

Brookfield Infrastructure Partners L.P
Q4 2020 Results Conference Call & Webcast

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Corporate Speakers:

- Rene Lubianski; Brookfield Infrastructure Partners L.P.; Managing Director
- Bahir Manios; Brookfield Infrastructure Partners L.P.; Chief Financial Officer
- David Krant; Brookfield Infrastructure Partners L.P.; Senior Vice President
- Sam Pollock; Brookfield Infrastructure Partners L.P.; Chief Executive Officer
- Ben Vaughan; Brookfield Infrastructure Partners L.P.; Chief Operating Officer

Participants:

- Rupert Merer; National Bank Financial, Inc.; MD and Research Analyst
- Robert Kwan; RBC Capital Markets; MD & Energy Infrastructure Analyst
- Frederic Bastien; Raymond James Ltd.; MD & Equity Research Analyst
- Robert Catellier; CIBC Capital Markets; Executive Director of Institutional Equity Research
- Devin Dodge; BMO Capital Markets Equity Research; Analyst
- Asit Sen; BofA Merrill Lynch; Research Analyst
- Andrew Kuske; Credit Suisse AG; MD, Head of Canadian Equity Research and Global Coordinator for Infrastructure Research

PRESENTATION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Brookfield Infrastructure Partners Q4 2020 Results Conference Call and Webcast. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) It is now my pleasure to introduce Managing Director, Rene Lubianski.

Rene Lubianski: Thank you, operator, and good morning. Thank you for joining us for Brookfield Infrastructure Partners Fourth quarter earnings conference call for 2020. On the call today is Bahir Manios, Chief Financial Officer; David Krant, Senior Vice President of Finance; Sam Pollock, Chief Executive Officer; and Ben Vaughan, Chief Operating Officer. Following their remarks, we look forward to taking your questions and comments.

At this time, I'd like to remind you that in responding to questions and 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 encourage you to review our annual report on Form 20-F, which is available on our website. With that, I'll turn the call over to Bahir.

Bahir Manios: Thanks, Rene, and good morning, everyone. We're all pleased to be here today to help take you through our results for 2020 and provide you an operating update. My remarks this morning will focus on providing a quick overview of our accomplishments for the year, touch base on our balance sheet and funding plans, and then I'll conclude by taking you through our approach to ESG.

So, starting off on the results and accomplishments front, I think it goes without saying that this past year was like none we've ever seen before. From a business perspective, this unique environment showcased the resilience and strength of our business.

Our operations continue to deliver uninterrupted service despite many of the broad-based restrictions that have been imposed globally. Additionally, during the year, we added a number of high-quality assets in key strategic sectors and geographies that we expect will become significant contributors to our future cash flow growth.

Our key accomplishments for 2020 were as follows: First, we achieved solid performance across our operating segments, delivering organic growth of 9% in our businesses on a constant currency basis.

We deployed \$2.5 billion into new investments and organic capital projects, with the notable highlights being the acquisition of a large-scale portfolio of telecom towers in India and an investment in a world-class LNG export terminal that's contributing to global decarbonization efforts.

We also generated over \$700 million through capital recycling. We completed four sales processes and several asset-level financings that resulted in an average after tax IRR of approximately 20% and a three times multiple of our invested capital.

And last but not least, we listed Brookfield Infrastructure Corporation, or BIPC, on the New York and Toronto Stock Exchanges, significantly expanding our market access. Launched on March 31, the listing was met with strong investor reception and robust trading volumes.

Shifting now to our balance sheet, our overall disciplined approach to financing at the corporate and asset level allowed us to remain focused on opportunistic transactions throughout the year. With our attention on de-risking our balance sheet and maintaining a healthy liquidity position to support our growth opportunities, we completed several important initiatives in this historically low interest rate environment.

First, we enhanced our corporate issuance profile, and we did that by extending our debt maturity profile, given the refinancings that we completed. And with that, our nearest corporate maturity doesn't now take place until 2024.

We also commenced the green preferred unit program, raising a total of \$400 million, over two issuances of perpetual preferred units in the U.S. with an average coupon of approximately 5%. This is a relatively deep and attractive market that we expect to continue penetrating.

