

**Brookfield Infrastructure Partners L.P.**  
**Q4 2019 Conference Call**  
**February 10, 2020**

**Corporate Speakers:**

- Melissa Low; Brookfield Infrastructure Partners L.P.; VP of IR
- Bahir Manios; Brookfield Infrastructure Partners L.P.; CFO
- Sikander Rashid; Brookfield Infrastructure Partners L.P.; SVP of Investments
- Sam Pollock; Brookfield Infrastructure Partners L.P.; CEO
- Ben Vaughan; Brookfield Infrastructure Partners L.P.; COO

**Participants:**

- Cherilyn Radbourne; TD Securities; Analyst
- Robert Kwan; RBC Capital Markets; Analyst
- Frederic Bastien; Raymond James Financial; Analyst
- Rupert Merer; National Bank Financial, Inc.; Analyst
- Robert Catellier; CIBC Capital Markets; Analyst
- Devin Dodge; BMO Capital Markets; Analyst
- Andrew Kuske; Credit Suisse; Analyst
- Rob Hope; Scotiabank; Analyst
- Jeremy Rosenfield; Industrial Alliance Securities, Inc.; Analyst
- Jonathan Reeder; Wells Fargo Securities, LLC; Analyst

**PRESENTATION**

**Operator**

Good day, ladies and gentlemen. Welcome to the Brookfield Infrastructure Partners' Fourth Quarter 2019 Conference Call.

(Operator Instructions)

As a reminder, this call may be recorded.

I would now like to introduce your host for today's conference, Melissa Low. You may begin.

**Melissa Low**

Thank you, Operator. Good morning. Thank you all for joining us for Brookfield Infrastructure Partners' Fourth Quarter Earnings Conference Call for 2019.

On the call today is Bahir Manios, our Chief Financial Officer and Sam Pollock, our Chief Executive Officer. We also have Sikander Rashid, Senior Vice President, Investments, in Brookfield's Infrastructure Group, joining us as a guest speaker this quarter, as well as Ben Vaughan, our Chief Operating Officer. Following their 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 known risk factors, I would encourage you to review our annual report on Form 20-F, which is available on our website.

With that, I'll turn the call over to Bahir.

**Bahir Manios**

Thank you, Melissa. Good morning, everyone. I'm pleased this morning to discuss our results of operations and to also provide a quick update on our balance sheet and funding plan.

After my remarks, I'll hand it off to Sikander, who will provide a spotlight on our approach to value creation and explain to you all the various things we're doing at Enercare. Sam will finish off the call with a discussion of our recent strategic initiatives and will provide an outlook for the year ahead.

2019 was a great year for Brookfield Infrastructure. Our financial results and operating performance were strong. Funds from Operations, or FFO, totaled \$1.38 billion or \$3.40 on a per unit basis, and that represented an 11% increase on a comparable basis, a 9% increase on a total basis over 2018.

Operating conditions during the year were favorable in all regions, enabling us to execute on our full cycle investment strategy of acquiring high-quality assets, creating value through our active asset management programs and recycling capital on an attractive basis. The capital markets were also strong, allowing us to raise equity to fund growth and to secure debt at historically low interest rates.

Before I discuss our results for the various operating segments, I'm pleased to share with you that as a result of our strong financial and operating performance, robust liquidity position and positive outlook for the business, our Board of Directors approved an increase to our quarterly distribution of 7% to \$0.5375 per unit, starting in March of 2020, or \$2.15 on an annualized basis. This increase is at the midpoint of our 5 to 9% long-term target and represents the 11th consecutive year of distribution increases for our company.

Now, onto our results. As I noted earlier in my remarks, results for 2019 reflected solid organic growth and the execution of our asset rotation program. Our FFO benefited from organic growth of 9% and contributions from new investments.

Our utilities segment contributed FFO of \$577 million in 2019. This is consistent with the prior year, which included the contribution of approximately \$25 million from the Chilean electricity transmission business sold in 2018. The segment generated organic

growth of 8%, reflecting inflation indexation and \$300 million of capital commissioned into our rate base.

Results also benefited from the initial contribution of the North American regulated natural gas transmission business acquired in October. These contributions were partially offset by the weakening of foreign currencies, which lowered our results in this segment by \$14 million. Our U.K. regulated distribution business delivered exceptional results in 2019, despite the uncertainties surrounding Brexit.

Results were driven by the installation of utility connections at approximately 200,000 new homes, the highest level of activity during our 10-year ownership, as well as the sale of 300,000 new connections, a level surpassed only by the record sales achieved last year.

These results bring our current order book to an all-time high of 1.15 million connections. Our fiber offering performed well ahead of expectations with a 36% increase in sales, in part due to the successful rollout of our new fiber offering recently created as a result of our partnership with Sky Fiber Broadband. These positive trends, combined with capital commissioned into rate base, contributed to a 10% increase in FFO relative to the prior year.

