Brookfield Infrastructure Partners L.P.

2017 Investor Day Presentation

Transcript

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Speakers: Sam Pollock, Chief Executive Officer
Brookfield Infrastructure Partners

Bahir Manios, Chief Financial Officer
Brookfield Infrastructure Partners

SAM POLLOCK:

Well, good afternoon everyone, and thank you for joining us for the Brookfield Infrastructure Investor Day presentation. This year I guess we'll follow pretty much the same format as the ones from this morning, so for those of you that were here this morning, the presentations will be roughly an hour. We'll have some time for a few questions, which we'll take at the end of the presentations, and then we'll have some interactive polling questions sprinkled throughout the presentations as well.

In terms of the agenda, I'm going to start off with a brief review of BIP's first 10 years, and the reason we're doing that is we think it's illustrative of how we think we'll evolve over the next 10 years. After that, my colleague, Bahir Manios, will come up. He's going to review our performance and spend some time, in particular, looking at a return on invested capital concept that we thought would be interesting for you, and lastly, I'll come back and try and tie the first part of my presentation into what we see as far as the trends going forward and how we think our business will evolve over time, and how that will fit into our current strategy.

To start off with, I'm going to go over what's happened in the first 12 months before I get into the past decade, and I'd start by saying that it's been a pretty good year. Our FFO per unit has grown by 20%, and that's principally on the back of the amount of capital that we've deployed this year, which is in the range of $2 billion, and that's been driven by both very significant organic growth Capex, as well as some very well-timed M&A activity.

In addition to that, our capital backlog, which is a good precursor to the deployment of capital we have in front of us, has never been bigger. It stands now at about $2.4 billion, and we have the potential to increase that even further over the coming 6 to 12 months. From an asset management perspective, the successful recapitalization of our North American gas transmission business was probably one of our biggest accomplishments. In that particular business we reduced debt by $1.1 billion and we extended the term on our debt to 11 years, and finally, we continue to make a lot of progress in building on our presence in the telecom sector. I'll probably touch on that a lot more later on, and I'd say, lastly, that we're pleased that the market has recognized how well we've, I think, performed operationally, with a total return for our units in the year in excess of 30%, so all in all, a good year.

A number of you may know that we're coming up to our 10-year anniversary. We were launched back in January of 2008 on the New York Stock Exchange, and we thought it would be timely to kind of

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review how we got from there to where we are today. However, before we do that, we thought we'd start with our first polling question and find out when you began following or investing in BIP, so I'll take a couple of seconds for you to fill out your questions and we'll see what the answers are.

Okay. Well, that's probably what I would have expected. We have a lot of long-standing investors. Probably over half our people in the room here today have been with us for four plus years, but we also have some new faces, and so as we go through the next couple of slides, I think, hopefully, for new investors, you'll find it interesting to see what's happened over the last 10 years, and for the rest of you, it'll be like going down memory lane, so I hope you enjoy it.

Since the time we launched BIP, we feel that we've delivered on four key objectives for investors. I'll touch on them quickly, and then I'll go through each one at a time, but first, we've built a very highly diversified and scaled business around the world. We've got a solid financial foundation that we think can sustain itself through very challenging market conditions if they arise. Third, we've invested well, and we've maintained our investment discipline and patience to deploy capital when and where we thought it made sense, and finally, the end result is that we've been able to grow our business profitably for our unitholders.

In terms of scale, no matter how you measure it, we've come a long way from 2008 if you look at the number of countries we operate in, offices, or employees. They've all grown significantly. Today, our business is truly global and we've got operations and investment professionals in five continents. Back in 2008, we had probably a dozen investment professionals sitting in Toronto, New York, Brazil, and Chile, so much more scale-of-business than we had back then, and I'd say, in conclusion, that our business continues to grow, and the biggest growth area happens to be in Asia.

In terms of our operations and what we had back when we spun out, we had five businesses, two of which were in the timber segment, and we decided to exit the timber segment. We did so quite profitably, and since that time we've now grown the business to over 35 operating businesses across four segments and across multiple sub-sectors.