Next, we maintained our robust credit metrics and a strong investment-grade credit rating. We have a conservative balance sheet with approximately 85% of our term debt residing at the asset level on a non-recourse basis and a 21x interest coverage ratio at the corporate level. These factors support our strong investment-grade rating of BBB+ stable, which was reaffirmed in June of 2020.

Lastly, we meaningfully advanced our capital recycling program. We generated over \$700 million of proceeds and launched other sale processes that are progressing extremely well, and Sam will make some remarks on that front later on the call.

Our liquidity position currently sits at \$3.7 billion, of which \$2.4 billion resides at the corporate level. In the near term, we expect to further strengthen our liquidity position by an incremental \$2 billion as several sale processes near completion.

I'm also pleased to announce that as a result of our strong financial and operating performance and robust liquidity position, our Board of Directors has approved a quarterly distribution increase of 5% to \$0.51 per unit in 2021. This represents the 12th consecutive year of distribution increases for our business.

And lastly, before I conclude my remarks, we thought we'd take some time today to address our approach to ESG, or Environmental, Social and Governance. We have a long history of owning and operating long-life infrastructure businesses that provide essential services, both globally and in the local communities in which they operate.

ESG considerations have always been embedded in how we operate and underwrite our businesses, and we make it a priority to actively engage with all relevant stakeholders on a regular basis. With the investment communities' increased focus on this topic, we wanted to provide you with a reminder of our approach and highlight some recent initiatives in this regard.

To begin, ESG considerations and monitoring practices are integrated in our underwriting and operating standards. We use our operating expertise to identify material ESG risks and opportunities when underwriting a prospective investment, then develop and oversee the implementation of short and long-term plans to drive performance. We drive strong cultures within our operating businesses, by holding senior executives accountable for specific performance targets and leveraging our Brookfield network to bring new ideas and approaches to the organization.

Additionally, we invest in resilient businesses and account for stranded asset risk. Avoiding stranded assets has always been top of mind for us as this risk could be influenced over time by various factors, particularly, environmental considerations. Using our midstream assets as an example, we're focused on businesses that are both resilient and active contributors to global decarbonization efforts.

Revenues generated are mostly contracted on a long-term basis and have no commodity price or volume exposure. We have a diversified base of creditworthy counterparties and earn attractive cash yields. Most importantly, there is significant upside potential, should these assets be repurposed in the future as part of a global energy transition.

Lastly, I wanted to speak to our strategy around the measurement and reduction of greenhouse gas, or GHG, emissions over time. We are striving towards net zero emissions on an avoided carbon Scope 1 and Scope 2 basis.

On that basis, Brookfield Asset Management is currently net negative across its entire \$600 billion asset portfolio, largely due to its ownership of one of the world's largest pure-play renewable power businesses. Through our affiliation with Brookfield Asset Management, we can benefit from their broad expertise regarding the implementation and maintenance of industry leading ESG policies and protocols, and benefit from attributes shared at the group level.

It's also worth noting, we track GHG emissions, and we will develop and regularly publish decarbonization plans consistent with the Paris Agreement. Within the envelope of net zero, we will continue to own and operate certain essential infrastructure assets globally that transport fuel. While natural gas-related assets make up only a portion of our well-diversified portfolio, we believe that they play an important role in the global energy transition and act as a bridge to renewables and potentially hydrogen.

We want to assure the investment community that when we acquire these assets, we will be laser focused on the duration of cash flows. We will operate them with their contributions to the transition to net zero in mind and with plans to continuously improve them over time.

So, with that, thank you for your time, and I'll turn it over to David to discuss our operating results for the quarter.

David Krant: Thank you, Bahir, and good morning, everyone. Before turning over to Sam, I'll provide a review of operating results for the year as well as highlight some of our more recent operational achievements.

As Bahir mentioned, this was a strong year for our business. Reported FFO for 2020 totaled \$1.45 billion, compared to \$1.38 billion in the prior year. This 5% increase reflects the highly regulated and contracted nature of our cash flows, as well as the embedded organic growth within the company.

After adjusting for certain timing-related impacts associated with economic shutdowns earlier this year, FFO would have been almost 10% ahead of 2019 levels. Results benefited from capital deployed across our segments and organic growth within our utilities, midstream and data segments. The single largest adverse impact on results was the depreciation of the Brazilian real, which reduced FFO by approximately \$100 million, relative to 2019.

