

Brookfield Infrastructure Partners (Q1 2023 Results)

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Corporate Speakers:

- David Krant; Brookfield Infrastructure Partners L.P.; CFO & Managing Partner
- Dave Joynt; Brookfield Infrastructure Partners L.P.; Managing Partner
- Samuel Pollock; Brookfield Infrastructure Partners L.P.; CEO & Managing Partner

Participants:

- Robert Hope; Scotiabank; Analyst
- Devin Dodge; BMO Capital Markets; Analyst
- Robert Kwan; RBC Capital Markets; MD & Energy Infrastructure Analyst
- Robert Catellier; CIBC Capital Markets; Executive Director of Institutional Equity Research
- Naji Baydoun; iA Capital Markets; Director & Research Analyst
- Andrew Kuske; Credit Suisse; MD, Head of Canadian Equity Research and Global Coordinator for Infrastructure Research
- Ryan Levine; Citigroup Inc.; VP

PRESENTATION

Operator: Thank you for standing by, and welcome to the Brookfield Infrastructure Partners First Quarter 2023 Results Conference Call and Webcast. At this time, all participants are in listen-only mode. After the speaker's presentation, there will be a question-and-answer session. (Operator Instructions) As a reminder, today's program is being recorded. And now I'd like to introduce your host for today's program, Mr. David Krant, Chief Financial Officer.

David Krant: Welcome to Brookfield Infrastructure Partners First Quarter 2023 Earnings Conference Call. My name is David Krant, and I am the Chief Financial Officer of Brookfield Infrastructure Partners. I'm also joined today by our Chief Executive Officer, Sam Pollock, and Dave Joynt, a managing partner on our investments team focused on global transport opportunities.

I'll begin with a discussion of our first quarter financial and operating results, as well as our balance sheet strength and liquidity position. I'll then turn the call over to Dave, who will discuss global supply chain investment opportunities. Finally, Sam will provide an update on our strategic initiatives and priorities for the balance of the year.

Following our commentary, we'll be joined by Ben Vaughan, our Chief Operating Officer, for our question-and-answer period.

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

Now with that, during the first quarter of 2023, we generated strong financial and operational results. Our regulated and contracted business generated funds from operations, or FFO, of \$554 million or \$0.72 per unit, both increasing 12% over the prior year.

Organic growth was strong at 9%, which is the high end of our annual target, reflecting the benefits of elevated levels of inflation on our tariffs, strong volumes across our transport networks and the commissioning of approximately \$1 billion in new capital projects over the last 12 months. Results were further supported by the contribution of approximately \$2.4 billion of capital deployed in new acquisitions over the past year. Partially offsetting the strong underlying performance of our business was the normalization of market-sensitive revenues as the prior year benefited from elevated commodity prices as well as the impact of asset sales.

Diving deeper into our segments, starting with utilities, we generated FFO of \$208 million, an increase of 25% from the same period last year. The current quarter benefited from the expansion of our residential decarbonization infrastructure platform in North America and Europe following the acquisition of HomeServe that closed earlier in the quarter. Results also benefited from the strong organic growth of over 10% within our base business as well as a full quarter contribution from our Australian regulated utility we acquired midway through February of last year.

In January, we completed the acquisition of HomeServe to bolster our global residential decarbonization infrastructure platform. As part of our business plan to establish leading residential demand side decarbonization businesses, we subsequently separated the North American and European operations to facilitate integration into our existing and regional operations. We have begun to unlock synergies, including enhanced procurement opportunities as well as driving higher sales through cross-selling our multiproduct offerings. Our global footprint is comprised of operations in six countries with over 260,000 installations completed annually.

Moving to our transport segment, where FFO for the first quarter was \$192 million, an increase of 11% on a same-store basis. As a result of strong customer demand and activity levels, we continue to benefit from higher flows across our networks and increased rates that are generally in line with inflation in the countries we operate in. Specifically, our global toll road portfolio saw traffic levels increase 3%, our rail networks transported 11% more volumes, and our global ports business moved 5% more cargo relative to the prior year.