With respect to our strong financial foundation, I'll make a couple of comments on what we've achieved. First, with our greater scale, we've been able to earn a BBB+ rating and increase our corporate lines of credit from $200 million to $2 billion. That provides us an unbelievable amount of

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financial flexibility. Furthermore, with our dual listing and our recent index inclusion, our access to equity capital has never been better, so our strong financial position, with all those elements, has allowed us to build up a war chest today of about $2.8 billion that we can use to go out and pursue investment opportunities.

This next slide is one we've pulled together that we thought might be quite interesting, because as I go through it, I'll run through five notable transactions that, today, each have been a key building block to creating BIP as the $17 billion company that it is. Probably the most significant of our game-changing transactions was the Prime Infrastructure take-private back in 2010, and for those who were invested with us back then, you might recall that the transaction actually started back in 2009 when we invested $940 million into the recapitalization of BBI. It was an Australian company, and that business fared poorly during the financial crisis, and following that initial recapitalization investment, in 2010 we were able to take it fully private, and as a result, that gave us a number of high-quality businesses and increased our presence in Australia. It gave us presence in Europe, in the U.K., and we grew our business in North America, so that was a pivotal transaction for us.

The next big one that comes to mind is our rail expansion in 2011. Here, we invested about $500 million to expand our railroad so that we could add some new customers and grow the EBITDA considerably in that particular business. It probably still remains one of our largest and best organic projects we've ever done.

Next, in 2012 we acquired a business called Inexus for $525 million. This was a U.K. utility provider, and we took that business, combined it with an existing distribution business that we owned in the U.K. We renamed it, integrated it. It's now called BUUK, and it now has almost three million connections and generates 20% of our FFO, so that's probably our best investment we've ever made.

In 2015, we entered the telecom sector with the acquisition of TDF, and while TDF was a great investment in its own right and a great business, probably the most important thing is the knowledge and understanding we gained of the telecom sector, which is now, I think, one of the most exciting areas that we’re looking into, so that was a big transaction from the perspective of looking forward.

Then, last but not least, this past year we closed on the acquisition of NTS in Brazil, and this one, I think, is a good illustrative example of where we had the conviction to invest counter-cyclically in a

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market where people were quite bearish. We bought a high-quality asset, and I think this is a business that's going to reward us very well in the long run, and probably even more importantly, what we'll have is a high-growth business where, as the gas market in Brazil evolves and grows, we'll have a platform to invest further capital, so it's going to generate a lot of current cash, but the growth opportunities are great as well.

In addition to making some great accretive acquisitions, we've also been pretty selective and strategic in disposing of assets as well. Over the last number of years we've sold 10 businesses. We've generated over $2 billion of proceeds, and we did so at returns in excess of 25%. We've also launched our next phase of capital recycling, where we hope to generate $1 billion to $2 billion in the next 6 to 12 months.

What you're probably most interested in is how did this all turn out, and as you can see from this slide and the next one, our financial performance has been very solid. We've had annual growth rates in our FFO and distributions per unit compounding at 20% and 12%, respectively, and in terms of our total return, we have pretty much outperformed our peers over the last number of years significantly, and so all in all, I'd say we've had a pretty good decade and one that we're pretty happy with.

With that as a quick start to the first decade, I'm going to ask Bahir to come up, and then come back and talk about the future.

BAHIR MANIOS:

Thank you, Sam, and good afternoon everyone. I'm here to go through an assessment of how we've done as stewards of your capital, but before I get into that, I wanted to hit on some of the key themes from prior year presentations that I've done on this occasion and take you through, briefly, sort of any kind of relevant updates on those topics that have happened in 2017.

As far as our report card goes, from a financial health perspective, we saw improvements in 2017 across the board from an EBITDA margin perspective, the state of our balance sheet, and our financial risk profile. First, just on margins, they continue to be pretty strong, and they're quite attractive across all the various sectors that we invest in, predominantly the result of having mostly fixed cost structures in place in most of our businesses, in addition to the fact that the networks that

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we own and operate, offer non—for the most part, non-discretionary services to their customers, and typically, these kind of businesses command higher margins.

Our margins have improved in 2017 by almost 300 basis points compared to the prior year, and I know we don't show it in this chart, but that upward trend has been pretty consistent since 2011. These improvements were the result of continued execution on lower-risk, higher-margin organic growth projects, in addition to the closing of value-based—or several value-based investments. A good example of that is the recently completed Brazilian gas transmission business that we just closed on in April, and that business has margins of almost 90%. These higher margins, in addition to the fact that our maintenance capex in the business is relatively low, has led to a strong cash-on-cash conversion ratio that today stands at a healthy 88%, so said another way, we're able to convert 88% of our EBITDA into cash that we then used to service our debt obligations, pay you a distribution, in addition to reinvesting back into our business.

