



Brookfield Infrastructure Partners L.P.

2012 Year End Conference Call Transcript

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Time: 9:00 AM ET

Speakers: **Tracy Wise**
Vice President Investor Relations

Samuel Pollock
Chief Executive Officer

John Stinebaugh
Chief Financial Officer

OPERATOR:

At this time we turn the conference over to Tracey Wise, Vice President, Investor Relations. Please go ahead, Ms. Wise.

TRACEY WISE:

Thank you, Operator, and good morning. Thank you all for joining us for Brookfield Infrastructure's Partners Year End 2012 Earnings Conference Call. On the call today is Chief Executive Officer Sam Pollock, who will discuss highlights for the quarter, provide comments on our strategy and the outlook for our business. Also joining us is John Stinebaugh, our Chief Financial Officer, who will review our financial results. Following their remarks, we look forward to taking your questions and comments.

At this time, I would 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 would like to turn the call over to Sam Pollock. Sam?

SAM POLLOCK:

Thank you, Tracey, and good morning, everyone. In 2012 we made significant strides in solidifying Brookfield Infrastructure's position as one of the leading global infrastructure businesses. During the year we advanced a number of organic growth initiatives that demonstrate our ability to successfully deliver large scale development projects and we closed several opportunistic acquisitions that significantly enhanced our footprint. It is this form of organic growth along with M&A executions that we expect will propel our growth going forward.

With respect to organic growth, we successfully commissioned our \$600 million Australian railroad expansion below budget and ahead of schedule. We also significantly advanced the construction of our \$750 million Texas electricity transmission system, which we expect will be up and running by mid 2013.

On the acquisitions front, we closed a number of transactions that were the result of an outreach program that we initiated in 2008. Our strategy was to develop relationships with European infrastructure companies that own high quality assets in Latin America. In 2011 we redoubled these efforts, as we thought that attractive

investments could surface in this region triggered by the European sovereign debt crisis. During the past year we deployed \$1 billion of capital in European businesses or in assets acquired from European owners as a direct result of this strategy.

As a result of growth in our business and the stability of our cash flows, Brookfield Infrastructure achieved a significant milestone in 2012, attaining a BBB+ corporate credit rating from S&P. With strong operating results that supported the distributions that we paid out, we provide our unitholders with an attractive overall return of 33% for the year.

In light of the current strong prospects for our business, the Board of Directors has approved a 15% increase in our quarterly distributions to \$0.43 per unit. This increase reflects the forecasted contributions from our recently commissioned capital projects, as well as the expected cash yield on acquisitions that we closed in the fourth quarter.

Since our spin off five years ago, we have increased our quarterly distributions from \$0.265 per unit to \$0.43, a compound annual growth rate in excess of 10%.

With those brief comments I'll now turn the call over to John Stinebaugh to talk about our results.

JOHN STINEBAUGH:

Thanks, Sam. I'll spend a few minutes walking through our results. In my remarks, I will focus on funds from operations or FFO. We highlight this metric because we believe it's a proxy for cash flow from our business. I will also focus on AFFO yield, which is equal to FFO plus maintenance CapEx divided by invested capital. This is a measure of how effectively we invest capital in our business.

In 2012 we earned FFO of \$462 million compared with \$392 million in 2011. This 18% increase in our FFO was primarily driven by expansion projects that we successfully commissioned during the year and to a lesser extent through investments. Our FFO per unit of \$241 was flat compared to the prior year as investments made with proceeds from our recent equity offerings did not fully contribute to our cash flow during the period. Our payout ratio was 62%, which is well within our range of 60% to 70% and we earned a solid AFFO yield of 10%.

During the year, our utilities platform produced FFO of \$308 million compared with \$275 million in the prior year. The increase in FFO was primarily due to the recent fully completed merger, which doubled the size of our U.K. distribution business, the increase in ownership of our Chilean electricity transmission system and the acquisition of an interest in a Colombian distribution company. Excluding new investments the cash flows of our business steadily increased with inflation indexation and contributions from organic growth investments. For the year, our utilities business earned an AFFO yield of 15%, which we believe is a very attractive return in light of the low risk profile of this segment.