Our midstream segment generated FFO of \$198 million, consistent with the prior year. Our base business continues to benefit from strong utilization due to increased long-term contracting and strategic capital projects designed to enhance the accessibility of our infrastructure.

At our diversified Canadian midstream operation, volumes on our conventional systems increased 6% from the same period in the prior year. Utilization at our Western Canadian natural gas gathering and processing operation increased to record highs, and our U.S. gas pipeline has fully contracted storage services, while transportation throughput increased 11% over the prior year. Strong performance at our North American gas storage business continued from the fourth quarter, offsetting the normalization of market-sensitive revenues at our U.S. gas pipeline and diversified Canadian midstream business.

Finally, our data segment generated FFO of \$70 million, an increase of 21% from the same period last year. Organic growth for the segment was 9%, resulting from additional points of presence and inflationary tariff escalators across the portfolio. Our integrated data distribution business in New Zealand benefited from a recovery in roaming revenue due to an uptick in international travel as well as fiber connectivity requirements from the commissioning of new third-party data centers connected to our network.

Current quarter results also benefited from the acquisition of a European telecom tower business in February and the contribution from an Australian fiber operation acquired in August of last year. In addition to the strong financial and operational start to the year, our balance sheet is in excellent shape. Despite capital market volatility, driven by monetary policy and isolated banking failures during the quarter, we are confident in the strength of our balance sheet.

This strength is recently validated by S&P, who reaffirmed our BBB+ credit rating as well as a newly secured investment-grade credit rating of BBB+ from Fitch. The second rating will help us further expand our access to capital and highlights the positive evolution of our credit over time.

Our ability to source capital has been proven through cycles and is underpinned by the stable and predictable cash flows generally associated with infrastructure assets. Over the last few months, we raised over \$5 billion of capital from nine relationship banks across North America, Europe and Asia to backstop and support our recently secured transactions. We ended the first quarter with total corporate liquidity of \$2.4 billion, which will further be enhanced by proceeds expected from our capital recycling program that Sam will touch on shortly.

Now before that, I would like to thank you all for your time this morning, and I will now pass the call over to Dave Joynt to further discuss our transport business and supply chain investments.

Dave Joynt: This is Dave Joynt speaking, and I'm pleased to join today's call to discuss the investment outlook for infrastructure assets that underpin global supply chains.

Over the last decade and a half, we have developed a large and diversified transport portfolio. In particular, we've made significant investments in rail and port infrastructure. Our operations form a critical backbone for global supply chains and are highly utilized or contracted to provide predictable and increasing cash flows benefiting from economic growth. Today, we own and operate a transportation network with over \$25 billion of assets under management, serving a large and diversified group of customers across the globe.

In recent years, geopolitical tensions and the COVID-19 pandemic have caused substantial disruptions, forcing companies to rethink their global supply chains. On one hand, we are witnessing a wave of onshoring projects associated with high-tech and strategic components such as semiconductors, medical essentials and EV batteries. We are finding that these deglobalization initiatives are creating significant investment opportunities for us.

On the other hand, though, lower-value goods such as apparel, furniture or household items continue to be manufactured in low-cost jurisdictions, primarily in Asia. Rather than reshoring, companies are instead looking to geographically diversify their supplier base, reducing their reliance on any one location or supplier. In what many are terming a "China Plus One" strategy. In aggregate, we expect that these diversification efforts will increase the total distance goods travel in global supply chains and will, therefore, result in higher demand for container-based transportation.

These trends are tied to a greater desire for supply chain resilience and support the value of our in-place asset base, as well as create new and exciting investment opportunities within our transport segment. Most recently, we announced our intention to acquire Triton International in a \$13.3 billion take-private transaction, which will further enhance our infrastructure footprint underpinning global supply chains.