With respect to our balance sheet, it's probably the strongest it's been since our inception. Three facts really highlight this assessment. First, we now have, as Sam alluded to earlier, $2.8 billion of liquidity at the corporate level following the close of our recently completed equity issuance. Second, with the NGPL financing that Sam alluded to earlier, we now have no significant debt maturities over the next five years that we need to deal with, and in addition to that, less than 30% of our total debt matures or amortizes in that period.

Finally, with respect to our corporate leverage metrics, they remain quite conservative and strong, given that less than 15% of our total debt is issued at the partnership level, or recoursed back to the partnership, in addition to the fact that our corporate interest coverage ratios have improved over 20 times in 2017 as well, and both of these two facts or metrics really underpin our BBB+ credit rating that we have at the BIP level. And last, but certainly not least, from a financial risk perspective, that's also improved compared to 2016. Again, with the NGPL maturity behind us, we've now extended our duration from a maturity perspective to almost eight to nine years at the asset level, and we've also fixed over 90% of our total debt for that duration as well, and second, we continue to be fully-hedged from a currency perspective on all the developed market currencies, both from an FFO and from a net equity perspective.

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With that as a recap of the prior year themes, I'll now spend some time dealing with this year's topic, and really the question we're hopefully going to try to answer in this session, is how should investors assess our performance as allocators of capital? Before I do that, I'm going to pause and ask you to get your iPads out and we're going to do a polling question, and if you can please pick from one of the options that we show here on the screen, and the question is: How do you evaluate BIP? Is it A, the balance sheet revaluations that we book, cash flow metrics, return on invested capital—I like that answer—accounting earnings metrics or distribution yield and growth? Yes, I think we've got some pretty good consensus. I'm really not surprised, given that I know a lot of us—or a lot of our investors are focused on cash flow metrics and distribution yield and growth, and also very happy to see that a lot of people are also focused on return on invested capital. It's certainly a topic that we get asked a lot of questions about, and so we thought we would deal with it during this year's session.

From all the various metrics that are most frequently used by investors to analyze a company's performance, return on invested capital, or ROIC is pretty popular in the investment community, and it's not really surprising, given that it's a useful metric to use, and pretty relevant in assessing the returns a company is able to generate on the capital that it's been allocated. But for this to be effective and helpful, it has to be measured and analyzed correctly, and as you can see from the slide, there are various examples that we provide here with how this metric is calculated, and there's a lot of confusion on how this is done.

First, we get asked how this metric should be calculated, what the results are, or what they ought to be, and I recognize there's probably many different ways some of you in the audience do this calculation, but I'll pick on these three examples, just given that they're from three pretty popular research websites, being Bloomberg, CapIQ, and FactSet. As you can see, there's just a lot of issues that one can identify with them on how they're calculated, but if we can boil them down into two categories of issues, the first one is the fact that two of the above calculations more closely mimic that of a return on asset calculation versus a return on invested capital calculation. But the second category, and really the one probably most relevant for my discussion today, is the fact that these calculations use accounting-related measures such as net income, partnership capital, etc., versus the actual cash flow that's sustainably generated in the business, and the paid-in capital, or the invested capital that we've been allocated by our investors. So how should it be calculated?

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We think to make the calculation more useful and helpful, investors should replace net income with AFFO in the numerator, and instead of using partnership capital, we suggest using invested capital in the denominator, and I'll walk through that in the next two slides.

So, why AFFO? Last year, we spent quite a bit of time on why we thought AFFO is a more relevant measure of operating performance than net income for our business. And so how the two compare, in this slide, we provide you with a reconciliation of our results for the last five years to show you how the two measures stack up against each other; and as you can see, they're relatively similar in nature aside from one key difference, and that's really the gap that exists between depreciation and amortization expense, and maintenance capex.

We also spoke about this during last year's presentation as to why this difference exists, but in summary, it boils down to two key facts. The first is under IFRS we've made an accounting policy choice to revalue our assets each year. Given that our assets typically grow in value each year, that leads to higher property and plant equipment balances over time, which then lead to an increase in our depreciation and amortization expense each year.