I will now touch on the underlying performance of our operations this year. Starting with utilities, this segment generated FFO of \$659 million in 2020, an annual increase of 6% after adjusting for the impact of a weaker Brazilian real. Our utility businesses performed well overall, reflecting the regulated and contractual nature of their cash flows.

At our U.K. regulated distribution business, new connection activity for the quarter averaged approximately 90% of prior year levels as construction activity steadily increased over the past six months. Connection sales exceeded plan for the first time since the initial government-imposed shutdowns took effect, reflecting the strength of both our multi-utility offering, as well as the housing market.

In December, our Brazilian regulated gas transmission operation received its annual inflationary tariff adjustment that will result in an almost 25% increase in revenues this year on a local currency basis. Revenues for this business are contractually linked to an inflation index, which increased substantially in 2020 because of the devaluation of the Brazilian real. This contractual protection serves as a natural foreign currency hedge and will allow us to meaningfully grow FFO next year.

Building upon the success of our North American operations, we've agreed to acquire a controlling stake in the largest independent residential infrastructure company in Germany. The company provides low carbon heating solutions to over 20,000 customers, and we plan to leverage the existing platform to expand in this highly fragmented industry in Germany. Total investment was initially \$75 million, with BIP's share being approximately \$20 million, but we believe we can deploy significant follow-on capital as we use this initial investment as a platform to grow residential heating and cooling solutions throughout Germany and the rest of Continental Europe.

Moving to our transport segment, FFO was \$590 million, which was relatively consistent with the prior year, despite a challenging environment and disruptions in global trade. The segment benefited from the initial contributions of our North American rail operation and LNG export terminal, solid volumes across our rail networks and favorable rent settlements at our U.K. port operation. These contributions were offset by lower volumes experienced at our toll roads and container ports during the first nine months of 2020.

More recently, traffic and volume levels across our GDP-sensitive transport businesses continued to improve throughout the fourth quarter. On average, carloads across our rail networks were broadly in line with the same quarter of 2019, and traffic levels at our toll road operations have improved, highlighted by a 7% increase in Brazil on a same-store basis.

Finally, our diversified terminal operations recovered after experiencing volume declines earlier this year. Fourth quarter moves were up approximately 10% year-over-year. We are encouraged by the trajectory of our transport businesses and expect performance to benefit as mobility restrictions begin to ease.

FFO from our midstream segment totaled \$289 million, an increase of 18%, compared to the prior year. Performance this year was excellent, with organic growth contributing 13%, despite challenges in global energy markets. Our highly contracted cash flows were uninterrupted by the economic shutdown, and we benefited from robust transportation volumes as well as the commissioning of several new capital expenditure projects.

Specifically, our U.S. gas pipeline reported very strong results during the fourth quarter, with FFO increasing 25% above prior year levels. Results were driven by favorable market conditions, particularly at our gas storage operations, as well as the commissioning of two growth projects. These fully contracted projects involve system enhancements to increase deliverability of Gulf Coast LNG facilities.

Additionally, the business has substantially completed the second phase of its Gulf Coast expansion, which will further increase transport capabilities in the region. This project involves approximately \$200 million of capital spend, with BIP's share being \$100 million, and is on track to be completed below budget. Once commissioned in the next few months, the expansion will generate annual EBITDA of \$45 million under long-term take-or-pay contracts, of which BIP's share is \$23 million.

Lastly, our data segment delivered FFO of \$196 million, an increase of almost 50% compared to the prior year. This step-change increase is the result of organic growth and approximately \$1 billion of capital deployed into various strategic growth initiatives over the last 24 months.

Recently, we have commissioned 22 megawatts of capacity at our South American data centers and constructed approximately 150,000 fiber plugs at our French telecom operation. Combined, these projects will contribute annual EBITDA of \$50 million, of which BIP's share is approximately \$10 million.

Finally, the integration of our recently acquired Indian tower operation is progressing nicely, with key commercial activities well underway. In January, we signed a binding term sheet with one of the leading mobile network operators in the country to install their telecommunication equipment on our towers. This is a notable milestone for the co-location strategy that formed a core part of our investment thesis and should lead to similar arrangements with other network operators.

With that, I will now pass the call over to Sam.

Sam Pollock: Okay. Thank you, David, and good morning, everyone. For my remarks today, I'll discuss several of our strategic initiatives and then touch on our outlook for the year ahead. As Bahir mentioned at the outset of the call, we have had a successful year on the investment front.