In October, we completed the acquisition of two operating natural gas transmission assets in North America, and our integration efforts are progressing well. These regulated assets operate under a take-or-pay arrangement with an investment-grade counterparty that extends through 2041.

Our transport segment generated FFO of \$530 million, compared to \$518 million in the prior year. Organic growth of 5% was driven by GDP-linked volume increases and higher tariffs across most of our operations. The segment benefited from strong agricultural volumes in Australia and Brazil, and higher traffic and tariffs of 3% and 4%, respectively, across our global toll road portfolio.

FFO from our port operations exceeded prior year levels by 25%, excluding the contribution from our European port operation, which was sold in mid-2019. This increase primarily reflects growth in container volumes at our U.K. operations, in addition to higher tariffs at our Australian ports.

In 2019, our U.K. port operation commissioned approximately £20 million of capital projects for warehouse development, automation initiatives and capacity expansion at our container terminal in response to growing customer needs. The business is on track to increase its EBITDA by over 50% in the next two to three years. This increase is the result of contributions from recently secured contracts, high probability growth from captive customers and new revenues related to the commissioning of the world's largest biomass power station.

FFO from our energy segment was \$412 million, an increase of 53% over the prior year. This significant increase is primarily attributable to the \$1.2 billion of capital deployed to

acquire two North American businesses in late 2018 and a natural gas pipeline in India in the first quarter of 2019. Results also benefited from organic growth of 16%, which was attributable to higher volumes at our North American natural gas pipeline business and new customer connections at our distributed energy businesses in North America.

FFO from our data infrastructure segment totaled \$136 million in 2019, an increase of over 75%, relative to 2018. This step change in FFO was a result of contributions related to capital deployed at our French telecommunications business, as well as four new investments, which enabled us to establish our global data infrastructure franchise. These acquisitions include three data storage operations in the U.S., Brazil and Australia, as well as a data distribution business in New Zealand.

Our French telecommunication business has been supporting customers with several large-scale organic growth projects. Through its build-to-suit tower program, the business has strengthened its relationships with major mobile network operators by assisting them in meeting their national coverage requirements.

We commissioned 245 towers in 2019 and expect to have a total of approximately 1,000 build-to-suit towers operational in the first half of 2020. Additionally, our fiber-to-the-home deployment is ahead of underwriting, with almost 35% of the portfolio now built or under construction, and the first network scheduled to be completed in the first quarter of 2020.

So that concludes our report on financial and operating results for the year. But before I conclude my remarks, I'll briefly touch on our current balance sheet and funding plans.

The most noteworthy acquisition financing completed this quarter was the \$2.6 billion of financing in the institutional term loan market that we did to fund the acquisition of our North American rail business. This debt issuance was heavily oversubscribed, as credit investors continued to seek high-quality names that are financed at prudent levels. We achieved strong pricing and terms that are consistent with high-quality investment grade issuers, completing a seven-year financing with a coupon of LIBOR plus 200 basis points.

We also capitalized on favorable markets to complete several important financings in our existing businesses. First, we raised approximately CAD\$2 billion at our North American residential energy infrastructure operation to refinance existing higher cost debt in that business, which Sikander will touch more on in his remarks, in addition to refinancing our debt at our U.K. port operation, which allowed for \$110 million of capital to be returned to BIP, in addition to reducing our average annual financing costs by 3.5%.

Despite a year of outsized capital deployment, our balance sheet remains healthy, with \$3 billion of total liquidity in place at year-end and almost \$2 billion of that residing at the corporate level. We're also making good progress on the next phase of our capital recycling program, completing three asset sales that we announced last quarter.

First, the sale of our Australian district energy and distribution business that we closed in November, that generated net proceeds to BIP of \$280 million. Second, we closed the divestment of our regulated distribution operation in Colombia, with proceeds of \$100 million to BIP. And finally, we completed the sale of a further 33% interest in our Chilean toll road business in early February for \$170 million.

Furthermore, during the fourth quarter, we signed a binding agreement to sell our North American electricity transmission operation for proceeds of approximately \$60 million to BIP. We established this business over a decade ago, and as part of a government-led program to support renewable power generation in Texas. Since commissioning the transmission system in 2014, the company has been a best-in-class operator with an extensive track record of stable distributions.

Given the derisked, mature state of the business and substantial investor demand for North American regulated assets, we viewed this as an opportune time for us to sell. The transaction is expected to close in mid-2020 and generate an IRR and a multiple of capital of approximately 23% and 3.5x, respectively. So, with that, thank you for your time this morning, and I'll turn the call over to Sikander.

### **Sikander Rashid**

Thank you, Bahir, and good morning, everyone. My name is Sikander Rashid, and I'm pleased to join today's call to provide a spotlight on our investment strategy and how we create value in our businesses.

