



Brookfield Infrastructure Partners L.P. 2014 Fourth Quarter and Year End Results Conference Call & Webcast Transcript

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Time: 9:00 AM ET

Speakers: **Sam Pollock**
Chief Executive Officer

Bahir Manios
Chief Financial Officer

TRACEY WISE

Thank you, operator and good morning. Thank you all for joining us for Brookfield Infrastructure Partners' year-end earnings conference call. On the call today is Bahir Manios, our Chief Financial Officer, who will review our performance for the year and Sam Pollock, our Chief Executive Officer, who will provide an update on our growth opportunities and an outlook for our business.

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 Bahir Manios. Bahir?

BAHIR MANIOS

Thanks Tracey and good morning everyone.

Brookfield Infrastructure had another successful year. We delivered strong results and established new platforms that will enable us to continue to grow and diversify in the years ahead. We faced economic headwinds in some of our key markets. Nonetheless, we generated an 11% increase in FFO per unit on a comparable or 'same store' basis.

In 2014, we utilized a multi-dimensional strategy to deliver solid growth on a low-risk basis. The first component of this approach was progressing the capital projects in our \$700 million backlog. Second, we completed several tuck-in acquisitions into our operating platforms in addition to two larger investments that we made into marquee assets in Brazil and France. We were also focused on risk management within our existing business by continuing to extend our debt maturities and by identifying the next round of assets that we're looking to sell as part of our capital recycling program.

With that said, I thought I'd touch on a summary of our key accomplishments in 2014:

First, we invested more than \$600 million in organic capital projects. These projects will grow our utilities rate base and expand our transport and energy segments. We also added \$900 million of new projects to our capital backlog that we plan to commission over the next 24-36 months.

Second, we deployed approximately \$250 million into new investments in North America consisting of tuck-in acquisitions that expanded our port, gas storage and district energy platforms.

Third, we invested \$350 million into a general cargo rail operation in Brazil. This business complements our rail franchise in Australia, and provides significant opportunities to deploy further capital to service the growing agriculture and industrial sectors in Brazil.

We also established a communications infrastructure platform. We committed to an

approximately \$500 million investment in a leading French communication infrastructure business. This is our first entry point into a sector where we believe there are a number of growth prospects, and Sam will touch on this more during his remarks later on.

And finally, we refinanced approximately \$4 billion of debt in 2014, continuing to capitalize on this historically low interest rate environment. The average maturity profile for Brookfield Infrastructure is currently over 10 years, financed on a weighted average basis at less than 6%.

Turning to our financial results. In 2014, we earned FFO of \$724 million, or \$3.45 per unit, compared with \$682 million or \$3.30 per unit in 2013. On a per unit basis, our results increased by 5%, however, on a comparable or basis, we delivered FFO per unit growth of 11%. This was driven primarily by growth in our utilities rate base, higher volumes in our transport operations, and inflation indexation realized across most of our operations. With a distribution of \$1.92 per unit these results translated to a 62% payout ratio, which continues to be at the lower end of our long-term target levels.

Our utilities segment generated FFO of \$367 million compared to \$377 million that was earned in 2013. The decline in our results was a result of the sale of our Australasian regulated distribution business in the fourth quarter of 2013. On a comparable basis, our results for this segment were very strong and were up 12%, benefitting from record connection activity in our UK regulated distribution operations, the commissioning of projects into our rate base across all of our operations, inflation indexation and lower costs due to margin improvement programs implemented during the year.

Our transport segment contributed FFO of \$392 million this year, compared to \$326 million in the prior year. The substantial growth in FFO was primarily the result of new investments in Brazil where we increased our ownership in our toll roads and acquired a significant rail operation. The segment's results also reflected higher volumes across most of its operations driven by a favorable grain harvest in Australia, an increase in light vehicle traffic in South America and higher bulk and container activity in the UK. In addition to the strong volumes experienced in this segment, we also benefited from higher tariffs across most of our assets.

Our energy segment earned FFO of \$68 million in 2014, which was roughly in-line with the prior year's results of \$70 million. We continue to be impacted by a very challenging commodity environment that has negatively impacted results at our natural gas transmission operations. This was largely offset by the increased contribution from our district energy operations.