Triton is the world's largest owner and lessor of intermodal containers and is a critical provider of global transport logistics infrastructure. The size and scale of Triton's global network differentiates it from competitors, driving lower procurement and financing costs and enjoying structurally high fleet utilization and margins. We were attracted to Triton's highly contracted asset base with approximately 90% of its fleet under long-term contract and limited recontracting exposure. Furthermore, Triton has a strong going in yield, with highly cash flow generative assets that are linked to the long-term expansion and decentralization of global trade.

In the context of our broader transportation franchise, we expect the acquisition will improve customer relationships and create new organic growth opportunities across our portfolio. Adding Triton to our global rail, port and logistics businesses will make us one of the most integrated providers of freight transportation services in the world, allowing us to unlock new efficiencies for our customers.

More strategically, Triton is uniquely positioned to provide valuable insight into global trade flows. Its size allows it to be one of the first companies to observe real-time changes in market demand, which can be inferred by the ratio of new lease origination to fleet returns. This has implications for Triton's ability to react quickly to market changes but also benefits the commercial positioning of our broader transportation portfolio and improves our intelligence and capital allocation.

Our investment in Triton is just one example of a large opportunity set we anticipate stemming from the ongoing changes to global supply chains.

In closing, I also wanted to note that even as we enter a period of slowing economic growth, it is important to remember the long-term resilience and durability of our transport businesses.

Our global rail franchise provides cost-effective, low emission, and highly efficient transportation for the inputs of everyday life. Our port and bulk terminal assets act as critical gateways for the import and export of essential goods and commodities. Meanwhile, Triton provides the containers that are necessary for the movement of goods amongst global port, rail and road networks.

That concludes my remarks. I will now pass the call over to Sam.

Samuel Pollock: For my remarks today, I'll provide an update on our strategic initiatives and conclude with our priorities for the business in 2023.

We believe that our achievements over the last quarter demonstrates our resilience and ability to create shareholder value through market cycles. As you've heard from David Krant, we had a successful start to the year. In addition to our solid results, from a capital deployment perspective, we've already secured our new investment targets for the year. In April, we agreed to acquire a premier European data center platform and also agreed terms on the privatization of Triton International. Our capital recycling initiatives are also advancing well and are expected to generate \$2 billion in proceeds. More recently, we completed the sale of two U.S. gas stores facilities at attractive valuations and have now sold a total of seven businesses in the last twelve months. We are also issuing over \$900 million of BIPC shares as part of the Triton privatization, which provides us with significant financial flexibility to consider attractive investment opportunities.

Now since Dave Joynt described the Triton transaction in his remarks, I won't spend much further time on it. But I would like to reiterate that we are excited about the investment because it's a highly cash-generative business and the global supply chain insight that it provides to our larger transportation networks will be valuable. Our equity commitment is expected to be approximately \$1 billion at close, which we anticipate in the fourth quarter, subject to customary closing conditions and Triton shareholder approval.

The other significant accomplishment this quarter was the agreement to acquire Data4, a premier hyperscale data center platform in Europe. The business has approximately 100 megawatts of in-place capacity currently generating revenue, with a plan to add 400 megawatts of capacity. A significant proportion of this incremental growth has already been contracted or reserved, which provides a high degree of certainty for the first five years of our development plan. The entire growth profile of the business has been further de-risked with all the required land already owned and power secured to support the expansion.

We believe Data4 is an attractive business due to its highly contracted revenue base and regional tailwinds. We're focused on Europe due to its land and power constraints, lagging build-out completed relative to the U.S., and more restrictive data sovereignty laws that require data to be warehoused where it is created. Additionally, Data4 fills a geographical gap in our global data center footprint as it will complement our existing greenfield development platform investments in North and South America, Australia, New Zealand, India and Korea.

This transaction is expected to close in the third quarter with an equity investment of approximately \$600 million. Having looked at several similar businesses over the past few years, we feel our patience and capital discipline has paid off. We were able to acquire this platform at an attractive entry multiple that was several turns below recent comparable transactions.

As I mentioned earlier, we have been active on our ongoing asset sale program. Since interest rates began rising in March of 2022, we successfully secured seven asset sales, six of which have already closed with the remaining Indian toll road preferred sales scheduled to close in the second quarter. These sales have been to core and strategic buyers at values in-line or above expectations, demonstrating the continued demand for high-quality infrastructure assets.