In our transport and energy platform we generated FFO of \$224 million in 2012 compared to \$167 million in 2011. The increase in FFO was primarily driven by a 110% increase in our Australian railroad's FFO as a result of the commissioning of our expansion program, as well as a favorable grain harvest. Our results also benefited from the South America toll roads that we acquired in the fourth quarter. Our North American gas transmission business continues to be impacted by weak market conditions caused by excess capacity and low natural gas prices. However, our FFO remains flat compared to the prior year due to the investment of equity to deleverage this business.

Overall, the FFO yield for our transport and energy platform was 9% for the year. This yield, while higher than the prior year, is clearly below the level that we should expect from this segment over the long term. In 2013 the AFFO yield should increase with a further ramp up of cash flows from the expansion program at our railroad and a full year of results in our toll road business.

In 2012 our timber platform recorded FFO of \$22 million compared to \$33 million in 2011. Results reflect soft demand from Asia early in the year, which caused average realized prices to decrease by 7% combined with operational restrictions due to a prolonged fire season that impacted our harvest in the second half of the year.

For the year exports represented 41% of total log sales versus 47% in the prior year as demand in domestic markets strengthened. Domestically the U.S. housing market recovery gained momentum throughout the year with seasonally adjusted annualized U.S. housing starts reaching 954,000 in December of 2012, which was 37% above prior year levels and new home permits increasing by 29% year over year. In 2012 our AFFO yield for this platform was 4%, which we expect will improve in 2013 due to strengthening export markets combined with the continuing recovery of the U.S. housing sector.

I will now touch on some of our corporate initiatives. In 2012 we executed a number of successful transactions that further solidified our balance sheet. At the corporate level we raised approximately \$900 million of capital, comprised of \$500 million of equity from a unit issuance that we completed in August and \$400 million from our inaugural corporate bond issue that closed in October. These two offerings were several times oversubscribed, demonstrating investors' interest in our company and our access to the capital markets. In order to increase liquidity for new investments, we upsized our corporate credit facility to \$900 million subsequent to year end. We were able to reduce the borrowing cost on this facility as a result of our BBB+ corporate credit rating.

We also completed several refinancings at our operations, capitalizing on the opportunity to issue long-term debt in this historically low interest rate environment. In total we refinanced \$3.3 billion of debt at an average rate of 4.6%. In the first half of 2013 we will be very focused on executing long term take-out financings at our U.K. Regulated Distribution business and our Australian railroad. In anticipation we secured investment grade ratings at both of these entities. Once these financings are complete, we will extend the average maturity of our debt portfolio to approximately eight years as well as repatriate nearly \$400 million of capital.

I will now turn the call back to Sam to walk through our growth strategy and outlook for our business.

SAM POLLOCK:

Thank you, John. As John mentioned I'll recap our growth initiatives and review the outlook for the company going forward. During the fourth quarter of 2012 we deployed \$1.1 billion of capital into investments in our utility and transport and energy platforms which we funded with a \$500 million equity offering and draws under our revolving credit facility.

Within our utilities platform we completed the acquisition of a U.K. distribution business in early November, investing \$525 million. This business was merged with our existing U.K. distribution company which increased our installed connections to over one million. Our initial investment in the U.K. distribution sector was made in connection with the acquisition of Prime Infrastructure in 2009. On closing the invested cap on the combined business totaled approximately \$650 million, however, we believe that the value of the franchise is significantly greater due its prospects for growth and its market position. We successfully recognized some of this value in November with the sale of a 20% interest in the combined entity to an institutional investor for proceeds of approximately \$235 million.

During the fourth quarter we also signed an agreement to acquire an additional 10% interest in our Chilean transmission system from Brookfield Asset Management for \$235 million effective October 2012.