During the year, we deployed approximately \$1 billion into two highly cash-generative data and transport assets. And we also invested over \$900 million, or approximately \$400 million net of project-level financing, to advance key capital projects within our existing businesses. These will significantly contribute to our organic growth in the coming years.

We also purchased over \$600 million of shares in a handful of publicly traded infrastructure companies that traded at substantial discounts to their intrinsic value. Many of those companies recovered quickly, which resulted in approximately \$60 million of realized gains in the year. We continue to hold the remaining companies and hope that at least one of these positions will lead to a larger transaction.

In December, we listed our Australian export terminal on the Australian Stock Exchange. Through the initial public offering, we sold a 20% interest, receiving proceeds of approximately \$100 million and have retained a 49% stake. The successful listing demonstrated the value demand for stable cash flow-producing infrastructure businesses.

In addition, I'm pleased to share that just this week, we agreed to sell our North American district energy business, Enwave. We first acquired the business back in 2012 and through years of targeted organic growth and follow-on acquisitions, it has grown to be the largest district energy system in North America and delivers heating and cooling to over 800 buildings. As a result of our asset management initiatives, the business is well-contracted and a substantial de-risked growth pipeline has been put in place, making this business attractive to institutional investors.

The sale will be in the form of two separate transactions for a total consideration of \$4.1 billion on an enterprise value basis. Net proceeds to BIP are expected to be approximately \$950 million. We will earn over a 30% IRR on our investments and a multiple of invested capital of over six times. This result is the culmination of years of effort to grow and de-risk the business through many initiatives.

Looking ahead, we are well positioned to capitalize on new infrastructure investment opportunities and foresee our capital recycling program to be a principal source of funding. As we've mentioned in the past, we expect 60% to 75% of growth opportunities to be funded through the monetization of mature, de-risked assets. We anticipate approximately \$4 billion of proceeds from capital recycling over the next two years.

Now turning to our outlook for the business. We've entered 2021 with a great deal of optimism, guided by a fairly positive backdrop anchored around historically low interest rates and a global road of several COVID-19 vaccines that are currently underway. This should result in a gradual reopening of economies around the world during the first half of the year.

This backdrop bodes well for the global economy, and more specifically, for our GDP-sensitive assets. Our ports, toll roads and rail businesses have proven their resilience and we anticipate they will outperform during a period of return to normalcy and an anticipated period of economic expansion.

Additionally, our midstream businesses performed well in 2020 due to their contracted nature. However, increased economic activity should lead to even higher market-sensitive revenues, which had historically comprised approximately 15% to 20% of our revenues.

The key priority heading into 2021 is to convert our substantial pipeline of attractive opportunities into investments. As we discussed at our Investor Day in September, we believe we are entering an infrastructure super cycle where the investable universe of opportunities will grow materially and our access to low-cost capital will remain strong.

We continue to target to deploy over \$2 billion in 2021, and furthermore, the contribution from new investments is expected to be enhanced by our capital recycling program, which is on track to deliver \$2 billion of proceeds – a record for us in any year.

That concludes my remarks for today. And operator, I'll pass the call back over to you to open up the line for questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) Our first question comes from the line of Rupert Merer with National Bank.

Rupert Merer: Bahir, looking at your ESG approach, there seems to be increased competition for zero carbon assets today, which could compress the return on those assets. But other assets like midstream assets look like they could be out of favor. Assuming you're seeing this trend in asset valuation, how do you balance your ESG goals with cash flow returns on new investments?

Bahir Manios: Rupert, I may pass that one over to my partner, Ben Vaughan.

Ben Vaughan: Rupert, it's Ben Vaughan here. Look, in terms of that balance, ESG has been a focus for us for many years, both at a Brookfield-wide level and within the infrastructure group. So, it's really important to us. And clearly, today, the E in ESG is a focus and with a specific focus on carbon.

And I would just say, we welcome this transition. And on the investment side, we've been taking carbon reduction targets into account for a long time. So, the kinds of targets that we're seeing, as Bahir mentioned, in the Paris Accord and in the upcoming Glasgow summits that are going to be coming up. And from our perspective, this does not mean we won't own high-quality assets, for example, in the midstream space, but we will focus on ensuring that we're taking those reduction targets into account and have plans to transition the businesses over time and make sure we're earning an appropriate return on and return of capital. So, it's fairly consistent with the ESG approach we've been using for many, many years.