We completed the sale of our interest in two U.S. gas storage assets to strategic buyers for net proceeds to BIP of approximately \$100 million. The sale includes our interest in Tres Palacios in Texas and our Salt Plains facility in Oklahoma. We realized attractive transaction multiples for these assets of approximately 21 times and 15 times EBITDA, respectively. Both storage assets and the previously announced sale of Geelong Port closed in April. As we move forward, we remain committed to our 2023 capital recycling objective of approximately \$2 billion and continue to see strong interest for our assets from potential buyers.

Now in closing, I'll make a couple observations. First, we believe that the long-term positive outlook for the infrastructure sector in conjunction with our full cycle investment strategy, will allow us to continue to create significant value for investors. Our strategy is grounded in a deep understanding of the sector and various market forces that drive it. In that regard, we've made significant progress during the quarter, adding valuable pieces to our long-term growth plans with Data4 and Triton, and both investments are expected to generate strong cash flow for unit holders.

We also believe that our ability to look through near-term headlines and overreactions to invest in high-quality businesses that have long-term growth potential will differentiate us during this current market cycle.

Our priorities for the balance of the year will be the integration of our recently secured investments, and the execution of our current capital recycling program. We are also focused on continuing to deliver excellent financial results, which are expected to benefit from the full run-rate contribution of the Heartland Petrochemical Complex, the commissioning of new projects that we have in our capital backlog, and the closing of Data4 and Triton acquisitions.

That concludes my remarks for today, and I'll pass it back to the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator: Certainly. One moment for our first question. And our first question comes from the line of Robert Hope from Scotiabank.

Robert Hope: First off is on the investment pipeline. You've been very successful as you highlighted in April with the two transactions. As we look forward through the year, what does the pipeline look like? And is the expectation now that more will be focused on the 2024 closing dates?

Samuel Pollock: Today, I'd say our pipeline is still quite robust. We're taking this time to be selective in what we look at, given that with the success we've had in the last couple of years in deploying capital, and the fact that we've secured two attractive acquisitions this year. We're obviously well placed as far as meeting our deployment goals.

But we have lots of flexibility and capacity to look at high-value opportunities that are out there today. We continue to monitor a couple of situations, and to the extent that we think they can be additive to our business, we'll look to pursue something over the next couple of months.

Robert Hope: And then maybe just as a follow-up, just in terms of capacity. On the financial side of the capacity, it does appear that you've been very successful in securing maybe some incremental investments. The asset sale target remains at \$2 billion.

As you look forward, if we do capitalize on additional investments there, could we see that asset sale target move up? Or consequently, is BIPC looking like an attractive funding mechanism right now?

Samuel Pollock: One of our strengths is the fact that we have multiple channels to create liquidity, both through capital recycling and through the use of stock. The fact that

we were able to utilize BIPC for the Triton transaction is obviously giving us additional flexibility to continue to pursue opportunities.

We'll manage our deployment to our capital availability. Obviously, that's something that we very much keep in mind. And I'd just say that as far as the level of capital recycling, it is a continuous process. Each year, we always have businesses that are maturing and that are ready for sale. So once we've completed this year's targeted capital recycling, I expect that next year, we will have other businesses that we'll bring to market as well and continue the process.

Operator: And our next question comes from the line of Devin Dodge from BMO.

Devin Dodge: I wanted to start with your Indian telecom tower business. A two-part question. First, can you give an update on how that business has been performing?

And then secondly, it appears that there may be some consolidation opportunities available. I mean you're already one of the largest owners of towers in the country. Can you speak to whether it may or may not make sense to add more towers into your existing network?

Benjamin Vaughan: As you noted, we do have a large tower portfolio in India. In fact, we have the largest portfolio of towers in the country. By the end of this year, we'll be up to about 175,000 towers, and that would make us one of the largest portfolios in the world.