The second reason has to do with the fact that we own long-life assets, and these assets, if maintained properly, do tend to outlast their accounting useful lives by a much longer period of time, and so it's because of these two facts we don't think depreciation and amortization is a true reflection of the economic reality of how we run this business, or what our assets are like, and essentially, that's what makes AFFO a better measurement of performance than accounting earnings, as it more closely depicts the sustainable cash that we’re able to generate in the business each year.

Looking at the denominator, we believe that using invested capital is more useful than partnership capital, as it more accurately, again, reflects the capital that we've been allocated by our unitholders. The table in this slide shows the differences between the two, and as you can see, as at December 31, 2016, the two balances were roughly the same. However, that just happened to be the case this year, given that there were some pluses and minuses that happened within our net income and equity balances that made our partnership capital close to our invested capital figures.

Generally speaking though, our partnership capital balances are much lower each year than invested capital. That would then lead to better return metrics, but we don't think that that would be a useful or

a true or real return that our business generates, and hence, why we think invested capital is more appropriate to use here. These invested capital numbers are audited and included in the notes to our financial statements.

Now that we've explained how the metrics should be calculated, what have our returns been like? We show you here in the table our results since 2012 going up to 2017, and as you can see, our returns have trended pretty nicely from 10% in 2012 to up to 14% for the most current year on a full run rate perspective, and that translates to an average of 13% in that period.

So, what does this mean? Well hopefully this exercise has shown you the strong returns that we've been able to generate in the business. We think that a current cash-on-cash return of around 13% on average is quite strong for a real asset business like ours, and what's more attractive about this return is that our business also has a strong future growth outlook associated with it, given the back-ended nature of our growth profile.

To get a better understanding of that, we think it's much more meaningful for investors to analyze returns over a period of time than a specific point in time, as taking the results for any given year would not reflect the growth trajectory of the business. For the purpose of this exercise, we've looked at our returns over the five years plus that we noted on the previous slide, and if you do the math, we've actually been able to generate returns of over 20% in that period. You can run the math over 7 years, 10 years, etc., and the numbers are not that much different. In fact, since our inception, they've been around 17%, which is also quite strong.

And this back-ended growth profile of our business is driven by pretty visible same-store organic growth that we are able to achieve from inflationary price increases, and from volume upside, both on a significant chunk of our various cash flow streams. And the net result is that we can achieve anywhere between 4% to 6% per unit cash flow growth from these growth drivers, and that's without incorporating the impact of reinvesting 15% to 20% of our cash that we retain each year that we reinvest back into our business at very strong returns that's able to compound for a long period of time, and that's been proven out especially over the last five years, so overall, our business has grown in value by around 5% organically, or on a same-store basis, and that's being driven by the fact that most of our businesses have benefited from those various drivers that I alluded to in the previous slide.

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Looking at our track record for each one of our operating groups, our utilities business has grown by approximately 4% per year, as 95% of our revenue streams there are indexed to local inflation across the four continents that we invest in. Our transport business has grown by 6%, again from inflationary price increases or from tariff growth, in addition to GDP-linked growth. In addition to that, we have a very high fixed cost structure in that operating group, which leads a lot of that top-line growth to flow directly to the EBITDA line. Our energy business has grown by 2%, predominantly through growth in district energy, and also our telecom business has grown by 4%, as all our contracts are indexed to inflation as well.

In conclusion, we've deployed a significant amount of capital over the years. We've raised a total of $6.5 billion from our unitholders, and we've achieved very attractive returns on this invested capital, again through a combination of the strong going-in cash-on-cash returns of almost 13% that we've been able to achieve, in addition to embedded growth that we have in the business, which takes our returns much higher than that, and it's our expectation that we could deliver quite similar returns in the future, just given the visibility of these growth drivers that I alluded to earlier.

With that, thanks for your time. I'll hand it back to Sam.

SAM POLLOCK:
Thank you, Bahir. That was great. What we'll do for this next part of the presentation is look forward a bit and talk about some of the trends that we're seeing in the business that we're thinking about, and we think will be important for the next number of years.