Rupert Merer: So then when you're looking at new assets, you can look for opportunities to reduce the carbon footprint and maybe improve the market view of that asset over time. Is that a way then to improve returns in your view?

Sam Pollock: Yes. Maybe I'll jump in, Rupert. I think it's a multifaceted approach. The first thing is, within our existing portfolio, obviously, we're implementing plans to reduce our carbon footprint. As it relates to new investments as we carry out diligence on various assets, we're looking for opportunities where we can reduce them. And as Bahir mentioned at the outset, we are taking into account future trends in our analysis of these assets and what decarbonization efforts could mean to them.

But I think to your earlier point, we still have a very balanced approach to what assets we are looking at. So, we are still very much focused on high-quality midstream businesses where we can earn an attractive return, and we'll continue to invest in those type of assets.

And we are also looking at new technologies and new environmentally attractive businesses that might capture carbon, where those returns make sense. And we think that in the coming years, with government incentives and with improvements in technology, many of those businesses will become economic.

We do appreciate that we will have to compete for them, but we'll invest on a basis where we can get the proper returns. So, sorry for that long-winded answer, but hopefully that answers it.

Rupert Merer: No, that's great. Very good. A quick one for David. Looking at the inflation indexation on your Brazilian gas pipeline, are we going to see similar levels of inflation on your other Brazilian assets this year? Or how should we be looking at that opportunity?

David Krant: Yes, it's a great question. I'd say the toll roads and the rail networks that we own in Brazil are subject to a different inflationary measure, it's closer to 3% to 4% annually. So probably aligned with its target and traditional level. So, you wouldn't see the same local currency growth in those other segments.

Operator: Our next question comes from the line of Robert Kwan with RBC Capital Markets.

Robert Kwan: First question is on the acquisition opportunities you're seeing, and you previously highlighted positive secular trends supporting your growth in data. And on the energy side, you also highlighted multi-year opportunities, but tactically with the way valuations went, you kind of did a lot more in the public security side.

Can you maybe just update your views, especially as it relates to potential opportunities on those two? But as well, given your outlook for reopening GDP sensitivity, do you also have a tactical interest in investing capital in assets that maybe aren't performing that well right now, but you see benefiting from reopening more so than others?

Sam Pollock: Robert, I'll tackle that one. So, I think the question was, has our investment posture changed for the data and midstream sectors? And are there opportunities for businesses that are not performing well today?

So, in relation to the first part of the question, we still see significant opportunities in both data and midstream at the moment for different reasons. Data continues to require massive amounts of capital to complete the 100-year transformation of the backbone of that sector, and the opportunities are global.

I'd say the issue isn't so much supply of opportunities on the data side, it's a valuation challenge. There's a lot of new entrants into the market. And obviously, we need to pick our spots carefully. We think that the areas that we are focused on tend to be businesses participating in the fiber rollouts across Europe and North America.

We're looking at tower opportunities around the world, data center opportunities and particularly greenfield opportunities in Asia Pacific, and we continue to evaluate these data distribution companies, similar to what we've done in New Zealand, because we see that as an opportunity for us down the road. So many, many situations on that front.

On the energy side, it's more of a value situation. We still think that there's businesses that aren't trading at their intrinsic value that we think would make sense for us. And that's going to be a focus for the coming year. And then on those businesses that aren't performing as well today because of the shutdown, the one that we've highlighted the most over the last couple of quarters has been the airport sector.

We continue to monitor opportunities. We don't yet have anything that has been actionable for us. We have seen some activity on the FBO space that others have been pursuing. But ourselves, we're still watching and hoping that something comes up.

Robert Kwan: That's great. And if I can finish just on capital recycling. Throughout time, it's been a focus of mature de-risked assets, but how much does the disconnect between private market M&A valuations versus what you think your investors attach publicly as valuations play into any of the decisions? And if it does, what assets in the portfolio do you see as having the greatest disconnect between what you think you can sell on that valuation or multiple wise versus what you think the market is attaching within your share price?

Sam Pollock: That's an interesting question, Robert. Look, from the public markets, that's a bit more challenging for me to comment on how public investors view valuations across all the different sectors. I think some businesses trade extremely high, others not as much. But I think today, more broadly, the public markets probably bear the interest we see on the private side.