It's very well positioned because it's a national footprint across India. And these are very modern towers, built in the last several years. It's sort of a 5G-ready national footprint of towers. What's great about the business is it's underpinned by a 30-year contract with a highly capable and creditworthy counterparty, and when we acquired the business, it really had a single tenant. We had one tenant on the towers. We now have agreements with the two other MNOs as well as a handful of smaller competitors that also want space on our towers.

We continue to bring our co-location rate up and get those additional tenants on our towers, and we're very happy with the progress that we've made so far, and very happy with the investment overall. In terms of India, in general, maybe I'll just make a couple of comments before speaking about consolidation.

We're really quite excited about the potential to continue to grow this business in India. India has a very young, talented and capable workforce and a very strong culture of meritocracy. As a good example, in the post-COVID period, India was the first country that we saw get back to work five-plus days a week in the office.

A very strong culture of moving forward and getting busy, and so we're excited about the future growth of this business. Not only does it have all the tailwinds of 5G adoption and

increased data consumption, but also is just in a tremendous location in terms of its growth platform.

Maybe in terms of further consolidation in the industry, I guess, as always, we would look to be opportunistic as we always would to the extent we could add further towers to the portfolio, and they were attractive in terms of their location relative to our current portfolio and our ability to drive future value, we would look to do that if it made sense for us at the time.

Devin Dodge: Maybe just switching over on the capital recycling front. Just wondering, have you seen less interest from say, pension fund or traditional kind of fixed income type buyers for your mature businesses just given the rise in bond yields? And if you have, has that had much of an impact on what type of assets that you're looking to sell in the near term?

Samuel Pollock: I guess the answer to that is a little bit nuanced. First, I would say that the buyer universe today is a bit narrower than in the past. But most of the investors across the universe of infrastructure buyers, whether that's strategics, sovereigns, pension plans are still looking for select opportunities. So they are still in the market.

There's no particular buyer that I would say is out of the market. They just maybe are not growing as quickly today, for a number of factors. But we see them, for our assets, which we think are among the best in the world, we still see a broad base of all those type of buyers, and our expectation is that once the current market environment has progressed and normalized, that we'll see the stronger activity levels that we've seen in the past. But as far as your question is concerned, and if there is any particular buyer that's pulled back, I would say, no.

They're all still there and they're all still very attracted to infrastructure. The level of activity has obviously decreased. As far as sectors and areas where there's interest, I think the deal activity we see, from a regional perspective, hasn't really evolved that much. There may be less activity in South America today from institutions, but from strategics, it's still quite important for them.

I think the data sector businesses related to transition or decarbonization are still very strong. And obviously, we think that there's great opportunities in deglobalization and supply chains. I think we'll see a movement into those assets. I think we're maybe at the forefront of that, but often, people follow us and see what we're doing. So I wouldn't be surprised if that picks up as well.

Operator: And our next question comes from the line of Robert Kwan from RBC.

Robert Kwan: As you're now talking about approximately \$2 billion. On the last call, you were talking about being over \$2 billion. Is that just valuations that you're seeing as maybe moderating? Or is there something else going on in the market, whether that's just you're expecting to sell fewer assets or some other dynamic?

Samuel Pollock: I think your question was just in some of our commentary, we might have referenced more than \$2 billion, and now we're just referring to \$2 billion? I think you might be reading more into the comments than was intended. We haven't really changed our views, or reduced our expectations on values.

I think that the market is still relatively strong for high-quality businesses. One of the benefits that we have is the fact that we have a diverse portfolio of businesses across sectors and regions. We do have the ability to sell mature businesses in areas that are the most attractive to buyers. As far as the level of our activity, we have lots of capacity to pivot and to move different businesses to the forefront depending on market conditions.

So no, we haven't changed our capital recycling plans this quarter. It's the same, and we'll look to continue, it's a continuous process. However once we're down to certain businesses that we have in mind today, we'll start other businesses next year and the year after that have reached maturity.