Within our transport and energy platform, we completed the acquisition of an additional interest in our Chilean toll road for \$170 million in October, increasing our ownership to approximately 50%. In December we acquired an interest in an entity with a 60% controlling stake in the largest toll road operator in Brazil for \$310 million in partnership with Abertis and institutional investors. These roads benefit from long term concession agreements in proven regulatory regimes with tariffs that are indexed to inflation. In addition there are significant opportunities to deploy additional capital to expand our networks to accommodate increased traffic due to GDP growth.

At the end of October we also invested approximately \$75 million for a 25% in a district energy system that serves commercial customers in downtown Toronto which we acquired in partnership with institutional investors.

Finally, we are also making excellent progress in executing our financing plan for these investments. In addition to the \$500 million of proceeds from our August equity offering, we have raised over \$300 million from asset sales. In addition to the sale of a 20% interest in our U.K. regulated distribution business, we sold a 12.5% interest in our Canadian timberlands for \$85 million. With these initiatives, together with the proceeds from the take-out financings that we expect to close in the first quarter, we will have raised \$1.2 billion of proceeds. As we enter 2013 we will have approximately \$700 million liquidity to further invest in our business and we are also considering further timber and non-core asset sales to recycle capital into new investment opportunities.

Last year our performance demonstrated that our business can deliver strong results even during periods of tepid growth in the global economy. We believe this resiliency can be attributed to the fact that 85% of our cash flows are generated under regulatory frameworks or long term contracts, a significant amount of which are of a take-or-pay nature. Entering 2013 we believe that the global economic recovery is beginning to accelerate. Prospects for the U.S. economy have improved as the housing market has finally turned the corner. Also after a relatively weak year, the Chinese economy is showing signs of strengthening. With the contractual nature of our business, Brookfield Infrastructure has demonstrated it can deliver solid results in a variety of economic environments, however, we believe the full potential of the business will be realized in periods of stronger economic growth and higher inflation.

Going forward, our growth strategy will continue to be multi-dimensional. Within our existing portfolio of businesses we should generate meaningful growth that does not require capital investment. Over 65% of our revenues are indexed to inflation, and we have considerable excess capacity in our toll roads, ports and natural gas transmission system. Furthermore, certain of our businesses such as the electricity transmission operations, distribution business and railroad are well positioned to invest in high return organic growth projects driven by customer demand.

Lastly, we will seek to originate acquisitions of new businesses that we can buy for value that strategically fit with our operations, utilizing Brookfield's extensive global asset management platform. For the past year M&A activities have been the more prominent activity. While we expect this trend to continue over the balance of 2013, the level of organic growth within our business should accelerate with the global economic recovery that is underway.

Operator, that concludes our comments. Now I would like to turn the call back over to you to open the call for questions.

OPERATOR:

Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. You will hear a tone acknowledging your request. Please ensure you lift the handset if you are using a speaker phone before pressing any keys. If you wish to remove yourself from the question queue, you may press star and two. Anyone who has a question may press star and one at this time.

The first question comes from Cherilyn Radbourne of TD Securities. Please go ahead.

CHERILYN RADBOURNE:

Thanks very much and good morning. The first question I wanted to ask just related to the transport and energy segment where you do indicate that the 9% AFFO yield for 2012 is below the level you expect long term. So I was just wondering if you could give us some help to think about how that should ramp up over time? I assume that a full year of the new railroad traffic helps in 2013 and beyond that the toll roads are the key driver.

JOHN STINEBAUGH:

Hi, Cherilyn, it's John. I think you've hit two of the biggest drivers. If you think about the railroad we had from the expansion program roughly \$30 million of EBITDA in Q4. So on an annualized basis that's roughly \$120 million and we've indicated that that should contribute in the \$150 million range. So by the end of the first quarter we should be reflecting the full run rate from the railroad. And secondly, the big contributor is going to be the toll roads. We basically had a partial quarter of contribution from OHL Brazil, or Arteris as we're now calling it, and we had a full quarter of contribution from the second part that we invested in AVN in Chile. So we'll have a full quarter or full period of contribution for those in 2013, and in addition to that we should get growth from volumes that increase on the roads and inflationary escalation in a good number of those businesses.