So midstream is not trading as robustly, and that's probably the same on the private side. Whereas on the data and utility side, we are seeing relatively strong valuations in the public markets as well in the private

markets. So, I'm not sure there's a massive disconnect. I think from our perspective, we just think there's a tremendous discipline to continue to recycle our businesses. And we think it's highly accretive for our own corporate finance strategy to sell assets once they've been de-risked and we can sell them to a buyer, who will attach a single digit return to them and then reinvest that at returns where we can earn double-digit IRRs.

And that strategy has worked well for us for over a decade. And we tend just to focus on continuing to execute that, as opposed to worrying about the differences between public and private valuations.

Operator: And our next question comes from the line of Frederic Bastien with Raymond James.

Frederic Bastien: Congratulations to both Bahir and David on their respective appointments. Guys, do you see the German residential infrastructure company that you just acquired, do you see in that business the same kind of growth potential you saw in Enercare or for that matter, Enwave?

Sam Pollock: Frederic, it's Sam. I'll touch on that one as well. I'll make two comments. The first one, it's today a very tiny investment. So, the actual relative size of that investment versus Enercare or the differences or the magnitude are over 100.

But the reason we are attracted to it and the reason we're attracted to the European market is because we have seen what we've been able to achieve here in North America. And we think that we can replicate that success over in that market, and it's highly fragmented. And based off of the research we've done, we believe that the receptivity to the product and services that Enercare provides in North America will be well-received there.

So today, it's a very small investment. Because it's small, the growth can be very substantial. Whether or not we can turn it into the same scale as Enercare in North America, time will tell. But it's a massive market. The investable universe is huge. And hopefully, we can achieve the same success that we did with the organic growth with Enwave and build a similar type of business.

Frederic Bastien: Okay. Just curious, what impacted the Board's decision to approve the distribution increase sort of at the low end of your target range? I mean, I know you have lots of irons in the fire, lots of ability and opportunities to deploy capital into organic growth opportunities. But is there anything else that you could add to that?

Bahir Manios: Frederic, it's Bahir. Maybe I can take that one. Look, we're optimistic, obviously, about what 2021 has in store for our business. But we're also just mindful that the impact of COVID or the pandemic has just taken a bit longer than first anticipated. With the vaccine rollout, there's been lots of stops and goes here.

And so just in light of that, we thought we'd err on the side of caution and we think 5% is very attractive in this market. And given all the various things we have on the investment front. We have a lot of good use for that cash anyway that we're going to retain in that business. So, we think this was a sound decision.

Frederic Bastien: Okay. No, that's a fair point. Last question, perhaps for David. You mentioned the impact of the Brazilian real on the business in 2020. Wondering what the impact was in the fourth quarter? And secondly, if exchange rates don't really swing materially from now on, what would be the impact on this year's results?

David Krant: Fourth quarter was about \$25 million of FFO, predominantly in our regulated transmission and our toll roads. And then, if I look at our average rate for 2020, relative to where we are today, it's

relatively in line. It's going to be within a percent or two right now at the current level. So, I wouldn't expect it to be a headwind looking ahead at these levels.

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

Robert Catellier: So, I just wanted to follow up on both the data and the midstream investment opportunity outlook. So, starting with the data. How is the pandemic and the work-from-home trend reshaped the growth outlook for the data centers and the data business in general?

Sam Pollock: Robert, it's Sam. Maybe I'll start off, but I might pass it over to Ben as well, because I think he can give some granular examples from our existing businesses. But long story short, take-up rates and demand for data has never been stronger. So, for the businesses that we've acquired, or for the fiber systems that we're rolling out, take-up is faster.

And demand for space in our hyperscale facilities is extremely strong. So, we've been able to, where we've had land, attract tenants to build hyperscale facilities, and we don't see any slowdown in that. And in a number of markets, particularly in Asia, where there's onshoring of data storage, we see particular demand for data centers. But maybe, Ben, do you want to talk a bit about the TDF and a few of our other businesses?

Ben Vaughan: Yes, maybe just to add a little bit of color from the on-the-ground operations, we are building out a number of fiber-to-the-home networks in France. And our adoption curves of people switching to those fiber networks has been above our expectations, pretty much since COVID started. So there does appear to be some demand pull from the fact that people are more at home and want higher quality data services.