Robert Kwan: So if I just turn to some of the comments you made around the opportunities around supply chains. You talked about “China Plus One” and presumably with some of the longer shipping distances, more time on the water. As you think about Triton specifically, presumably that also means you're seeing an increased need for container inventory.

How much of that type of thing would be in your base plan? And I don't know if you can break it out, but what type of, say, outsized growth related to needing to secure more containers for that would be contributing to the IRR?

Samuel Pollock: The one thing I'll just caveat is that given that the transaction is still in process and we have shareholder approvals and different approvals to obtain, there's only so much we can comment on at this time. So I'm going to caution Dave to not get into too much of those assumptions at this moment within our plans. He can talk more generally about what we see more broadly in the sector and why we're positive.

Dave Joynt: Maybe starting more broadly with the sector, and then I'll narrow in on Triton a little bit and how it fits into the overall macro picture. At a macro level, I think we find that supply chains have been underinvested for really decades, and as people start to change the way their supply chains actually work based on some of the things that you had even mentioned, that's going to require significant capital.

I think that creates a lot of opportunity for us, not only for Triton specifically, but just as a business that creates a lot of opportunities for us. So as that supply chain resilience gets pursued, you see people taking decisions, they wouldn't have taken five years ago.

And whilst the pandemic had unique and specific disruptions, it also really pulled back the curtain on the fragility of the overall supply chain network that exists today, and needs to get rebuilt over the coming decades.

With that kind of as a macro backdrop, we see Triton as very, very well positioned in that new world. This is a great franchise, the world's largest owner and lesser of containers, and more specifically, its business model is highly cash flow generative, strong contracted profile with customers that have, frankly, probably never had better balance sheets and credit positions.

And then if you take a further step back, this fits really well into our overall franchise. Provides tremendous insights into the way that goods are being moved globally, reacting very quickly to changes in how goods are being moved and in what volumes, but also sets us up as one of, if not the largest provider of sort of end-to-end sort of transportation services on the planet and being able to work with customers on really unique and new offerings.

I think those are the things we're kind of excited about. And as Sam mentioned, with the passage of time in getting through these approvals, we look forward to kind of talking more about the business.

Robert Kwan: Just on Heartland, you noted minimal contribution in the quarter. I'm just wondering what quarter do you expect to start receiving and booking the Alberta Petrochemicals Incentive Program Grant?

David Krant: The business, as a reminder, the grant you referred to is when it was operational, and we put it into service in mid- to late January. It begun contributing in February, I think it was. On a net to BIP basis, it's pretty small in the grand scheme of things. And I think that's kind of what we're alluding to. The contribution was just quite minimal.

Robert Kwan: The facility or the grant itself?

David Krant: Well, the grants are quite minimal.

Operator: And our next question comes from the line of Robert Catellier from CIBC.

Robert Catellier: Just a couple of follow-ups on Triton. Specifically, we're used to seeing investments in more fixed assets that are more fixed in nature. And it looks like Triton's got maybe a larger component of mobile assets here. Do you see a fundamental difference here and how the risk reward there is managed on more mobile assets compared to your fixed infrastructure?

And the second part of the question is, I'm just curious, to the extent you can, given the transaction is still in progress. Can you maybe elaborate a little bit more on the interplay with the existing assets beyond just the insights that Triton will provide for your other transportation assets?

Samuel Pollock: I guess what I would maybe draw your attention to, and flag is the fact that a lot of our businesses, particularly the utility businesses more specifically, have, I'd say, this concept of a "RAB", a regulated asset base or a contracted cash flow base. And sometimes, those businesses have transmission networks or other distribution networks.

And other times, we've got our residential decarbonization businesses backstopping them. We see this leasing business, very similar in the sense that we have a highly contracted cash flowing book of income streams that we are continuously adding to, and rejuvenating through a business that is critical to the infrastructure universe in particular, the supply chain.

And so we very much just see it as a taking part in infrastructure activities, creating a RAB base that we can then benefit from. And so in our mind, it's very much similar to our utility type businesses, just related to transportation. So we look for these type of businesses regularly.