Our investment strategy consists of three core components: number one, we buy high-quality infrastructure assets at attractive entry points; two, we employ an active asset management approach; and three, monetize assets at their full value potential and start over again by investing into higher returning opportunities.

Our deep operating expertise is central to the second component of our strategy. During each year of ownership, but particularly in the early years after we acquire a business, we identify and implement initiatives that increase the value of that investment. And this value is created through various means, including revenue growth, margin improvement and capital structure optimization.

To bring our investment strategy to life and to showcase some of the ways we create value in our businesses, we thought it would be interesting to take you through a case study on Enercare, our North American residential energy infrastructure business. Since the acquisition of the business in late 2018, we have been focused on several initiatives that highlight our active approach to asset management.

Quick recap. Enercare is a leading provider of essential residential energy infrastructure such as water heaters, furnaces, air conditioning or HVAC systems, and other in-home services. The business operates in a sector and region that we understand well, and this business shares a number of similar features with our U.K. regulated distribution business.

At the time of acquisition, we were attracted to Enercare's high-quality, annuity-like cash flows, established market position in Canada and significant growth potential in the U.S. Since acquisition, the business has been performing well, and we have been focused on two key value creation levers: number one, capital structure optimization; and two, sales growth in the U.S. market.

To elaborate further on the capital structure optimization point, since we acquired the business, it was a belief that Enercare's capital structure was not optimal, given the long-term contracted cash flow profile of the underlying business. Enercare has over one million long-term rental contracts with low rates of attrition, consistent real price growth and high customer renewal rates.

We examined available financing structures and ultimately concluded that Enercare's Canadian rental business was uniquely positioned for a securitization financing. So, in December of last year, we recapitalized the business through the issuance of approximately \$2 billion of primarily AAA-rated securitized debt. This is a marquee financing as it is the first of its kind for this type of business in the Canadian market. The proceeds were used in part to redeem \$1.4 billion of public bonds and term loans.

We reduced the cost of debt in the business by over 50 basis points, while substantially improving the credit rating of the assets from BBB low to primarily AAA. Furthermore, prospectively, the securitization facility also provides a mechanism to efficiently fund organic growth and future tuck-in acquisitions, thereby reducing the need to inject capital to fund this growth.

Overall, this financing was very accretive to our underwriting and improves the competitiveness of the business.

Now moving on to the second value creation lever. To facilitate rental growth in the U.S., we are focused on implementing a dealer adoption model that will complement the tuck-in acquisition and sales to rental conversion strategies currently underway. While rental conversions are well ahead of plan, reaching over 40% in the fourth quarter, we believe we can accelerate this growth further by offering a partnership model to HVAC dealers in markets where we do not have presence today.

In addition to the dealer model, we have various other initiatives underway with Brookfield-managed businesses to further enhance growth. Earlier this year, we launched a pilot program with a utility in Texas to offer residential infrastructure products to a large subset of this utility's clients.

The pilot has been well-received, and we're working on the long-term rollout of the program. Enercare also recently partnered with our Canadian district energy business to participate in a housing development project, representing an opportunity to offer services to a community-scale district energy system.

With the Canadian securitization now complete and additional growth strategies underway, which will be financed in a much more accretive manner, we are well-positioned to expect equity return in the high teens and potentially higher, exceeding our conservative base case underwriting for this business.

And with that, I will now turn the call over to Sam.

**Sam Pollock**

Thank you, Sikander, and good morning, everyone. For my remarks today, I'll provide an update on some recent strategic initiatives and give an outlook for the business. The fourth quarter was very active from an investment perspective. In December, we expanded our data infrastructure segment committing nearly \$1 billion in three separate transactions. This includes the previously announced Indian telecom towers business, as well as two new investments, which I'll touch on now.

In late December, we agreed to acquire 100% of Cincinnati Bell, or what we'll refer to as CBB going forward, in a take-private transaction, which could result in an investment of up to \$480 million for BIP. CBB is a leading fiber-to-the-home business in the United States, serving approximately 1.3 million residential and business customers in Greater Cincinnati and Hawaii. This is an attractive business with substantial growth prospects. The transaction is subject to shareholder and regulatory approvals which, if obtained, would likely result in the closing of this transaction in late 2020.

Around the same time, we completed the acquisition of a U.K.-based independent wireless infrastructure company, investing \$140 million. It is comprised of over 2,000 fully contracted operating towers and distributed antenna systems. The business is well-positioned to capture expected network growth in the U.K. and has significant potential to leverage Brookfield's real estate holdings to expand into other jurisdictions inside and outside of the U.K.

At year-end, we closed the previously announced acquisition of Genesee and Wyoming for \$500 million net to BIP and the federally regulated assets of our Western Canadian natural gas gathering and processing operations for \$250 million.

On our call last quarter, I reported on our effort to launch Brookfield Infrastructure Corporation, or BIPC. During the quarter, we have made advancements in its formation and subject to receipt of regulatory approvals, BIP expects to complete the special distribution of Class A shares of BIPC to BIP unitholders in the first half of 2020.