And as Sam mentioned in our hyperscale data center business, sometimes in those data centers, we have a little bit of extra capacity we can bring to bear for our clients, and we're seeing them call on that. It's sort of small little amounts that we can add to improve the service offering to them, but we're just seeing almost a very strong appetite to fully use the data centers and to adopt the fiber networks.

Robert Catellier: Okay. That's excellent. Just to follow up on the Indian colocation agreement. What impact might that have on the colocation factor? And just in general, what colocation factor do you think you can get to in India over your business planning horizon?

Ben Vaughan: Yes. So, we're targeting a colocation rate, a pretty modest one, of 1.5 over about a 5-year period. So, in other markets, we do see colocation rates in the 2-3 range. And as David mentioned in his comments, we've kicked it off with our first tenant and they'll have their initial equipment on many of our towers starting this quarter. So that's the level we're targeting.

Robert Catellier: Okay. You may have partly addressed this in the previous comments, but my last question is on the midstream side. And I'm just wondering, it's early days, obviously, still, but can you tell us what impact the Biden administration and its early actions have had on additional investments in the U.S. midstream industry and maybe specifically comment on the potential of further LNG investments?

What I'm getting at is, is it worthwhile waiting just to see the full impact of what the administration might do? Or do you think it's the opposite and you should be opportunistic, given the long-term value you see in some of these assets?

Sam Pollock: Well, look, maybe I'll tackle that one, it's Sam. First, I would say we are accustomed to investing across different administrations. And while there's obviously a very progressive agenda, we

expect, as we have seen in many previous transitions, that policies will be somewhat slowed, with opposition doing what they typically do.

And I think this is the comment we tried to make earlier. The general trend is very obvious to everyone and that is what we are including in our underwriting programs. But we don't expect there to be immediate changes. This is a transition that's going on. It's not an end of carbon and the technological use of it could happen today. And so, look, we're taking a very pragmatic and I think cautious approach to our investing in that sector. And we are mindful of the policies of the new administration.

Operator: Our next question comes from the line of Devin Dodge with BMO Capital Markets.

Devin Dodge: My first question is on TDF. I think it ties in to one of your earlier answers on valuations in the data sector. But just wondering, are there synergies in having the various services provided by TDF under one company? Or do you think that business could be more valuable if it were split up into a couple or more pieces?

Ben Vaughan: Look, I think each of the businesses at TDF stands on its own. And while there are certain synergies that you can get, each of the lines of businesses, it's in the broadcast sector, the tower sector and the fiber-to-the-home sector, and they can each also stand on their own very well.

So, we run the business with distinct P&Ls for each business to make sure that we're tracking returns and profitability and margins and everything you'd expect individually. And so, it works very well together and each of the businesses also stands on their own very well.

Devin Dodge: Okay. So, we've also seen that the government in Colombia, they've been looking to privatize some of its assets. So, kind of a two-part question here. First, are there assets in that privatization process in Colombia that look interesting to BIP? And secondly, are there other countries where you've seen infrastructure privatization we'll say, gaining momentum?

Ben Vaughan: It's Ben, again, Devin. We've seen government privatization programs, for example, in South America for many decades. So those programs have been in place and sometimes they accelerate and sometimes they sort of decelerate a bit. But there are obviously, some of the assets we own today, we acquired through those privatization programs. So, we'd obviously take a look at everything.

And I think, in general, what we're noticing is a need for governments to raise capital and a desire, we are seeing some signs of them putting good programs in place and clarifying regulations and improving regulatory frameworks to try to attract capital. So, it's sort of a constant theme, and we would take a look at assets, as we've always done in the past.

Sam Pollock: And maybe the only thing I'd add is, if you're looking for indications of accelerating versus decelerating of programs, typically, they follow election cycles. So, no difference in South America versus Asia or in North America, even. When new administrations come in, they tend to start programs, and then when you get close to elections, they tend to slow down or stop. And so, we see that very much in South America as well.

Operator: And our next question comes from the line of Asit Sen with Bank of America.

Asit Sen: I appreciate all the discussions on midstream and ESG. If I could kind of probe a little bit on what you're seeing or what you're thinking about, very early days, U.S. versus international opportunities. Now Bahir, you mentioned Paris, Glasgow. Clearly, we're going to have a price of carbon in the U.S. and it looks

like you're well-positioned on the LNG value chain. But wondering if something like a carbon capture would, at some point, make sense to you. I just wanted to get your earlier thoughts.