CHERILYN RADBOURNE:

Okay, that's helpful. In terms of the proceeds that you refer to that you expect to realize on take-out financings in Q1, I'm assuming that all of that relates to the railroad and I'd be curious just as to which market you intend to execute that financing in. Is that going to be done in Australia or are you going to access the U.S. market again?

SAM POLLOCK:

I guess I'll answer that one, Cherilyn, it's Sam. It's actually a bit of a combined effort. So we will have in place a bank deal to secure the take out of about 75% of the expected proceeds and, in fact, all of what's coming due. So that is in place and the expectation is the balance, which will be \$300 million to \$400 million will be placed in the U.S. Private Placement market.

CHERILYN RADBOURNE:

Okay, thank you.

SAM POLLOCK:

And the \$400 million, Cherilyn, that we mentioned, does include some up-financing from our North American transmission business as well.

CHERILYN RADBOURNE:

Okay, thank you. That's all from me.

OPERATOR:

The next question is from Andrew Kuske of Credit Suisse. Please go ahead.

ANDREW KUSKE:

Thank you. Good morning. If you could just talk a little bit about the thought process on the partial disposition of the U.K. distribution business, really the 20% stake for the \$235 million and just the thought process around that versus other investment opportunities.

SAM POLLOCK:

Sure, Andrew, I guess the way we looked at it is there was interest from others in the transaction that we ultimately were successful in acquiring. And people approached us about whether or not they could be partners. We looked at our opportunity to bring in a very deep-pocketed and well-respected investor and it was on the basis of them recognizing the value of the combined business. And, from our perspective, as long as it was at the right value that reflected the growth going forward, we felt comfortable in doing that.

And as you will note from the values that we've given, the investment we made in this three years ago was roughly \$125 million and the value recognized on what we sold at is over four times that value. So we felt pretty good about the transaction as a whole. We brought in a good partner and we've maintained full operational control, going forward.

ANDREW KUSKE:

So it is essentially, just holistically looking at this and through history, thinking about taking out your cost base of your initial investment and helping capitalize Inexus with equity, equity on your part from another party coming in.

SAM POLLOCK:

Well we looked at it, as you said, holistically. This was an opportunity to recognize value in the business, solidify it with good partners and we did recapitalize the company to an investment-grade basis. And it's one of the tools we've used to raise capital for our overall investment program in 2012.

ANDREW KUSKE:

Now was the institutional investor part of BAIF or a successor fund to BAIF or completely separate from either of those entities?

SAM POLLOCK:

You know, I can't really comment on who it was. It is a party we know well, but I can't really comment whether or not they're part of the funds or not.

ANDREW KUSKE:

Okay. And then just turning my attention to Latam so this will be the last question. On Latam, the OHL Brasil, or Arteris, as it is now, is your intention to look beyond just toll roads and to think about the airport options that are going on on concessions; the ports and other things and really look at that as a bigger, broader platform within Brazil or is it still just going to be focused on the toll roads for now?

SAM POLLOCK:

Just to clarify, Andrew, are you asking about Arteris specifically, if this is their strategy or are you talking about Brookfield Infrastructure strategy down in South America?

ANDREW KUSKE:

Well, again, it's a little bit of both, obviously of your own objectives, but you've got a big platform now. At least you own a stake, a meaningful stake, of a big platform where the partner that you need to have a majority position. So do you think about using that majority position to further penetrate into non-toll road areas, but infrastructure in a broader sense, or just pursuing that on your own?

SAM POLLOCK:

Yeah, look, I think what I would say is with respect to the strategy going forward for Arteris that that will probably be communicated in time by Arteris and rather not comment on that at our level. What I would say is that Brookfield Infrastructure has interest in a number of asset classes in South America. We see the Brazilian airports is a unique situation and the values that things traded at in the past have been at levels that we've not been comfortable with, but that's not to say that there may not be better value, going forward. But we have a lot of interest in looking at the port sector in South America. There are a couple of rail opportunities and there are also some interesting distribution businesses that we've been considering. So we do see lots of opportunities, some of which utilizing through that platform we have and in Arteris, but you know, many others will be done through other means.