As a reminder, BIPC will provide investors with an alternative way to gain exposure to our global infrastructure business. We believe a corporate entity will be attractive to many investors, particularly in the United States and Europe, who have historically been averse to our partnership structure.

BIPC's Class A shares will be structured with the intention of being economically equivalent to BIP LP units, including by having the right to receive identical

distributions. BIPC's Class A shares will also be exchangeable into LP units, or the cash equivalent at BIPC's discretion, at any time as well as provide simplified tax reporting and other tax advantages.

I'll now change directions and provide a brief outlook of the year ahead and the current economic environment. We've entered 2020 with both positive and negative developments in regard to global growth.

The signing of the Phase I of the trade deal between the United States and China removed some of the impediments to global growth. Unfortunately, the outbreak of the coronavirus has significantly disrupted economic activity in China, which will have global implications. Trying to be positive about that, if the financial effects from this outbreak are similar to those felt during the SARS outbreak in 2003, we expect that the slowdown will be short-lived.

From a BIP perspective, we do not anticipate any material financial impact from the coronavirus situation and remain optimistic regarding the business outlook for the regions we operate in. We do not have any operations in China, and potential disruption to commodity supply chains should not have any significant impact on our overall activities.

Looking beyond these current headlines, our business is well positioned for continued growth, and our outlook remains positive. We anticipate delivering another year of organic growth at the high end of our 6-9% target range.

We're focused on executing the next phase of our capital recycling program, and we are on track to raise a further \$1.5 billion. We plan to redeploy this capital into higher-yielding new investments, which should provide for another period of outsized FFO growth. While quarterly results this year may be impacted by the timing of new investments and sales, we anticipate that our run rate exit FFO per unit in 2020 will be approximately 12-15% higher than current levels.

This concludes our remarks for today's call. And so, I'll pass it back to the operator, and we'll be pleased to take some questions.

## **QUESTIONS AND ANSWERS**

### **Operator**

(Operator Instructions)

Our first question comes from Cherilyn Radbourne with TD Securities.

### **Cherilyn Radbourne**

I wanted to ask a question on the Indian telecom acquisition. That deal sounds like it has a lot of upside potential based on co-location, as well as the tower buildout program. Maybe you can just give us a sense of how quickly that growth might progress?

**Sam Pollock**

Cherilyn, maybe I'll touch on that. And then I might turn over to Ben. Ben actually just got back from India, and he can maybe give you some further comments, as well as talk about India in general.

We're very excited by the opportunity. Obviously, just the fact that we bought a business of that scale from the dominant provider in that market gives us an incredible position. It's also brand-new infrastructure. And so, it's highly coveted by the other operators in that market as far getting access to it. We've already received inbounds from some of the other operators. There are two other major players in the market. And our expectation is that we could lease upwards of 40% of the tower base in relatively short order. So that would be exciting.

It's not done yet, but we haven't even closed yet. So, the fact that we already have groups approaching us and looking to come on is fantastic. So, the short answer is, very optimistic about leasing up the additional capacity. Ben, do you want to add anything? And maybe just give a sense of India in general?

**Ben Vaughan**

Yes, sure, Sam. Cherilyn, yes, I was in India just last week with the team, talking a lot about this. And as Sam said, so far, it's going very well. Maybe two additional comments. First of all, this is a very modern network of towers. These were all very recently built, and it truly is a national network. So, it's attractive to some of the other MNOs because of the location in rural areas.

As Sam mentioned, we've had good discussions so far with the other MNOs and expect take-up. And the only other comment I'll make, which probably is obvious, is just that the market opportunity is tremendous in India. This is a massive market and growing very rapidly. And the penetration rates of cell phone usage definitely provides a lot of wind at the back in the coming years for this modern portfolio to get fully utilized by all the MNOs. So, we're pretty positive so far.

**Cherilyn Radbourne**

Great. Well, that's good color. Just moving on to Enercare. The letter indicates that the new securitization facility provides a mechanism that will reduce the need to inject capital to fund growth going forward. Maybe you can just elaborate on that a little bit more?

**Sikander Rashid**

Yes, sure, Cherilyn. I can take this one. Look, previously, the financing in place was public bonds and term loans. And the Enercare business is growing fast, both in Canada, as well as the U.S. And the challenge previously was, there was a little bit of a time lag between when the contracts were sourced versus when they were financed. But now, with the securitization facility in place, we can almost immediately securitize the contracts after they're sourced.

**Sam Pollock**

The only thing I'd add to that is, previously, when we funded the growth through our capex lines, it meant that the funding was limited based on the amount of the capital invested, whereas now with a securitization, the amount of capital we can obtain from the investment is based off the value of the contract. And so that allows us to finance much more of the capital growth than previously, which was just based off capital invested. Hopefully that answers your question.

