes, as Sam noted in his remarks with respect to openings of the economies. So, the biggest impact, assuming things open up a little bit, the biggest impact we will see is probably in Q2, with moderate recoveries happening in Q3 and Q4, but it's still a bit early to make assumptions on that.

Ben Vaughan

And then just maybe on the force majeure, I would say, we own toll roads in India, Brazil, Peru and Chile, and the majority of them are in Brazil. India and Brazil, I'd say have publicly acknowledged the force majeure. And in Peru and Chile, it's clear in the contracts and in certain notices that we've exchanged with the regulators. So, I'd say we haven't noticed any jurisdiction where we don't think it applies.

Asit Sen

Great. And Ben, in light of recent surge in the data infrastructure, how are you seeing the competitive tensions in this area playing out? Any particular geographies stand out as the global dynamic clearly shifts in this segment?

Ben Vaughan

For data in general?

Asit Sen

Yes.

Ben Vaughan

I mean, look, I don't know that we're noticing any standout regional dynamics other than we do have business in South America that's growing. And there does seem to still be a need for data capacity.

Sam Pollock

Maybe, Ben, I can just refer to what we're hearing from the big cloud providers and their need for more capacity.

Ben Vaughan

Yes. I think as Sam is highlighting, we continue to hear from our clients an increasing demand, especially in South America. And even, for example, in our towers business in Europe, we continue to have MNOs, want to build new points of presence with us and new towers. So, I think if anything, we identified data infrastructure a number of years ago as a potential sector to focus on. And if anything, I think it's emerging today as an infrastructure asset class with all the characteristics you'd expect and has only become more important as a result of this current situation.

Asit Sen

On valuation, you mentioned some companies are trading well below intrinsic value. Could you perhaps compare these valuations relative to prior downturn? And perhaps talk generally about the bid-ask? Are they reasonable or still way wide, just conceptually at least?

Sam Pollock

Look, it's hard to compare to previous cycles. I mean, the only major pullback on a broad scale was back in the GFC. And we initially saw pullbacks of similar magnitude except this time, the recovery was much quicker and more broad. I would say that some of the businesses that we are looking at have had their valuations cut more than half, and so that's what's creating the opportunity. I'm not sure there's much more I can add.

Operator

Our next question comes from Rob Hope with Scotiabank.

Rob Hope

Just a couple follow-ups. When you're looking at your financing strategy moving forward with some of the monetizations of your assets pushed off, how are you thinking about bridging that gap? And could BIPC or additional BIP units be used in the interim?

Sam Pollock

—I'll just make two quick comments on that. First, in Bahir's remarks, he mentioned that we arranged the bulge facility. That effectively bridges the asset sales for us. And we'll utilize that. And as far as the resumption of asset sales, we expect that either in the latter half of this year or next year, they will resume. So, we're not expecting there to be a lengthy delay.

And I guess part of what gives us the confidence to say that is just what we've known is with our investor base on the institutional side, is people are just getting on with business. The attractiveness of the sector, if anything, putting aside some of the transport assets, has only been highlighted by what's going on. And the amount of capital there is massive, and interest rates are lower. So, we know valuations will hold up well. And we've already seen a resumption of activity in the renewable power and data infrastructure sectors. And we expect that the energy in transport sectors won't be far behind.

So, look, in our view, at this stage, this is a delay and resumption of activities should resume in the fall or early next year.

Operator

Our next question comes from Naji Baydoun with Industrial Alliance.

Naji Baydoun

One quick question for me. You mentioned counterparty risk isn't a major issue for you so far today. I'm just wondering if you can comment on what are the issues that worry you the most today, given the current environment?

Ben Vaughan

I'd say a few areas of issues, we have a big backlog or a backlog of construction projects in many of our utilities businesses. And in some of the jurisdictions where those are located, construction activity was mandated to either slow down or come to a halt for a period of time.

We're starting to see activity resume, as I mentioned in my comments. So that's been one of the impacts. I think Bahir touched on the impact on our transport sector in terms of some of the volume dynamics. But apart from that, we've been monitoring issues around counterparties, liquidity and the health and safety of our people very closely, and we haven't had any major issues. Our assets have been pretty resilient.

Sam Pollock

Yes. Maybe I'll just add to that. I think on an individual asset micro level, we don't see any major issues. Where the biggest issues reside, and this is always the case irrespective of where we are now, it's just more heightened, is government policy or regulation that has unintended consequences. And so, lots of governments are responding to the pandemic with policies, some that are well thought out, some that are not well thought out. And frankly, that's the biggest risk for any company out there in the world, including ourselves. But as long as sensible decisions are made, then we're confident that we'll work through this.

Okay. Operator, is that all the questions?

Operator

Yes. I'm not showing any questions at this time.

Sam Pollock

Okay. Well thank you. Thank you, Operator. And thank you, everyone, for joining the call this morning, and we really, really appreciate your ongoing support.

We wish you and your families continued health during these challenging times.

Operator

Ladies and gentlemen. Thank you for participating in today's conference.

This concludes today's program. You may all disconnect. Everyone have a great day.