As mentioned before on previous calls, we are very excited by the future prospects of our district energy business. Since entering the sector in 2012, when we acquired a heating and cooling system in Toronto, we have invested in five additional systems in the United States. In the past two years we have focused our attention on acquiring additional district energy networks and using our operating expertise to pursue organic growth initiatives within each one of these systems.

This past year we expanded our scope to other regions where we have an operating presence. We are pleased to report that we recently acquired our first district energy project in Australia and are close to finalizing the acquisition of a second. These projects will give us the opportunity to develop centralized systems to service residential and commercial customers in Sydney and regional Victoria. These projects will require approximately \$100 million of capital and should allow us to earn solid risk-adjusted returns that are underpinned by long-term take or pay type contracts. As part of this initiative, we have also completed a restructuring

of our existing energy distribution business in Australia to include its operations as part of our global district energy platform. This platform will provide for shared service support and act as the regional hub of activities for this sector on a go-forward basis.

And finally, before turning the call over to Sam, I wanted to give an update on our liquidity and financing initiatives. We finished the year with over \$2 billion of total liquidity, and since year end, we have taken additional steps to further increase this position in anticipation of the positive investment environment that exists today. We have identified over \$1 billion of non-core assets that we are targeting to sell. In this regard, we have kick-started the sale process on two businesses and hope to have further news on this front in the future. In addition we have progressed plans to issue \$300 - \$500 million of corporate debentures, capitalizing on our solid corporate debt metrics and our BBB+ rating. We hope to come to market during the first half of the year and we expect strong demand for these bonds in this environment. With less than 10% of our total debt maturing in the next two years, and our substantial liquidity position, our balance sheet is in very good shape, positioning us extremely well to take advantage of this positive investment environment.

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

SAM POLLOCK

Thanks Bahir and good morning everyone.

Last quarter I wasn't able to talk about our French towers acquisition, since it wasn't signed at that time, although we did announce it I believe a day afterwards. So while it may seem like old news, I thought I would nonetheless provide a brief update on this call.

We are progressing this acquisition, which is the largest independent communication tower infrastructure business in France. Brookfield Infrastructure's equity commitment for this investment will be approximately \$500 million. We received unanimous Works' Council approvals in mid-January 2015, and subject to receiving EU and French competition and regulatory approvals, the transaction is expected to close by the end of March 2015.

TDF provides us with a large scale communication infrastructure platform that has considerable growth potential. We believe that the communication infrastructure sector represents an attractive asset class as it provides essential services and demonstrates utility-like characteristics including long-term contracted cash flows and inflationary pass through mechanisms. The long-term demand for tower networks shows solid growth potential as the data needs of mobile users continues to expand at exponential rates. This creates organic growth opportunities through densification of tower infrastructure to meet consumer expectations for higher speed and quality service.

We are also seeing a trend among existing mobile network operators who are moving away from the physical ownership of tower infrastructure to focus more on the acquisition of spectrum rights. This change provides us with the prospect to make investments in physical infrastructure on behalf of these operators. Overall, TDF provides an excellent platform for us to pursue transactions in the European telecommunications infrastructure space.

Moving on to our outlook for the business, the two most common questions we get these days is regarding the impact of oil on our business and whether we see opportunities for step-change

growth. So I thought I would briefly touch on both as in some respects they are inter-related.

Beginning with the price of oil, it is clear that one of the most remarkable dynamics impacting global markets over the past few months was the sudden decline in oil prices. Since August, the price of Brent Crude decreased more than 50% from over \$100 per barrel to approximately \$50 today. The sustainability and long-term impact of lower oil prices are difficult to project. We are fortunate that none of our revenues have a direct commodity linkage to oil. Furthermore, should oil prices remain low, we anticipate that lower fuel prices will stimulate traffic levels on our roads and reduce costs for our mining and shipping customers. This is all positive for Brookfield Infrastructure.