ANDREW KUSKE:

Okay, that's very helpful, thank you.

OPERATOR:

The next question is from Robert Kwan RBC Capital Markets. Please go ahead, sir.

ROBERT KWAN:

Good morning. Sam, you mentioned that you're seeing China a little bit better here and I'm just wondering, have you noticed that in terms of customer interest in some of the projects down in Australia, specifically Dudgeon Point or anything on the rail or port expansion side?

SAM POLLOCK:

Hi, Robert. Maybe, to break that into two components, where we see most of the activities in our business, as it relates to China is in relation to trade flows that come in and out of our ports and also in relation to our timber business where we see increased demand for wood products. And as it relates to customers, other than their ownership of KML and what we see, the activity level with a number of the Chinese companies in and around the iron ore sector in Oakajee Port and various things in the South West part of Australia, generally they're not customers of ours.

As I think of Dudgeon Point our customers tend to be more of the large majors such as Vale, Anglo, BHP and Peabody and those types of people. So I'd say where we get the empirical evidence or sense that things are improving is really on a trade flows front.

ROBERT KWAN:

I guess, just putting it differently, what seemed to be happening mid-last year was some of the strength or the customer interest on expansion activities down in Australia started to wane, I guess, as commodity prices started to fall and China being a big portion of that, I guess, have you seen the customer interest though start to pick up to underpin activities, expansion activities at any of those assets?

SAM POLLOCK:

You know, I would say it's mixed. I think there's still a cautious view regarding the commodity price levels for both coal and iron ore at the moment. There's no doubt, particularly in iron ore, people are feeling much better today than they were three months ago. There's been a huge recovery in prices, but I think there's still a little

bit of concern or skepticism that the current price level will be maintained over the balance of the year. I think there's an expectation that it will soften, but I think people are more optimistic and we are seeing customers talk about proceeding with some expansion. Some are more bullish than others.

You know, I think in our South Western Australian operations, the railroad namely, the growth, the near-term growth in that business that could happen would be a result of the expansion of KML's operations. They're probably the most optimistic and aggressive in regards to discussing expansions. On the east side of the country in Queensland I would say the mood around expansions for the coal sector are much less visible. I'd say there are still concerns about the cost levels that have risen in that part of the world and some of the big projects you hear about, like Carmichael and others, which are in the Galilean, probably don't impact us as much. You know, it's unclear whether or not they'll get the capital to proceed with those.

ROBERT KWAN:

Okay. That's good color. Just turning to organic growth opportunities and your comment that they should start to accelerate outside of those projects down in Australia, do you see that more of just smaller capital investment into the existing assets, the types of things that, really, you've been doing all along or do you see opportunities for other mega-projects, again, outside of your Australian businesses?

SAM POLLOCK:

I'd say they're generally smaller in nature. The mega projects, in the order of magnitude of \$600 million plus, at this stage we don't have a lot of visibility into those. In the near term, we are looking to progress a biomass reception facility in our port in the UK. The dollar magnitude of that project on an enterprise value basis is plus or minus \$150 million. There's still some work to be done there, but that's kind of the magnitude of the projects we're looking at.

There are some opportunities in our Chilean transmission business to participate in some trunks expansions. There are discussions of connecting the north and south. Some of those situations may be competitive so it's unclear as to whether or not we'll be successful in securing those opportunities, but those are relatively big dollars. And given our increased stake in that business, obviously our share of that has increased.

ROBERT KWAN:

Okay, just the last question. If you can refresh your thoughts on the European M&A activities specifically, just commenting thoughts around investments on the continent, both core Europe and some of the peripheral countries in addition to kind of the way you've been executing more so European companies and then buying their assets outside of the continent.