**Operator**

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

**Robert Kwan**

If I can just start with BIPC. Just wondering if you have any updates on initiatives to stem conversions back to the LP units and just kind of promote the uptake of the common shares?

**Bahir Manios**

Robert, it's Bahir. So, it's still early days on that front. We are exploring a few different alternatives. But the main priority as of today is just dealing with the last pieces of the various regulatory and stock exchange queries that we've been getting, and all is going well on that front. Just as an update, expect to have that done and listed by March 31 or shortly thereafter. And then, we will explore different options to do what you just said. But at this point, it's just early days to talk about that.

**Robert Kwan**

Got it. If you just look at this as more of an M&A topic, looking at this quarter's letter, it seems to be focused a lot more on executing the announced acquisitions, a lot of organic growth upside and some of the financial restructuring and optimizing the capital structures. With the prior quarters alluding a lot more to M&A, I'm just wondering what's that outlook? And specifically on Brazil, using the currency as a crude measure of country sentiment, just wondering how you're thinking about any potential acquisitions down there, given your prior experience?

**Sam Pollock**

Robert, maybe I'll tackle that, just to comment on the first part of your question, I don't think you should read anything into whether or not the pipeline is lesser or more. I think the fact of the matter is we have a lot going on right now on the investment side.

We'll be closing the large tower deal. We just closed the tower transaction in December, which was a quick close for that transaction. And of course, we have CBB underway. So, I'd say there's actually quite a bit going on. And all of that is a relatively sizable amount of capital. And the conditions have not changed. I think we're seeing lots of good opportunities across the various sectors. So, I think I wouldn't want you to read anything into the letter because I think things are very robust.

As far as Brazil, and you commented on the currency being a reflection of the conditions in the market, some of that currency volatility may be because of what's going on in China today. We've seen that with Australia as well. The currency is off quite a bit. Canada hasn't been as badly hit, but it has come off a little bit as well. So, we do expect a rebound. I think the market opportunity in Brazil is very exciting.

Most of what we are looking for down there are additions to our existing platforms. We have great activity going on at Ascenty, our data center business. That business has exceeded our expectations. There's a number of toll road opportunities that are coming to market that will be very interesting for our toll road platform. And the only place where maybe we've pulled back a little bit in that market is on the electricity transmission front.

We continue to monitor the various auctions that take place. The more recent auctions have been very competitive. And so, I wouldn't say today that we're optimistic that we'll find great value on that front. But what it does mean is, what we did buy, and what we are investing in, is incredibly valuable. So, I guess it's a double-edge sword.

**Robert Kwan**

And just to finish on that electricity transmission comment. Does that create opportunities, although recognizing its pretty short order, though, to turn those and put those back out to the market?

**Sam Pollock**

Yes. I think it's not a 2020 initiative. We have a lot of work to do to complete some of the developments. I think we'll get better value if we can have the majority of the lines constructed. I think by the end of 2020 or mid-2021, we should be 75-80% through our development program. And at that point, that could be a very attractive business to liquidate.

**Operator**

Our next question comes from Frederic Bastien with Raymond James.

**Frederic Bastien**

My first question is on the energy platform. You guys had a very robust 2019 from an organic growth perspective. How do you see volume and connections growth unfolding over the next couple of years?

**Ben Vaughan**

I can take that. It's Ben speaking. I'm assuming you're referring overall to our energy operations, mostly in North America.

**Frederic Bastien**

Correct, but a lot of the drivers were around the U.S. business and the pipeline.

**Ben Vaughan**

Yes. Look, we have a number of projects underway. The market is strong. And there's a lot of gas that needs to flow to the new LNG terminals, both getting built on the West Coast and in the Gulf. So, we continue to see strong demand.

I would characterize it as, our U.S. business has a number of projects underway to increase compression and basically create very capital-efficient extra capacity on the pipe to meet that new demand. And while it's moderated a little bit, we do still see some growth potential in the coming years. I don't know if that's helpful, but that's how I would characterize it.

**Bahir Manios**

Yes, Fred, it's Bahir. So if you're talking just in general about the energy group, we did have a big increase, as you noted, at NGPL due to a number of contracts that we were able to win, in addition to a couple of projects that we commissioned. So, the backlog there is pretty thin right now.

But where you'll see a lot of the energy growth happening going forward in the next couple of years, and you mentioned connections in your question, we do expect double-digit type growth in district energy in addition to our North American residential infrastructure business. And that, in total, will be the key driver for the energy operating group going forward.

**Frederic Bastien**

That's great. Next question for Sam. How confident are you with your ability to further scale up BIP's data infrastructure business? You've been obviously very busy, but you're seeing increased competition right now, you're seeing that with CBB, but would appreciate your view on that, broadly speaking.

**Sam Pollock**

Frederic, look, I would say I'm highly confident. And what gives me that confidence is the fact that we now have a data franchise in each part of the world. And we're represented in each of the sectors within the data infrastructure world that we want to be in.