With regard to potential large scale transactions, we have historically been very successful in acquiring large scale businesses during periods when capital has been constrained. As a result, the energy sector may surface investment prospects should oil prices remain low for a period of time; however at the moment, there is still a significant amount of private capital following the sector. So while we will be looking at opportunities in energy infrastructure, we will also be carefully monitoring developments across the global infrastructure landscape. As of now, 2015 is shaping up to be potentially one of the most active periods for infrastructure investors. I want to highlight four areas where we see transactions arising.

First is government privatizations. In Australia alone, a large number of state and federal government privatizations have been proposed over the next two to three years that we estimate may total approximately \$50 billion. In the coming three to six months, we expect the sale of two high quality, large scale transmission and port assets to commence. As we witnessed this past weekend in Queensland, the timing and scale of these privatizations may be impacted by local elections. Nonetheless, the trend of privatizations in Australia and elsewhere will continue. We have a large presence in Australia in the port space and tremendous expertise in the transmission sector that we will utilize to assess these opportunities.

The second example is Brazilian construction companies. Large scale asset purchases of South American infrastructure assets from Brazilian construction companies is looking increasingly feasible. Many of these companies are experiencing financial challenges and we were successful in acquiring high quality assets from European construction companies several years ago and we will leverage our unique history and expertise of operating in Brazil to surface quality investments.

The third example is corporate deleveraging and carve-outs. For several years, we have been monitoring opportunities to acquire assets from European utilities and global mining companies with capital constrained balance sheets. The European utilities have been active sellers over the past few years and we expect this trend to continue. Mining companies have had to reduce capital programs in response to significantly lower commodity prices and are now more consistently evaluating whether they need to own their infrastructure. As I mentioned earlier, we will now also be on the lookout for midstream investments in the energy sector as a number of E&P companies may shortly face the same challenges as the mining sector.

Lastly we are seeing that as the infrastructure asset class continues to mature, a number of investment funds raised between 2005 and 2008 are approaching their expiry. We have started to see the first wave of divestitures from this ownership group.

Since the formation of Brookfield Infrastructure, we have not seen this level of market activity. Despite the supply of opportunities, we do expect to see competition for many of

these assets as the quantum of private capital seeking investments in the infrastructure sector is substantial. Nonetheless, we believe that the combination of our well capitalized balance sheet, significant access to the capital markets and strong operating presence in key markets around the world, will provide us with a competitive advantage to grow in this environment. We will remain disciplined and target acquisitions that will provide Brookfield Infrastructure with the best risk-adjusted returns.

Looking into 2015, our outlook for the global economy is cautious, but we remain optimistic about Brookfield Infrastructure's prospects for success. With the regulated and contractual nature of our assets, we have demonstrated that we can deliver solid results in a variety of economic environments. As a result, we are pleased to announce that the Board of Directors has approved a 10% increase in our quarterly distributions to 53 cents per unit. This is the fifth consecutive year that we have been able to provide double-digit distribution growth for our unitholders.

With that, I would like to turn the call back to the operator to open the line for questions.

OPERATOR:

Thank you. We will now begin the question and answer session. If you would like to ask a question, please press star, and one on your touchtone phone. You will hear a tone to indicate you're in queue. For participants using a speakerphone, it may be necessary to pick up your handset before pressing any keys. If you wish to remove yourself from the question queue, you may press star, and two. There will be a brief moment while we poll for questions.

The first question today is from Frederic Bastien with Raymond James. Please go ahead.

FREDERIC BASTIEN:

Good morning all.

SAM POLLOCK:

Good morning, Frederic.

BAHIR MANIOS:

Good morning.

FREDERIC BASTIEN:

I was just curious on the—you mentioned that the impact of foreign exchange was felt across the utilities platform, but there was no mention of that with respect to your transport platform. So I was wondering, given that you have a fairly substantial pool of business in Brazil, surely it must have impacted, so if you could provide some colour on that, it'd be great.