SAM POLLOCK:

Well, I guess the way we view the market today, it is an improving situation, I guess. You know, going back a year ago, there was significant uncertainty with regards to the whole financial system, to be frank. And I think that caused hesitation in M&A activity, particularly in the southern European part of Europe. And so people were selling assets in South America and, to a lesser extent, North America. We continue to see activity levels that are fairly robust from the European companies to sell assets to deleverage, but I think we've also seen an increase in the amount of capital going into Europe, in relation to European assets. And I think probably the trend that you will see taking place over the next couple of years is maybe less a focused on the sale of an acquisition of North American and European and South American assets from European companies and more capital actually going into European opportunities.

ROBERT KWAN:

And do you see yourself, this improving situation, does that get you more comfortable than deploying capital into the continent?

SAM POLLOCK:

Yes, I think that's the inference, yes. We would start to make more efforts in looking to acquire European assets.

ROBERT KWAN:

Including Southern Europe?

SAM POLLOCK:

Including Southern Europe.

JOHN STINEBAUGH:

We evaluate everything, Robert, on a case by case basis so obviously it's going to be very fact-specific.

ROBERT KWAN:

For sure. Thank you.

OPERATOR:

The next question is from Timm Schneider of Citigroup. Please go ahead.

TIMM SCHNEIDER:

Hey, guys. Just a quick question; I mean, in the past you said, you'd be very interested in looking at kind of North American mid-stream assets. If you kind of look at the opportunities you have across your portfolio across the globe, where do these North American mid-stream assets kind of rank and, I guess, what are you seeing in terms of opportunities here over the last couple of months or going into '13?

JOHN STINEBAUGH:

Timm, it's John. One of the big strengths of our platform is that we do have a global platform and we have enough ability to look at different sectors. And as we've looked at U.S. mid-stream or North American mid-stream, we compare what we think the risk-adjusted returns that we can get, in those investments versus other ones that we're seeing in different jurisdictions and we try to focus our capital where we think we can get the best returns.

And if I look back at last year, we did look at a number of mid-stream deals and we felt that, with the low cost to capital that MLPs had in a number of cases, they have synergies they're bringing to the table that we had a hard time thinking that we could get returns that were competitive with other alternatives that we had. We did make an investment in a storage field and we're seeing that there are opportunities to potentially build upon that platform that we started and we think that, within that sector, there is potentially good relative value. And we are continuing to look at gathering and processing in other aspects of mid-stream. And if we find an opportunity that we think makes sense, we'll definitely look to do it. It's a sector we like quite a lot.

TIMM SCHNEIDER:

Okay, so have you guys had any conversations with E&P companies, maybe partnering up with them, taking using some of their mid-stream CapEx needs and would that be something of interest to you guys?

JOHN STINEBAUGH:

Yeah, something like that would definitely be of interest. I mean, we have had conversations with a number of E&P companies, but yes, that would be of interest.

TIMM SCHNEIDER:

Have you kind of quantified what you think an initial investment there, kind of the size or scope of what that could look like?

JOHN STINEBAUGH:

It's hard to say, Timm. That's going to be very case-specific. As we look at opportunities to grow our business, we don't really have targets that we wanted to deploy in particular sector. It really is a function of the opportunities we see and whether those make sense for us.

TIMM SCHNEIDER:

Sure. And then just briefly, can you give us an update on NGPL, kind of how you think about that asset longer term, strategically and how that fits into your portfolio?

JOHN STINEBAUGH:

NGPL is a great franchise. It's got a very strong position in the Chicago market and it's got a very good connectivity to different basins. So we think it's an asset that is a critical asset for the mid-stream infrastructure within the United States. Right now, as you know, it's at level of earnings that is a depressed level compared to historic periods of time. We think that earnings eventually will recover, but I think it's something that in light of the excess capacity, as well as natural prices, it's probably going to take a while before things turn the corner there. From our standpoint, we like the asset. We are not looking to do anything unless we think we can get value that would be representative of the long-term cash flow generating ability of that asset.