So, we have fantastic presence in towers. We have expanded from towers into DAS systems, which we see lots of growth in. We have a number of fiber optic systems. And we're continuing to pursue fiber-to-the-home projects around the world. And we obviously have a very large presence in data storage with our data center businesses in Asia, North America and South America. So, the fact that we have these footprints gives us tremendous capabilities to leverage. And I think I continue to see is a lot of scope for that business going forward.

**Operator**

Our next question comes from Rupert Merer with National Bank Financial.

**Rupert Merer**

Sam, Brookfield recently closed the infrastructure fund for \$20 billion, I believe it was a little larger than what you were targeting. Can you talk about how that impacts the outlook for deal flow at BIP? For example, could you see any changes in your target return hurdles or any changes in BIP's pro rata ownership stake in future deals?

**Sam Pollock**

Rupert, I guess, just dealing first with, are there any changes to our approach or returns or anything like that. No, there won't be any change in our approach. We are still seeking returns in the 12-15% range. And the sector and geographic targets are all the same. So, there's no change in that regard. I think the benefit, and this is something we've talked about on previous calls, is our ability to leverage this additional institutional capital to buildout our franchise is incredible.

It enables us to pursue large-scale, more complicated transactions. And do it on a basis where we don't necessarily have to team up with others, which adds complexity to transaction, we can basically pursue them on our own or alongside the co-investment capital of our institutional partners. And that gives us one of the rarest franchises in the industry.

And so, all I would say in conclusion is the fact that we have this \$20 billion of capital plus those relationships with those institutional investors just makes our franchise that much better.

**Rupert Merer**

Is your pro rata ownership stake going to remain constant going forward?

**Sam Pollock**

Yes, it's the same. It's still 25%.

**Rupert Merer**

Okay. And secondly, a quick one here. You talked about some refinancings in the quarter, and there's some discussion in the statements about the refinancing at a U.K. port, a 350 basis point reduction in your interest costs. Are there any other opportunities for refinancing across your asset base?

**Bahir Manios**

Rupert, I think those are the big ones, although there's a couple of others that we might be pursuing that are smaller in nature. And the big question, which could be the one that's most material, could be another potential up-financing at our Brazilian transmission business, or NTS, similar to the one we did a couple of years ago. That would be the big one if we were able to do something on that front or if it's attractive. But aside from that one, the other ones we're pursuing are smaller in terms of quantum.

**Operator**

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

**Robert Catellier**

I just wondered, to start, if you can be a little bit more explicit on what impact you're expecting from the coronavirus and Brexit when you set the 2020 FFO per unit exit rate?

**Sam Pollock**

Robert, it's Sam, maybe I'll tackle that. So just to be clear, today, we're not forecasting any impact from the virus on our operations. So, I don't think that the number that I gave you or that Bahir has given in the past reflects any adjustments because of that. And Ben and I are canvassing of all our operations very recently to assess any potential impacts on safety for people or just the operations.

And our view today, and obviously we'll watch and see how things unfold, is that the impact from the slowdown in China will be relatively modest. We do expect to see some implications, but most of those should be timing differences. I think there could be some delayed shipments, some ships that don't come as full to some of our ports in Australia or the West Coast of the U.S.

There could be some potential delays in shipments of iron ore or coal or something from some of our Australian operations. But again, those should not be permanent in nature and should be caught up. So today, and this is subject to revision depending on how things unfold, obviously, but today, we just don't see much of an impact.

**Robert Catellier**

And Brexit?

**Sam Pollock**

And Brexit, good question. Yes, I think as we've reported in the past, we didn't see much impact on our operations. I would say from a high level, there was probably some delays in investments from a number of people in the country, and that might have had some impact on PD Ports and our BUUK business at the end of last year. They're relatively modest.

I think today, with the uncertainty removed, we think that there will be renewed investments in the U.K. And so there, in fact, could be a bit of a bump in that regard. Longer term, looking out five, ten, twenty years from now, it's hard to say what the impact will be. But in the short run, if anything, we might see a positive impact, modest though.

**Robert Catellier**

Okay. That's helpful color. And then I was actually going to ask the same question as Rupert on the financing, but a different angle, I guess, is, maybe you can just clarify what the cost savings were on the GWR refinancing? And then more broadly, it doesn't sound like there's a lot more equity to be harvested from refinancing.

But I'm wondering if you're going after term by taking advantage of low rates and extending term. And then, just on the competition, have you seen any irrational behavior

from competition where you suspect they're factoring in or underwriting much lower interest rates in their approach?

**Sam Pollock**

Maybe I'll deal with the last one first, and then Bahir can think about your question on the refinancings. But I guess, it's always tough to tell. I mean, competition has been stiff for the last number of years. Yes, I'm not privy to what people are underwriting.