BAHIR MANIOS:

Sure. Thanks, Frederic. It's Bahir. Yes, you know, you're definitely right. It did have an impact on our transport operations. I would note though that for about nine months of the year, if you are looking at our results on a full-year basis, our Australian dollar was hedged at very attractive foreign exchange rates, so the decline as a result of FX was, I would say insignificant compared

to the prior year. In the toll road segment, we have experienced obviously a decline in the Brazilian real and the Chilean peso, but that was more than offset with solid growth that we've seen in traffic, albeit it was lower than prior years. You know, in Brazil, we still saw traffic growth of 3% for 2014 and 3% as well for Chile, and then we also get the benefit of the tariff pickup there. On average, our tariff was up by 5% in our toll road business. So our toll road business went up by 8% and in addition to having the Australian dollar hedged at attractive rates, shielded us quite a bit from negative FX movements.

FREDERIC BASTIEN:

Okay, thanks. With respect—I understand that you hedge your foreign exposure on a rolling basis six to eight quarters out. Are you happy with the strategy? Is that working for you, and given the rapid, I guess, appreciation of the US dollar against other currencies, is that proper? Are you comfortable with the whole strategy?

BAHIR MANIOS:

Yes, we are currently comfortable with this strategy. We've got 75% of our foreign denominated FFO hedged for the next 18 to 24 months, as you correctly pointed out. We're happy with the strategy because as we saw, it helped quite a bit with our results in 2014. We signaled in the prior quarter that, obviously when we go into 2015 and 2016, our hedge rates will come off as attractive hedges expire and we have to roll them with new contracts.

But I would say that on a blended basis, given the hedge—the various hedges we have for all the currencies, we're significantly ahead of where the current spot prices are and, you know, the outlook for some of these currencies continues to be challenging. So we're very pleased that, at least for the next 18 to 24 months, we've shielded ourselves from more negative movements in our foreign exchange.

FREDERIC BASTIEN:

Okay, that's helpful. The other question that I have relates to the Australian coal terminal operations. Similarly, I mean since the downturn, I believe that you didn't have any contracts maturing, but just wondering where we're sitting right now and whether there's some contracts that are coming up for renewal right now and what your clients are seeing?

SAM POLLOCK:

Hi, Frederic. It's Sam. I guess I'll answer that question. You know, we've got a portfolio of contracts in place that probably range in duration there between ones that expire in—you know, at the next regulatory reset and others that go out probably 12 to 15 years. Generally, you know, what occurs in—at DBCT is that these are evergreen contracts and customers have the right to extend them, and given the fact that it's probably by far the lowest cost terminal option for these customers, they, as a matter of course, do that as a matter of fact. So, we don't expect that many customers will let their contracts lapse.

The other element of that regulatory framework is that if a customer, because—you know, if they potentially shut down a mine, decide they don't need the capacity or are exiting the region, then that capacity will go into the queue and a customer who's got his name in the queue will then pick up that capacity. To the extent no one does pick up the capacity, which has never happened in the life of this facility, then the cost of that person's percentage of capacity would then be socialized across remaining users. So from that perspective, you know, we tend not to get

overly fussed about the contracts, but hopefully, that gives you a little bit of colour into how the system works.

FREDERIC BASTIEN:

Okay, thanks. Sticking with Australia—I'm sorry, the last one from me—read just a couple of weeks ago that you had joined a consortium preparing a bid for the Apache's asset of the gas natural business. Not sure if you can comment on that, but if you could, it'd be great.

SAM POLLOCK:

Frederic, we tend not to comment on acquisitions, and that's one that I can't really speak to.

FREDERIC BASTIEN:

Okay, fair enough. Thank you.

SAM POLLOCK:

Thanks, Frederic.

OPERATOR:

The next question is from Brendan Maiorana with Wells Fargo. Please go ahead.

BRENDAN MAIORANA:

Thanks, good morning. Sam, so the strength in the US dollar, is that making Brookfield's currency more competitive as you're looking at these acquisition opportunities, or are most of the folks that are also looking at these kind of US dollar-based and so it's not really a major impact one way or the other?

SAM POLLOCK:

Hi, Brendan. Interesting question. I think the investments in U.S. dollars, obviously, are getting cheaper, but I think when we look at them and as others look at them, the IRRs on the investments probably are not impacted because, obviously, you know, depending on your view of long-term rates, everything gets adjusted accordingly. So I'm not sure it makes a huge amount of difference because most of the people we're competing with for the types of things we do tend to be very large institutions, and whether or not they're in Australia or Europe or North America, they tend to have large pools of capital and so it doesn't impact the size of deals they can do. So I think the short answer, you know, I don't think it changes things all that much.