And the main factor that's important is, does it have a franchise where you can sustain and grow that book of contracted cash flows. This business clearly has that and has been doing it for many, many years. That's what I think attracts us to it. As opposed to whether they're mobile assets or other type of assets, It's still very much infrastructure related. With that, maybe I'll just turn it over to the interplay question.

Dave Joynt: I'll be a little bit cautious just given the status of the overall transaction. But I think what I would say is if you think about our global footprint of port, rail, and logistics businesses, these are touching a lot of the same customers that Triton has today, and actually some customers that could become Triton customers in the future.

And I think we see this as an ability and opportunity to be more relevant in all of these large movers of goods, global supply chains. Being able to offer them an integrated suite of rail, port logistics, container services. And we see a lot of opportunity in what we can do with the platform. But again, I need to be a little bit cautious at this stage given where we are in the transaction.

Operator: And our next question comes from the line of Naji Baydoun from iA Capital Markets.

Naji Baydoun: Just a quick question on Triton. You explained kind of your investment thesis in the company, and I just wanted to see if you can provide a bit more color on how you're thinking about the capital intensity of the business and maybe relative to your other existing transportation assets?

Dave Joynt: Yes. I mean, I guess what I would say attracts us to this business, is that it is an asset-heavy business. And as a result, has 90% plus EBITDA margins, which is sort of reflective of the capital nature of it. And I think if you look across our portfolio, is we tend to be very attracted to those types of businesses that have those high margins, predictable cash flows that are really underpinned by the asset base itself.

And to Sam's comment a bit earlier, this really also creates for us as a pipeline to redeploy the significant cash flow the business produces back into other kind of cash flow generating assets over time. And all of that benefits from a number of the sort of supply chain trends that we sort of talked about on the call this morning.

And I think just an important point, Sam's making is that the maintenance CapEx and the containers themselves is born by the customers, not born by Triton itself. And so the capital intensity of the business on an ongoing basis is very, very low. So the cash flow really flows from EBITDA right to the AFFO line.

Naji Baydoun: I know maybe there's not much you can say at the moment, it might be too early, but it seems like AusNet is sort of performing well. I'm just wondering with the Brookfield looking to increase their investments in the energy space in Australia with Origin. What kind of opportunities do you see for BIP to maybe accelerate transmission investments to the AusNet?

Benjamin Vaughan: Again, I'd say we see tremendous opportunity, especially in the AusNet footprint to develop new transmission, specifically for renewables but also for just other large load clients. And so far, with AusNet we are seeing the kinds of growth projects that we expected in underwriting on that front.

It was an important part of the underwriting, and we do see it playing out. We expect to be building new lines to connect new renewables to the network consistently over the coming, probably decade to two decades. And we're off to a good start in terms of tangible projects and things getting built on the ground. That was absolutely a part of the thesis, and we are seeing it play out.

Naji Baydoun: I guess Brookfield's potential investment in Origin is sort of, I don't think the right word was expected, but it doesn't really, I guess, add a lot of incremental growth to what you're already underwriting in AusNet?

David Krant: I think Australia has a net zero target by 2050, and that's what we underwrote regardless of whether who owns the power generation. This may accelerate the transition for certain assets a bit quicker than originally contemplated. But we knew the end game and we knew the end goal for the country, and that's kind of what we looked at when looking at this regulated transmission business.

Operator: And our next question comes from the line of Andrew Kuske from Credit Suisse.

Andrew Kuske: You've got a number of businesses like water heater rentals, smart meters and then arguably part of Triton that are effectively financing businesses. I guess to what extent, and I guess, what proportion of the balance sheet overall do you see being allocated towards these kinds of businesses in the future?

Samuel Pollock: I don't think we have any particular target, to be honest. I think these were -- each one of them, smart meters, the residential infrastructure business, this business, were all opportunistic. We thought they were all great franchises. I think over time, as we buy and sell businesses, the percentage of more financially oriented infrastructure businesses will ebb and flow. But there's no percentage that we have in mind. I wouldn't draw any conclusions based off of this acquisition, or any others.