To begin with, though, we're going to have another polling question. This is our last one, and it's a pop-up one, so I hope it works. I'm a little worried it might not, but anyway, looking ahead—the context of the question is looking ahead, the face of infrastructure investing is changing. There's trends in technology, government policy, as well as climate, and these are all driving new opportunities for investing in infrastructure, and so I guess our question for you is what trends do you think will drive infrastructure investments in the next 10 years, so I'll give you a couple of seconds to do that.

Okay. That is interesting. I think we're seeing a couple of the main ones being government debt, technology, emerging markets, population growth, climate change, telecommunications; so if we

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compare that to our list, which is on the next slide here, while we've phrased them a little differently, I think the gist is pretty much the same. We talk about urbanization, low carbon, thermal energy, smart cities, 5G technologies, and so what we've done, we've taken that whole universe of trends and we've grouped them into what we think are four opportunity sets for us.

The first one, and this won't surprise you, is the exponential growth in data usage worldwide, and this is going to require a significant investment in infrastructure and the networks to support that data, and I'm going to touch on that a bit more in a second.

Second, this is a term that I guess we've come up with, which is basically municipal infrastructure, and this describes the investment activity related to making cities smarter, more connected, more efficient, and more environmentally friendly.

The third one, we kind of call this—or this fits into what I've described as a spending gap, and so this is where there's a large, or enormous amount of capital needed for a particular segment we feel is going to be significantly underfunded. In this case, we think water probably fits that category the most.

Then lastly, this is very similar to the emerging markets comment that we saw on the pop-up chart, Asia is the world's largest, fastest-growing market, and the need for infrastructure investment in that region will be huge and it'll be across all sectors.

We thought this would be an interesting slide to make our point on data, and basically what this shows is that data is the fastest-growing commodity in the world, and I know many of you may not think of data as a commodity like oil, iron ore or soybeans, but in reality it is very similar in the sense that it needs to be transported and stored just like any of those other commodities, and the growth rate here is astronomical. Over the next three years alone it's going to outpace the growth in all the traditional commodities that you more typically think about. As a result, I guess you can see why we're focused on this particular segment.

Now, looking at some of the drivers, I'm just going to mention two in particular, but the first driver is the proliferation of smart phones and other mobile devices. The total number of connected devices is forecasted for the next couple of years to grow to about 3.5 per person globally, and the two other factoids to think about: one is in the emerging markets, the number of users of phones and the internet

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are expected to double, and for many people in the emerging markets where there isn't really landline infrastructure, their only access to internet, really, is through their mobile devices. In addition to that, in the developed market, data usage is going to be driven by the amount of video content that people use.

The other thing that you've probably heard a lot about is The Internet of Things. Now, I'll probably butcher the description a little bit, but I'll give you my simplistic take on it, and basically, what that is, is what we're going to see is a lot of everyday items that we use at our workplace and that we use at home, are going to be fitted with sensors that are going to receive and send data. It's going to generate lots of information, and then that information's going to be used to make our lives that much more efficient. And in order to do that, the amount of investment to support the transmission and storage of data, it's just going to have to grow, again, astronomically.

On the investment side, the provision of capital into the transmission and storage of data fits well with our mandate. We believe that telecom towers and fibre optic networks are probably going to be important in—and this is a cheesy term—data highways that are going to be invested in, and in that regard, we've already started making investments, so the good news is we’re not really late to the game; I think we're actually getting into it at the right time. Through our acquisition of the French company, TDF, back in 2015—I mentioned that earlier—we now own 7,000 towers. We've got about 5,000 kilometers of fibre backbone in France, and more recently we won two contracts to deliver fibre to the home to about 200,000 households in France as well, and we're participating in a number of other initiatives.

We're also pursuing numerous opportunities today to acquire towers in India where we think the population growth, and just the rising middle class there is making that probably the most interesting mobile data market in the world, and along with those opportunities and some that we’re looking at in Europe, we're probably evaluating today acquisitions of about 150,000 towers. Now, obviously we may not get all that, but suffice it to say that there is tremendous investment opportunity there.

The other area, which I, we haven't yet executed on, is data centers. We think that's very interesting. We think there's lots of strong infrastructure investment attributes related to data centers, and we think it could be a very scalable business, so that's another area to look out for.