BRENDAN MAIORANA:

From your perspective, I mean do you have a long-term view of the dollar versus maybe the other currencies that you're looking at, and does that have an influence on how you think about deal underwriting metrics, or are you guys looking at the world in sort of a currency agnostic kind of a view and just making bets based on, you know, where kind of forward curve expectations are or what have you?

SAM POLLOCK:

Yes. We do have views on all the regions we operate in, and I think you're right. I think it is obviously, we think a lower risk proposition these days to make investments in Australia, and

South America in particular, just to touch on those two regions, you know, with the dollar and the real having re-rated to much lower levels. We see them probably near the bottom end of their long-term ranges. That's not to say they might not go a bit lower in the short run, particularly if the U.S. raises rates in the next little while and other countries, in response to the commodity prices, tend to lower them much like Canada did. So we could see some lower rates, but I think we're—from a long-term prospective we're at fairly attractive entry levels for those countries.

BRENDAN MAIORANA:

Okay, and, you know, you mentioned looking to sell some assets; you've got some stuff in the market now, some stuff that maybe comes out later in the year, and also mentioned that it's a very active pipeline from an investment standpoint. Just near-term impacts or exit yields versus going in yields, do you think that those are roughly in line with one another, or would we expect that there would be a significant difference based on the investment outlook just for 2015?

SAM POLLOCK:

Well, our general strategy is to recycle investments where we can sell them at lower returns, lower embedded IRRs than what we can replace them at, so that's—you know, we think obviously we can achieve that, and exiting businesses where we don't have the same level of growth opportunities compared to the investments we're looking to acquire. So, obviously, our whole objective in recycling capital is to create that value positive arbitrage. So yes, I would hope, you know, that on a long-term basis, absolutely the returns replacing the assets we're selling are positive. In the short run, sometimes that's not the case because we're selling a highly contracted stable asset that doesn't have much growth in; it's possible that it could be—it could appear to lose in year one, but on a longer-term basis, it would definitely be positive for the business.

BRENDAN MAIORANA:

Okay. Then just lastly, Bahir, so corporate financing, is this strategy, just given that you're a bigger company now and you can support, you know, the \$300 million to \$500 million worth of debt at the corporate level, is it driven by rates that are more attractive corporate financing, and you know, is this something that we should expect to be part of the capital stack for bp on a go-forward basis?

BAHIR MANIOS:

Hey, Brendan. You know, maybe it's a combination of a lot of the questions that you just asked. As you'll recall, we've got a corporate rating of BBB+ that's been granted to us with the premise that we don't exceed a ratio of 10% of our total debt in the business at the corporate level, and so given where we sit today, that ratio is about 5% to 6% so there's a bit of room there. Given where interest rates are today, we feel like this is another avenue to explore for us to bolster our liquidity further, and whether or not we'll become perpetual issuers of corporate debt remains to be seen in the future. But generally, we don't seek to issue a lot of this corporate debt. It's just that today, where we sit at with our ratios, we feel like there's a little bit of room here and we can access the markets at good levels.

BRENDAN MAIORANA:

If you guys were to issue in near-term, any sense of where rates would shake out?

BAHIR MANIOS:

It's tough to say with the current environment. You know, we think it'll be very attractive. It's just that the market's been a bit choppy, but this should be below 4%.

BRENDAN MAIORANA:

Okay, great. Thank you.

BAHIR MANIOS:

Thank you.

OPERATOR:

The next question is from Cherilyn Radbourne with TD Securities. Please go ahead.

CHERILYN RADBOURNE:

Thanks very much. Good morning. I'm just curious, in terms of the acquisition opportunities that you layed out in a letter to unitholders, how would you rank those in terms of the size of the opportunity, I guess, versus the likelihood of success based on the competition you think you'd face?