TIMM SCHNEIDER:

Got it, obviously there's been a lot of talk about converting pipelines from gas to liquids. Is there any, could any leg of that pipeline be a candidate for that?

JOHN STINEBAUGH:

Those are things we look at all the time, Timm, and we're definitely looking at opportunities. As you know, those kinds of projects are very complex projects but we do explore those types of ways of optimizing the asset base within that business and in other businesses we have.

TIMM SCHNEIDER:

Alright, thanks guys.

OPERATOR:

The next question is from Brendan Maiorana of Wells Fargo. Please go ahead, sir.

BRENDAN MAIORANA:

Thanks, good morning. So Sam, you guys have done a great job over the past couple of years. It's allowed your multiple to improve pretty significantly and even if we look at sort of the forward year, 2013 estimates, you're probably trading at an implied FFO yield of somewhere like 7%, 7.5%, give or take. So that's come down, that yield has come down a lot. Has that allowed you to lower your return expectations from the investments that you're looking at, given that asset pricing has moved up over the past couple of years?

SAM POLLOCK:

Hi Brendan. To be honest we don't base our investment return expectations off of where our share price trades at, our unit price trades at. We actually have relatively rigid return expectations of a 12% to 15% and we tend not to fluctuate that based on short-term trading or short-term movements in the yield curve. And so that seems to have worked well for us. We haven't adjusted our underwriting to the market and we think in fact that discipline is what gets reflected in our unit price.

BRENDAN MAIORANA:

So is that going to make it more challenging, keeping your return expectations where they've been since you guys have come out, because that number, 12% to 15% IRR's levered hasn't changed since January of 2008,

at least not per my recollection. Is it making it more challenging to acquire now that asset prices have moved up pretty significantly over the past couple of years, but your return requirements are the same?

SAM POLLOCK:

I guess our view is if you're patient and if you have the benefit of what we have, which is a great business that we can invest a significant amount of organic capital into, as well as taking advantage of Brookfield's Global Asset Management platform where we can invest in many geographies and many sectors opportunistically, that we can achieve those targets. So that's I think been the success of our franchise for a number of years and we would rather stay patient and invest in those opportunities that meet our returns than reduce our return expectations.

JOHN STINEBAUGH:

And Brendan, it's John. I think if you look at the deals we closed in the fourth quarter of last year, that demonstrates that we have been able to put quite a bit of capital and those fit the return targets that we established back in 2008.

BRENDAN MAIORANA:

Yeah, so as I look out, because you had an active fourth quarter, in fact you had an active year overall, you've got some organic opportunities within the business but it seems like some of those ... the rails, obviously got a big driver in 2013 versus 12, that's pretty helpful. It seems like some of those organic opportunities, just because it's a bigger base now or maybe slowing down as it adds to the percentage of the bottom line, so I guess I'm sort of trying to drive at do you think that as you look at the investment pipeline of external opportunities that are out there, do you feel confident that you're going to be able to close a like number of deals as you look out in 13 and beyond, as you've been able to do over the past couple of years?

SAM POLLOCK:

My sense is that our current pipeline of investment opportunities is probably as robust today as it has been for a number of years. Obviously back in 2009 when we did the Babcock transaction that was a unique point in time and that was obviously a significant transaction in relation to the size of the company. But if you look at last year and the level of capital redeployed the number of opportunities we see are easily as comparable in size as to what we did last year.

BRENDAN MAIORANA:

So that's helpful. So excluding external opportunities which are always hard to figure out when and if those are going to close, if I look at your organic growth trajectory, relative to the growth trajectory that's been in the past, it's been high and the organic growth has been pretty significant with some of the big projects that you've had, rail most significantly, but then you've had the external growth too. So do you think that outside of external opportunities that could come up, do you think as we get into 2014, beyond 13 where you've got a lot of these projects that are going to be pretty additive, that your growth rate gets to the more normalized sort of 5%, 7% that you guys have outlaid in your long-term projections? Or do you think that you can be above that level in '14?