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The next one that I mentioned was municipal infrastructure, and this is really being driven by the advent of smart cities, and all that means is smart cities are going to be ones that are more connected, they're more efficient, they're more environmentally friendly, and they're more livable, and you can look at the estimates—and we've pulled this chart together—I guess it was given to us by Bank of America in their research—the numbers are staggering. They're in the trillions of dollars that are being considered, and when we've done our own work—and part of our effort was looking at all the activities in the various cities, basically every major city today has a plan on how they're going to address their goals in this regard, and if you think of some of the major cities in the world, Paris, Barcelona, London, New York, they're all leaders in this area, and they're all looking to make their cities more efficient and more livable, and some of the initiatives that are taking place, and we've mentioned it here—there's smart meters, there's LED lamp posts, those sorts of things.

The trends driving that—really, I think the big one is urbanization, and today, I think about 55% of the world's population lives in cities. That number is expected to grow to 70%, so cities are going to become more densely populated, and one of the byproducts of that is basically pollution, and one of the major pollution considerations is carbon, and about 70% of greenhouse gas emissions comes from buildings and cars, and so, obviously, cities are focused on climate change initiatives where they can basically de-carbonize their city infrastructure.

So the opportunities for us, I think, are pretty clear. The first one is, from a district energy perspective, we're already well-placed to expand our businesses in the 11 cities that we have in North America. Here, what we would offer city infrastructure is the ability to provide very efficient thermal energy where we can use the economies of scale of our business, to effectively allow municipalities to reduce the carbon footprint of their downtown central business districts, so that's our pitch to them, and it's definitely been very well-received.

Smart meters is the other thing that is proliferating. It's something that we've made significant investments in the U.K. already. I expect that we'll make lots more investments in smart meters in the U.K. going forward, and probably other parts of the world as well. Some of the other opportunities that we're looking at would be things related to transit, smart lighting, those sorts of things.

The next one I want to touch on is water, and on our last call one of my colleagues, Justin Beber, went through and described, first of all, the big spending gaps that were going on with water, and he also

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talked about how private infrastructure is being sought to invest in water, so I'm not going to repeat what he said, but what I will do is just sort of go into the three areas that we're focusing on.

The first one is municipal and industrial supply, so basically the supply of water, and the one area we're focused on is desalination plants, and in fact, today, we're looking to build one in Orange County in California, and we think that's a technology and that's a business that we can take to other markets as well.

Second, we're looking at water transportation systems, and that's mostly for irrigation and other uses, and we're in the midst of closing one in Peru, and again, we think there'll be opportunities to build further, essentially, canals to bring water to other markets. And then lastly, we're also looking at opportunities to invest in graywater facilities, and this is basically where you take wastewater from taps and toilets and showers and whatnot and recycle it and reuse it, not for potable purposes, but for non-potable purposes like irrigation, and this is a business that we have in Australia, and it's one we think will become more prevalent around the world as well.

Then the last one I want to touch on is Asia, and look, I think everyone's familiar with what's going on in Asia. It's a huge continent. It's experiencing 6% GDP growth, and as the population continues to grow, the need for capital will be insatiable and they'll need to invest in critical infrastructure to maintain that growth. What we intend to do is leverage our presence. Bruce talked earlier this morning, for those of you who were around then, about the number of offices we have there, but we basically have about seven offices in Mumbai, New Delhi, Hong Kong, Shanghai, Seoul, Singapore, and Tokyo, and so we're well-positioned from an infrastructure perspective to make investments in that market. I think the opportunity set in India is immediate and enormous, and that will probably be the first place we go, but we are looking to invest in other parts of Asia. I'd say Japan may be next, and then possibly, down the road, China as well.

Okay, so then I want to change gears a little bit and instead of going through the trends, I'm going to talk about what it means in relation to our strategy, so I think one of the questions you may be asking yourself is how will our strategy change to take advantage of these opportunities, and the short answer is, it's not going to change, because we believe that the strategy that we've been undertaking for the last 10 years is well-suited for the next decade, so let me just recap the five elements of our strategy.

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The first one is patience, and what we strongly believe is that if we cannot achieve our minimum 12% to 15% investment returns, then it's not an opportunity for BIP. We believe that if we keep our powder dry and leverage our global deal-sourcing capabilities, eventually the right investments will come and we'll be able to deploy capital.