SAM POLLOCK:

That's a tough one, Cherilyn. You know, they're all very different. I would say that the first one I referenced, the government privatizations, as well as the fourth one I referenced, which was the sale from investment funds, those tend to be more marketed situations, you know, definitely the government transactions, and as a result, there's a bit more predictability around them. I'd say the challenge with them from our perspective is that the ability for us to enter into a bilateral negotiation or use a relationship to give us an inside track is very difficult, and so they tend to be a little bit more competitive from a cost of capital perspective. So I would describe those situations as probably the lower returning opportunities but ones with greater certainty, and they tend to be large. You know, the government privatizations in Australia are massive; the dollars are huge, so there is some great opportunities to invest capital there.

Whereas the second and third examples that I referenced, the transactions with Brazilian construction companies and the corporate deleveragings, those are very much made for our specific capabilities of where we've got our teams and our platforms out there in the various markets, and I'm working with people to help solve their own specific situations. So they tend to be higher returning but less predictable and usually slower transactions.

CHERILYN RADBOURNE:

Okay.

SAM POLLOCK:

So I don't know if that's helpful, but that gives you a little bit of flavour of how everything matches up.

CHERILYN RADBOURNE:

No, that's good colour, I appreciate that. Hopefully, my second question's a little easier. Just in

terms of the transportation backlog, can you just give us a sense of how much of that relates to the Brazilian rail assets, and should we think about that as analogous to the growth project in Australia, where there's sort of a step-wise change in the cash flow but you actually have to spend the capital first?

SAM POLLOCK:

That's a good question. I think the short answer is, yes, except the one proviso is that, in Australia, most of the projects that we undertook there, and particularly the rail projects, they were contracted on a long-term basis, and so we had a lot of visibility into what the cash flows would be. Whereas in Brazil, there's a little bit more volume risk because even though we have a good sense of what our customers are up to, we are building the—a lot of these facilities with a relatively much smaller amount of contracted customer volumes and then looking to contract it on a longer-term basis. So we feel we can achieve higher rates over time with that strategy but we are taking a little bit more volume risk by doing that.

Is that helpful or at least distinguish the difference between the two?

CHERILYN RADBOURNE:

No, that's helpful, thank you. That's it for me.

SAM POLLOCK:

But the growth projections are very similar as far as what they can achieve.

BAHIR MANIOS:

Cherilyn, it's Bahir. Just on your initial—just numbers-wise, we've got a total backlog of \$655 million in our transport segment, and \$240 million of that relates to the Brazilian rail acquisition.

CHERILYN RADBOURNE:

Perfect. Thank you.

SAM POLLOCK:

Okay, thank you.

OPERATOR:

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

ROBERT KWAN:

Good morning. Just on the energy infrastructure opportunities, can you talk a little bit about which kind of sub-segments, whether it's gathering and processing, pipeline, storage, as you've been active in the latter, are you seeing the potential for the best opportunities?

SAM POLLOCK:

Hi, there. We're looking at all of the above. We've seen the best near-term opportunities in the area where we're focused on, which is gas storage, and we still see opportunities to grow that business in the near term, so that's something that we're quite interested in. The dollars aren't massive but we think the risk-adjusted returns are the best we've seen in the sector.

With respect to the other parts of the midstream sector, returns are still fairly aggressive and we did bid on a transaction late in the year and rates of returns that the winning party bid at were still much lower than what we were comfortable at. So that's why I wanted to be a little more cautious on that—the outlook for acquisitions in that sector just at this stage in time because I think there is still a fair amount of capital, but our expectation is that the winds are changing and that we could be entering a very interesting time to make investments.

ROBERT KWAN:

Okay, and I guess just following on that, in terms of attractiveness from a geography point of view, Canada, U.S.—I don't know if you want to get into basins—if there's any colour on that? As well, historically, you've had a cautious approach around area dedication deals. I'm just wondering if that view has changed, or whether you are going to be looking for take-or-pay?

SAM POLLOCK:

Well look, I think our approach to underwriting isn't going to change, and I think our views around take-or-pay versus area dedication I think will turn out to have been wise over the next little while, as rig counts go down and we see volumes drop across the sector. It may not happen this year, as everyone's hedged, but I think over time, you're going to see people be disappointed with that type of structure. So we're not going to change the way we look at it, but I think we have various areas where we think that are more prolific, both from a gas and oil perspective, and we'll continue to focus in those markets.