Andrew Kuske: And then, I guess, maybe just as a natural extension. There's no aspiration to be involved in rail-car leasing, aircraft leasing, this sort of stand-alone businesses unless there is an opportunity on an opportunistic basis that presented itself?

Samuel Pollock: Yes. Look, we've looked at active rail-car leasing in the past. There's some good businesses out there. We've not really done much on the aircraft leasing side, to be honest, or looked at that. It's not to say that we wouldn't, we think that what we bought is better than any of those other types of businesses. I think we ended up with the cream of the crop. Today, none of them are a focus for us, but I would never say never if something interesting came along.

Andrew Kuske: And then maybe just a bigger picture question and it comes down to just dislocations around the world, and you're seeing interest rates move through different paces and different levels of recovery around the world, I guess, just high level, what are you finding more interesting from a geographic basis right now, what's taking a lot of your time, and what's sort of less interesting?

Samuel Pollock: I think what's interesting at the moment is that we're able to buy great businesses for value in the highest quality markets, namely North America and Europe. And so obviously, the benefit of having a global business is that we can move capital around and go where we can get the best value.

Today, we're finding some of the best value right here at home. And that's obviously something that appeals to us. I don't want to give the impression that there aren't some good opportunities elsewhere. But if you're asking what excites me, is the fact that we are able to invest very close to our core markets in great, great businesses.

Operator: And our next question comes from the line of Ryan Levine from Citi.

Ryan Levine: A couple of questions on the Gas Storage sale. Congratulations on the exit there. What was the cash-on-cash return that you received? Is there any color you could provide, given the series of transactions that have been completed since you bought some of these assets?

Samuel Pollock: First of all, the assets we sold were part of a broader portfolio. One of the decisions we decided was that we could get better value by selling the business in pieces and so we sold two of those assets, two different buyers, and we have two other groups of assets still left, our Alberta AECO assets, as well as our California assets.

We bought the businesses at pretty attractive valuations. Our targeted returns for the whole portfolio would be in the 13% to 15% range. And I think we feel pretty good about achieving those IRRs for the business, and hopefully doing better. But I'd say at this stage, that's what we would hope to achieve.

Ryan Levine: Okay. I guess given the Niska debt refinancing and this exit, do you have any sense around your cash-on-cash return that you've already achieved and the cash you've already generated as a business? Or should we just stick to the IRR threshold target?

Samuel Pollock: We would have now gotten almost all our money back from the initial investments. We've had very strong annual cash flows as well as a couple of years where we did extremely well. This year was a pretty good year with, returns in California particularly strong.

We've had other years where our Salt Plains assets did really well. Probably the business that will likely do well in the coming years that has maybe been less so has been the Alberta assets because of some maintenance issues that have existed with the TransCanada line.

But those are, I think, nearing completion with the LNG facility coming online, LNG Canada, we think our storage is going to be hugely valuable in that market. Those assets maybe have not done as well as some of the other ones, but will do very well, I think, going forward.

Ryan Levine: And then in terms of future acquisition funding mechanisms, you highlighted a number of tools that you have to pursue targets. In terms of issuing equity, I think the comment was around issuing stock. Should we view the preferred issuance tool, the BIPC stock over BIP units from an equity funding given the types of targets that you're looking at?

Samuel Pollock: Yes, I would say today, BIPC would be our preferred security to issue. But we utilize the capital markets more broadly. Often, we may tap the MTN market when that's open, and we do that periodically. We have, in the past, access the preferred share market in Canada on occasion.

And more recently, with the strong performance of the BIPC share. We've utilized that security as well.

Operator: And this does conclude the question-and-answer session of today's program. I'd like to hand the program back to Samuel Pollock for any further remarks.

Samuel Pollock: Thank you, operator, and thank you to everyone for joining today's call. We're obviously excited to share our accomplishments and our objectives and look forward to speaking to you again next quarter. Thank you again for your support.

Operator: Thank you. And thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.