The second point is innovate, and I know you probably don't think we look like innovators, but we like to think we are. And what that means is basically engaging with government and industrial owners of infrastructure and trying to devise proprietary transactions that are beneficial to both what they're trying to achieve and what we're trying to achieve, and we're just trying to achieve good returns with the right risk profile. And this, for us, we think makes much more sense than just participating in cost of capital shootouts where, yes, we may have certainty from beginning to end of a process, but we're also going to be paying top dollar for an asset.

The third thing is do the small things well, and what that means is keeping a laser focus on running our business and identifying the highly-accretive organic growth projects, the little tuck-in acquisitions, and joining all those little things that drive our high same-store FFO growth. Those are really important to us, and they're really important because they'll keep us going even during market environments where, for whatever reason, we can't be as active on the M&A front.

The fourth thing is be decisive, and this really relates to the example we had this past year when we invested in Brazil, where, on occasion, there will be market disruptions and inefficiencies and, it won't be a once in a lifetime, I think Bruce described it well, it will be a good generational opportunity to invest in great assets at a really attractive price, and when we see that opportunity, we're going to be very bullish and we're going to be decisive.

Then lastly, we need to execute our dispositions well. From a capital efficiency perspective, monetizing our mature assets at attractive values and then recycling that capital back into new businesses where we have higher growth rates, higher returns, is the best way to generate profitable growth, so we'll continue to do that.

Then, the other question we get asked is whether or not we can replicate our past performance into the future, and I won't go into a long answer, but what I'll say is we absolutely believe we can, and the

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two main reasons are, if you look at our starting point—our position today versus where our organization was 10 years ago when we had just a handful of people, not nearly as much experience, not the breadth of operations, the difference is dramatic. So we think we're far more capable of identifying opportunities, and I think the opportunity set is actually bigger today than it was 10 years ago, so putting those two things together, I think makes our future look very promising.

However, one thing that will happen is, just like I showed you in those first charts at the beginning of the presentation, our business will evolve, and no doubt it won't look like it does today. And so I don't have a crystal ball, and I'm sure it will be different than what we're showing here, but given the investment opportunities we're seeing and our current investment strategy, we expect that by 2028, 10 years from now, if we look at our business, 40-45% of it is going to be in data, water, municipal infrastructure, and probably 25% of our business will be in Asia, which today it's modest, so our business will look different, but we think that's all a good thing. It's all very consistent with our strategy of having a portfolio of investments that are diversified by geography and by sector.

The good news is I'm about to summarize now and conclude. I just wanted to say that there's really just a couple of things to take away. One is we're on track to having a very successful year, and a very successful 10 years, and thank you for your support. Two, our financial position today and outlook are probably as good as they've ever been. Three, the new trends that we are seeing are exciting, and I think we're well-positioned to take advantage of it, and then lastly, when you take that all together, we're very excited about our prospects.

With that, I'll conclude, and Bahir and myself, and anyone of my management team, are happy to take any questions. So I know I'm supposed to take some questions from the iPad here, and I'll take some from the crowd, so maybe while we get some microphones passed around I'll do one of the ones from here, and I see one here for, I think, Bahir. Okay, so Bahir, question is how is NTS contributing to your results thus far, and how much lower will interest rates have to go before you consider leveraging the business? As people may not know, we have no leverage on our NTS investment, so this question, I guess, is asking when will we do that?

BAHIR MANIOS:
Okay. First, we closed the investment in NTS in April, so we got a full contribution in the second quarter, and from an FFO yield perspective, it's been very, very strong. It's a high double-digit type

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yield, so the business is definitely performing very well. With respect to putting debt in place in the business, there's really I would say three key factors that we're looking for here.

First, we're looking to see rates in the country come down more. Second, we're looking to see the business season a little bit as a standalone entity, and then I would say, third, we're probably looking also for an improvement in Petrobras' credit ratings, and so on. Bruce alluded to Brazil's rates earlier; they've dropped from 14.25% to 8.25% in just one year, and we would think that they would probably go down from these levels, so that's good, and it's trending in the right direction, definitely.

The business probably still needs a year or two more from a seasoning perspective running as a standalone entity, and as we continue to integrate that business into our operating groups. And then the third, Petrobras' credit ratings have improved, and through executing well on their asset sale process and deleveraging the business, that's also going well, so I would say it's probably going to take another couple of years for us to kind of execute on those three key facts that I just alluded to, so I hope that helps.