And then on the flip side, when I'm looking at international midstream, I see majors and national oil companies looking to dispose storage and transportation assets. That could have visible duration of cash flow, even adjusted for carbon. Just wondering how you're weighing the opportunity set, U.S., international, any thoughts on that?

Ben Vaughan: Look, I think it's early days. I think we've been trying to say many times over on the call, we are in the early stages of a transformation that's going on. And I think there will be opportunities geographically. I'm not sure whether they're focused in the U.S. or not, but things like carbon capture, hydrogen mixing, electrification of certain equipment versus using fuels directly to power it. There are a lot of opportunities that I think are going to come out.

And we're well-positioned because we're in a lot of these industries and we're going to have direct experience in delivering on these transitions over time. So, it seems early days to be overly specific, but we have work streams underway in all of our companies to look at these transformations and start to think through how we can make money and where we can make money with them.

Sam Pollock: Yes. And just on your second point on international versus U.S. opportunities. I would say the investment pipeline today is well-balanced across all the geographies. But if I had to say, maybe compared to historic levels, we're probably slightly more weighted to North America than international. But we're pursuing things everywhere.

Asit Sen: Got it, got it. No, I appreciate the color. And then the comment on Q4 average traffic exceeding prior year on a same-store basis by 5%, pretty impressive. And I think you mentioned Brazil. But just wondering any other regions that stand out in that mix?

David Krant: Yes. So, I can take that. It's David. I think the other notable growth year-over-year would be in India. We've seen, I think it's about a 5% increase on our portfolio. We have two different portfolios there. So overall, on a blended basis, we're probably 5% ahead of where we were last year.

And then our two other geographies being Peru and Chile are broadly in line. I think we're maybe down 5% there, just due to the mix. They're predominantly more light vehicle traffic roads and with people continuing to work from home in certain regions, that does impact mobility and travel across our networks. But overall, I think if you put it all together, given the size of Brazil on our network, we're probably up 4% or 5% year-on-year on a total basis.

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

Andrew Kuske: I guess the question is probably for Sam or for Ben. And it really just relates to Brookfield's return focus over time, and it's really a duration view for value with an operational bent. But how do you think about BIP's overall asset positioning?

And I ask the question in the context of, you could clearly buy some assets for value in the marketplace that have lower multiples attached with them that may degrade BIP's overall valuation multiple, versus higher multiple assets in the market that would actually average up your NAVs. How do you think about that dichotomy of the returns versus the stock impact on a NAV basis?

Sam Pollock: Yes. Andrew, so look, our strategy, I think, is very clear. We are very much DCF investors and return focused. Multiples feel a bit short term-ish in view because they will go up and down. But if we

invest well and our underwriting is strong, we get the returns. Then on a long-term basis, we'll deliver our results.

And so, I appreciate some investors might be unhappy with mix in a core basis because, today, towers are looked at more favorably than, say, a midstream asset. But I think as long as we do our job and deliver the cash-on-cash returns and the DCFs, then we will do well. And obviously, the part we have to deliver on is those terminal values and be right on those terminal values. But that's obviously the main focus of us as long-term investors is getting that terminal value right.

Andrew Kuske: That's helpful. And then maybe because that dichotomy exists in the short-term-ish nature of multiple focus, does that lead you to have more opportunities on really structural separation approaches where you can effectively buy for value and then strip out the more loved assets and repackage them and then have the unloved assets in another bucket?

Sam Pollock: Yes. Look, I think what you're getting at, which is right, because various investors and then maybe some management teams get focused too much on the short term and thinks values don't trade or businesses don't trade at their intrinsic value.

And you can either buy for value a company that's more complex and break it apart into the various pieces and earn value. So, I think that is definitely a big part of our toolkit, and that's what we're trying to do in beating the market, if you want to call it that, is finding those situations where we can buy for value.

Operator: I would now like to turn the call back over to CEO, Sam Pollock, for any closing remarks.

Sam Pollock: Thank you, operator, and appreciate everyone spending the time today. I know it's a long call, but we appreciate your support for the company, and look forward to speaking to you again next quarter. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference call and webcast. Thank you for participating, and you may now disconnect.