But I guess, as a general comment, Europe remains the most competitive market because of zero to negative rates. And yes, I have to assume that low rates are a factor in those higher valuations. But we are still able to find opportunities here and there. And I'm sure, at some point, things will normalize. So, Bahir, maybe over to you?

**Bahir Manios**

Yes, Robert, so on G&W, I think I'm not sure if you're referring to the existing debt that the business had in the past. That one, maybe I can get back to you on. But all I would say is that, and I made, I think, this comment at our call last quarter, that the financing that we did was about 75 basis points ahead of our underwriting assumptions.

So that was a big positive for us. And with respect to terming out our debt, we've been actually doing a lot of that over the past couple of years. If you look at our maturity profile over the next two years, it's very, very modest. So naturally, we will be extending term, albeit in the grand scheme of things, it may not move the needle all that much just because we've been dealing with the bigger stuff over the last couple of years and what's coming down the next couple of years is smaller in nature. So hopefully that answers it.

**Operator**

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

**Devin Dodge**

Just wanted to start with a question on FX. It appears that your hedged FX rates should be a positive in the first half, but this benefit may fade away as you get deeper into 2020. Just wondering how you're thinking about FX and its impact on your results over the next, say, 12 to 18 months, assuming the reais stays near current levels?

**Bahir Manios**

Devin, I'll attempt that one. It's actually, I think, the opposite, because in Q1, our Australian dollar hedge rate just due to timing of when we put those contracts in place is actually lower than Q1 2019, but then it picks up from Q2 to Q4. So, on a holistic basis, I do expect Q1 2020 to be lower than Q1 2019. But for the full 2020 year, I think our hedge rates are about 3-4% higher than 2019 as a whole.

So, for the full year, it's going to be a positive, albeit Q1 is lower. And just on the second part of your question, if you're looking ahead for 18 months or so, we're hedged for all those currencies except for the real and the rupee up until Q3 2021, and I think 2021 compared to 2020 is virtually flat.

**Devin Dodge**

Okay. That's helpful. U.S. midstream, this has been a targeted sector for a while now. Stock prices for a lot of the remaining MLPs continue to be under a lot of pressure. Just wondering if you still see this as an attractive sector and if you're optimistic, you'll have a chance to deploy capital over the next, call it, one to two years?

**Sam Pollock**

Devin, again, the short answer is yes and yes. We still think it's a sector that is critical to the economy. And we do see interesting opportunities, particularly relative to past years when the MLP market was much stronger than it is today. We do see lots of companies, whether it's take-privates or just structured transactions, where public companies need private capital to assist them. So, I think there will be interesting opportunities in the year ahead.

**Operator**

Our next question comes from Andrew Kuske with Credit Suisse.

**Andrew Kuske**

First question is probably for Bahir, and it's just on the capital recycling program. And maybe just a point of clarity, what assets remain on the BIP balance sheet versus the interest that BIP has in BAM funds?

**Bahir Manios**

Andrew, I think we're left with three assets that are held directly on BIP's balance sheet, and that would be our U.K. connections business, our North American gas transmission business or gas pipeline business, NGPL. And the third one being our Western Australia rail business.

**Andrew Kuske**

Okay, that's great. And then maybe just a follow-up, is the interplay between the supercore fund that BAM has and that was used for Cove Point and then, say, BIF IV and then just BIP itself. How do you envision that working together? And how is it delineated?

**Sam Pollock**

I'll answer that, Andrew. BIP invests in a minimum of 25% of BIP IV transactions, which is our global flagship fund and value-add fund, the one that targets returns in the 12-15% range. And I'd say minimum 25% plus any co-investments or additional capital wants to do in larger transactions.

And then the supercore fund is an open-ended fund. It's targeting returns in the, say, 8-9% range. BIP is not an investor in that fund. And while there's opportunities to invest alongside the fund, if there's significant co-investment opportunities, given the return threshold, it's highly unlikely that we would do that, as BIP is seeking returns the same as the flagship fund.

**Andrew Kuske**

That's very helpful. And then maybe just a follow-up. Is there a prospect for certain assets once they reach a certain valuation point or maturity level from stabilization of cash flows to effectively have assets transfer from BIP or one of the BIP funds into the super core on a longer-term basis?

**Sam Pollock**

No. I think we decided that falls into life-is-too-short camp, and we will sell assets to third parties.

**Operator**

Our next question comes from Rob Hope with Scotiabank.

**Rob Hope**

Just a question on the kind of 2020 exit guidance of 12-15% higher than current levels. Off of what base is that? Is that a kind of annualized Q1 2020 base or kind of including Indian telecom? And does that foresee additional unsecured investments right now?