ROBERT KWAN:

Okay. Just turning to the toll roads, you referenced solid light vehicle traffic. I'm just wondering if you have some colour as to what you're seeing in terms of the mix with heavy vehicle traffic on your system? I guess some of the data points have been a little weak on—in Latin America on that?

SAM POLLOCK:

Yes, so we're seeing light traffic growth anywhere plus or minus 5% in Brazil and in Chile, and heavy traffic is probably declining plus or minus 2%, so on average, growth is 3%. Our Chilean toll road is mostly light traffic because it's a commuter road, but there is much more heavy traffic on our Brazilian roads.

ROBERT KWAN:

All right, and do you see that down 2% abating, or is that your expectation going forward that it's going to continue to be weak year-over-year?

SAM POLLOCK:

I think 2015 is going to be a tough year, particularly for Brazil, but we're hopeful that with some of the changes the government's made with new Ministers and we think a more market oriented outlook—I wouldn't say it's perfect, but we're hoping that things will improve beginning in 2016. But the outlook for Brazil in 2015 will be tough, particularly with the water shortages in the country.

ROBERT KWAN:

Okay, and just the last question here. You referenced with the '05, '08 Vintage Infrastructure Funds, just wondering, do you have a sense—or can you give us what you see as the size of the capital that's still deployed in those pools that could be up for sale?

SAM POLLOCK:

In aggregate, I don't know. We just know what's for sale at the moment and there's quite a few investments that are up. But the capital, I would say, is probably in total at least \$20 billion that was raised in that period of time, and it won't all come out this year but it's going to come out over the next one to three years.

ROBERT KWAN:

That's great. Thank you very much, Sam.

OPERATOR:

The next question is from Paul Tan with Credit Suisse. Please go ahead.

PAUL TAN:

Hi, good morning. With the growth of your district energy business, are you seeing synergies with the Brookfield Properties Group, especially in cities where there's a large office property presence, such as Toronto, Houston and the one that you mentioned, like recently, Sydney?

SAM POLLOCK:

Hi, Paul. It's Sam. I guess the short answer on that is yes. You know, we leverage several parts of the broader Brookfield organization. It's not just the Property Group itself, because the benefit of the Property Group really only occurs when we have a system in a city where they have buildings. So obviously, if that's the case, then we look for ways where we can turn them into a customer, and so obviously easy conversation to have. But I'd say the two other areas where we really leverage the Company, one, is with our Construction division. They're working with lots of developers who are building precincts in various parts of the world. We've seen this in Australia, where the government has encouraged a number of developers who were developing these precincts, and they're looking to install centralized thermal systems and also recycling water systems, and those represent great opportunities for us to get introductions and to acquire the infrastructure.

So that's really the nature of what's happened in Australia, so we took advantage of that. Then as we underwrite new opportunities, we do have a Real Estate Advisory Group and they've been excellent at giving us insights into the development schemes for various cities that we're looking at. So we do, wherever we can, try and mine all the information within the organization to build that business.

PAUL TAN:

Okay, and do you look for geographies in that district energy business in cities where the Brookfield Group currently operates in, like the recent Australia one, the Seattle one you guys—the Group has a couple of buildings there. I mean, is that sort of the go-forward strategy, or it's—or not really?

SAM POLLOCK:

I'd say the strategy doesn't necessarily overlap entirely with the Real Estate Group. We're not looking to invest just where they are. That's very helpful if that's the case and can provide us with a competitive advantage, but I'd say generally, we're looking for scale markets where there's a need for thermal energy, there's a large university hospital network, there's, you know, maybe a large CBD, and given the weather in a city, they require either cooling or heating. So that could be—you know, on the heating side, it could be Northern Europe; on the cooling side, there's many places in the U.S. and Australia that are great markets for these types of systems.

PAUL TAN:

Great. Thank you very much.

SAM POLLOCK:

Okay, thank you.

OPERATOR:

The next question is from Bert Powell with BMO Capital Markets. Please go ahead.