JOHN STINEBAUGH:

Brendan, it's John. As we get into 2014 the way we look at the business is that we should be able to get inflationary growth on 65% of our EBITDA and, in addition to that, volumetric growth in a number of the businesses within our transport business. And then we've got pretty recurring growth CapEx that would be in the energy distribution business, in our electrically transmission business and a number of others. And we think with that we can probably hit the midpoint of that range.

Then on top of that you've got the project that Sam mentioned, the biomass terminal in the U.K. that's a pretty good sized project. We're actively working to try to do something with Dudgeon Point and there's a number of other projects that are in earlier stages with the railroad in Western Australia. So those will all provide nice upside if we get them over the finish line to that midpoint of the 3% to 7% range. And then on top of that we think we've demonstrated that we've been able to execute acquisitions that have been for pretty good value, which would further drive growth. So that's sort of the way that I would look at the building blocks of our growth going forward.

BRENDAN MAIORANA:

Okay, that's very helpful. And then just last one, so John, I just wanted to sort of understand the U.K. distribution sale and relative to the book value. So you guys sold a \$235 million tranche, I think, 20% of it implies like it's roughly \$1.1 billion, \$1.2 billion. You acquired, I guess, \$525 million in the quarter. Does that suggest that the prior book value was \$125 million or is that mixing equity and asset bases?

SAM POLLOCK:

No, that's right. The book value of our equity of GTC, which is the old business, the regulated distribution business, was \$125 million.

BRENDAN MAIORANA:

Okay, and the \$525 million, that number that you guys, was that the equity value that was invested or was that the asset value?

JOHN STINEBAUGH:

That's the equity.

BRENDAN MAIORANA:

And the \$235 million was the equity as well?

JOHN STINEBAUGH:

That's the equity we sold, yeah.

BRENDAN MAIORANA:

Okay, great, thank you.

OPERATOR:

As a reminder, anyone who wishes to ask a question may press * and 1 on the touchtone phone. The next question is from Bert Powell of BMO Capital Markets. Please go ahead.

BERT POWELL:

Yeah, thanks. Just a question, John, on the rate base in the utilities segment up significantly in the quarter. The return on rate base was 12% last year. Given the ramp with the acquisitions in the fourth quarter, is 12% the right way to think about that return on the rate base or is that biased upwards? I'm just trying to get a sense of the impact in terms of the return on rate base going forward here.

JOHN STINEBAUGH:

Bert, I think the 12%'s a pretty good marker for it. We bought an incremental interest in Transelec and the combined U.K. Distribution business is a strong generator from a returns standpoint as well. So I think we should be able to maintain that level of return on rate base with those new acquisitions as their run rate is fully reflected in our cash list.

BERT POWELL:

Okay, perfect. In terms of the takeout financing, can you give us a sense of how you can lower your costs on that, what sort of magnitude does that get reflected through in terms of funding costs the opportunity just to refinance at lower rates in addition to extend?

JOHN STINEBAUGH:

In terms of takeout financing we are looking to put long-term financing on both the Australian railroad as well as the U.K. regulated distribution business. We have gotten investment grade ratings for both of those businesses, so we look to execute in the private placement market for a good amount of the financing to support both of those businesses where we've got strong relationships. So I think we should be able to do rates that would be representative of a mid BBB type rating category for those businesses.

BERT POWELL:

Okay. Just trying to think about the business holistically, with this what does that do for the interest costs going forward relative to where they are today? That's just sort of just trying to get a sense of what does it look like.

JOHN STINEBAUGH:

In terms of the interest costs those financings with our debt portfolio the size that it is, it's probably not going to move the needle that much. You know, I think those are going to be pretty attractive executions that we get, but I don't think it's going to move the needle of our overall average interest rate that much.

BERT POWELL:

Okay, perfect, alright, thank you.

OPERATOR:

There are no more questions at this time. I'll turn the conference over to Mr. Pollock for closing comments.

SAM POLLOCK:

Thank you, operator. And I'd just like to thank everyone for participating on our call today and we look forward to speaking with you again next quarter to review our progress.