**Bahir Manios**

Rob, it's Bahir. Maybe I'll tackle that one. So yes, what we're alluding to there is that hopefully, by Q4 2020, our results on a per unit basis will be 12-15% higher than the \$0.86 that we reported in Q4 2019. And so, what that assumes is, obviously, the hedge rates I spoke about earlier. It assumes that we're flat on the real to Q4, but at the higher end, maybe you get a little bit of a pickup in the real. And it also assumes that Jio, the Indian deal, closes pretty much at the end of Q1 2020 and assumes that CBB closes in Q4.

So that's why we felt that Q4 is probably a better run rate to speak about and also because we have a bunch of asset sales on the go. And so, we've taken a crack at assuming when those will close, at which point in time. And so that's why Sam made the comment in his remarks that between Q1 to Q3, you'll have maybe some ups and some downs depending on which quarter some investments closed in or some asset sales closed in. But by Q4, we should have gotten all the pluses and minuses contributing or taking account in our results on a full basis for the quarter.

**Rob Hope**

All right. That's helpful. And then just turning over to Australia. Australia wildfires kind of have been simmering down now, but any impact on Q4 and lingering impacts into Q1 on the operations and the overall activity in the region?

**Ben Vaughan**

Yes, Rob, it's Ben here. Look, thankfully, the impact of these fires on us has been minimal. All our people are okay, and all of our assets are okay. So, we really had no direct impact on any assets. We did have some minor impacts like the odd train path here or there that got deferred because of localized issues at our port operations. We did have a couple of days of downtime because of just air quality conditions and bringing the labor

into the port wasn't available that day. So minor things like that. But overall, not a big impact and seems to have subsided at this point.

**Operator**

Our next question comes from Jeremy Rosenfield with Industrial Alliance.

**Jeremy Rosenfield**

Just one cleanup question related to BIPC and how that may or may not interplay with the CBB transaction. Is there a timing sort of element in the creation of the BIPC or the distribution of BIPC that you sort of may want to wait on that distribution to see how the CBB transaction plays out? Or you go ahead with the BIPC distribution regardless of developments of the CBB, I'm just kind of curious on that?

**Sam Pollock**

Jeremy, it's Sam here. The BIPC transaction isn't impacted all by the CBB deal. The CBB deal, there's no shares involved in that transaction. It's a pure cash transaction. And that closing deal is just dependent on its own regulatory constraints. And if we confused you, the regulatory issues that Bahir spoke about we had to clear from an SEC perspective, have nothing to do with the CBB transaction.

**Jeremy Rosenfield**

No, I was just curious in terms of whether you wanted to make sure that the BIPC was in place before to provide greater liquidity for BIP. But I guess, that answers that question. Okay. That's it for me.

**Operator**

Our next question comes from Jonathan Reeder with Wells Fargo Securities.

**Jonathan Reeder**

Can you give us a more in-depth update on the CBB opportunity and process as well as the likelihood of the deal getting closed? I know you're anticipating a Q4 close, you just mentioned, but obviously, there was an unsolicited higher offer made for CBB. I'm just curious what the path forward is both from CBB's Board perspective, as well as Brookfield's propensity or willingness to maybe match higher offers without compromising your return hurdles?

**Sam Pollock**

Jonathan, I was wondering if someone was going to ask me about the CBB transaction. And look, unfortunately, I don't think it's appropriate that I really get into that in much detail. I can't obviously speculate about the Board or what the competing proposal, whether or not it may come to fruition or not.

I guess, all I will say is we're monitoring developments closely. We feel we've built a good relationship with the company, and we remain enthusiastic about completing the deal. We think it's a good business, and we hope we can get it.

**Jonathan Reeder**

Is there any sort of philosophy at Brookfield towards matching these higher offers? Or do you typically just let your offer stand as a value investor saying that it's kind of not necessarily the best case scenario but this is our offer in order to achieve our returns and going higher would compromise that ability. Is that a philosophy there or not necessarily?

**Sam Pollock**

Well, look, you can go through our history. We've done many take-privates, whether it's Babcock & Brown, Asciano, Niska, I can probably go through a whole list of them. Sometimes transactions go through smoothly. Other times, they're a bit more complicated. We look at each situation differently, and we protect our interest and try and do the best deal we can. We're not going to be crazy about it but, obviously, we'll take into account the economics of each situation.

**Jonathan Reeder**

Okay. And then what is kind of the next step at this point? Does the CBB Board, do they need to respond to the unsolicited offer or what's the next kind of milestone for us to look for?

**Sam Pollock**

Well, to be fair, that's probably a question better for the company. But what we know is that proposal was put in, it's still not a firm proposal. And until it becomes a firm proposal, then there's nothing for anyone to respond to. So, it may be a nothing or maybe it turns into something, we don't know.

**Operator**

I'm showing no further questions in queue at this time. I'd like to turn the call back to Sam Pollock for closing remarks.

**Sam Pollock**

Okay. Thank you, Operator. Thank you, everyone.

I think that was a record for number of questions that we received. So, thank you for your interest, and we appreciate all your support and look forward to talking to you again next quarter.

**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.