BERT POWELL:

Thanks. Good morning, Sam and Bahir. The billion dollars of asset sales identified, can you talk to us a little bit about how you're thinking about the timing of that? Also, I think there was some news in the press that you'd already begun the process on NGPL and just how that figures into your disposition strategy in terms of raising cash.

SAM POLLOCK:

Hi, Bert. It's Sam here. I'll tackle those questions. First, as far as the timing of our program, I think we highlighted on Investor Day that recycling capital was a continuous effort for us, in that we've earmarked probably a billion dollars of assets for sale over the next plus or minus three years, and so I'd say we're just at the front end of that initiative. We've got two businesses that are currently for sale that I'd say one's well advanced, one's more in the early part of the process. Typically, I wouldn't comment on what businesses they would be. I think one of our partners has already commented about NGPL, so it is fairly well known that we're exploring strategic alternatives for that business.

There's not much I can add to what they've already said. It's early days in that process. They—you know, in reports that are out there, I think people have highlighted the fact that this is a very attractive system, and while it does have high leverage, buyers have many opportunities to delever it and take advantage of the opportunities of the southbound gas flows. So we're pretty optimistic on that, and hopefully, we'll have more news for everyone in the next quarter or two.

BERT POWELL:

Okay, thanks for that, Sam. Then just—I just want to go back to the capital projects for VLI, and I think they were kind of broken into three buckets, which was the terminal in Santos, the rail link and some rolling stock investments. The \$240 million that's in the capital backlog today for VLI, where does that fit in terms of those three buckets?

SAM POLLOCK:

So I'd say the near-term projects—I mean, there is a much longer-term capital program that's not all captured in the backlog today because we tend just to cover the plus or minus two years of projects, and so a good chunk of that capital relates to the Tiplam port in Santos, which is probably halfway done. We think it'll be a fantastic project and provide a tremendous time saving and cost saving for customers being able to avoid all the congested areas of Santos port. So that project is underway, and I think, in total, that project is about on a 100% basis, 2 billion reals project, so plus or minus \$800 million.

Then in addition to that, we have a number of inland grain terminals that we're building. They're smaller, obviously in scale than that port, and again, they are tremendous debottlenecks for the whole grain system. They will cut the time it takes to load and unload from today, which is probably three, four days, to less than seven hours. So we have a couple of those terminals that are being built, and I'd say that's probably the main focus of the system, as well as certain parts of the rail system that are being upgraded. So hope that's helpful; gives a little colour.

BERT POWELL:

That does, Sam, and just—I was just trying to figure out what's the gating issue that gets you from kind of the—whatever, the two million to three million tons per year to 15 million tons, when that kind of—you know, I guess a little bit of following on Cherilyn's question in terms of when do you kind of start to have all the pieces in place to allow that growth to come in in terms of tons traffic on the network?

SAM POLLOCK:

The growth is much more incremental than lumpy, you know, than you would have seen in Brookfield rail because it's not one customer specific, and the rail system itself is a little bit different. There's sort of almost three systems when you think of it. There's a south system, there's a mid-north system and then a north system, and there's different projects that relate to each section of the operation that are underway and they'll come in at different times. So, unfortunately, we can't really direct you to one specific project that's going to all of a sudden turn the switch on a bunch of new volumes. But as far as a near-term project to look to and see, I think some meaningful impact, will be that Tiplam port project. That's a meaningful project that should be done in the next 12 to 24 months.

BERT POWELL:

Okay. Last question, Bahir, just in terms of closing for TDF, what's your kind of best guess today, or timing on that?

BAHIR MANIOS:

Hey, Bert, we continue to be on track for an end of Q1 closing, so all looks good and, yes, fingers cross we'll get that done by the end of the first quarter.

BERT POWELL:

Okay. Thank you.

OPERATOR:

This concludes the time allocated for questions on today's call. I will now hand the call back

over to Mr. Pollock for closing comments.

SAM POLLOCK:

Great, thank you, Operator, and I'd just like to thank everyone on the call today for participating. We look forward to speaking with you again in May on our next call. Thank you.

OPERATOR:

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.