SAM POLLOCK:
Okay, great, so we'll take one from out there.

MALE SPEAKER:
(Inaudible 52:27)

SAM POLLOCK:
Okay, so I think there's two questions there. The first question was asking about—and I'll paraphrase a little bit—the investment attributes of our telecom businesses versus utilities. I'll deal with that one first, and I'll come back to water, and if Justin's here—I don't know if he's here. If he is, I might get him to talk about water, but on your first question, we actually feel that our telecom towers business, in fact, has many similar investment attributes to utilities. Obviously, they're not regulated, and so it's an unregulated business, so it's dissimilar in that respect, but what you do get is long-term contracts.

In our telecom business in France, for instance, we've got contracts that range between 5 and 20 years. They're all with high-quality counterparties, and when you think of a tower, what you're really investing in is, in some respect, real estate, because what you own is you own a site that is scarce.

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Cities aren't allowing companies to build multiple towers all across the place. Usually, when you have a site in one area, not only do you have municipal bylaw restrictions, but you also have an economic moat around it, because if you have several tenants on that site, then there's really not the economic motivation for someone else to build a tower right beside it, and the other thing that's very critical is that once a mobile operator has equipment on your tower, it's very costly and complex for him to move it, so there's really a lot of stickiness to that customer once he's on your facility, and so when you think of the attributes of a tower, it's the quality of the structure, the steel. Can you hang lots of equipment on it, is it a good location, and the regulatory environment.

MALE SPEAKER:
(Inaudible 55:32)

SAM POLLOCK:
Tower businesses around the world are all very similar. I'd say the only difference that you need to consider is the quality of your counterparties, so what attracts us to India right now is the fact that it's going from a market where there may be 10 operators down to one where there's probably only going to be three in the next little while, so you actually know that three is a very stable market environment. They can be very profitable if there's just three, and the government's not going to let it go down to less than three. They need to at least have some competition, so most markets like that, and the construct’s very good, so I'd say tower space, we're very bullish on.

Then, on water—I can answer that, but I don't think he's here—so I think the question on water was it's a regulated business. How are you going to exceed regulated returns of 10%? Our focus in water is not really on the utilities sector per se, for the reasons you just mentioned. Achieving our target returns for say, a U.K. water utility would be very difficult to get to, and so we've tried to buy them if they come up in a distressed manner, but that hasn't really been the case in the last 10 years or so, and so our focus is on more unregulated businesses, such as the water desalination where we’re getting a development premium for building that business and we can negotiate price with the Orange County Water District.

In the case of the irrigation system we bought, it was developed as well as an unregulated business, and even though it's very stable, we were able to buy it from someone who was a motivated seller, and so we got a good price for it, and similarly, our recycling business is, again, an unregulated

business where we can go pitch our ideas and build a plant for someone, so that's basically how we're focused on water today. If a great utility comes up and we can buy it at an 11, 12% return, we'd love to do that.

Okay, so Andrew, before we come back to you, I'm going to go back to the—I was given specific instructions here. I have to go one here, and then one out there, and the boss is right in front here, so let me pick one here. Well, one question was, are telecom investments likely in South America given your long-standing presence there?

We are looking at opportunities, and would consider opportunities in South America. There's some very interesting markets to buy towers. We haven't yet, and we're not as advanced, I'd say for a couple of reasons. One is we've looked at Columbia and Peru and we didn't think the market size made it interesting enough for us. American Towers is, I think, in Peru, and they're building a small business for them, but we just see enough actionable things to do to make it more interesting, and Brazil is a market that is evolving a bit, so we probably want to see what happens with some of the operators there, see a little bit more consolidation, and then we might go into that market.

Andrew?

ANDREW KUSKE:
Andrew Kuske, Credit Suisse. Two questions. The first question's just what's the appropriate balance on a longer-term basis of emerging versus developed markets, and then the second question, because your patient capital and your long-term investors is part of the investment thesis, are you looking for countries that are really inflecting from emerging market status to developed market status and really getting that multiple bump on that transition?

SAM POLLOCK:
Okay. I'll start here, and then you can jump in, but maybe—as far as the portfolio composition element of your question, how much do we expect in emerging versus developed, we don't have a hard and fast rule. We tend to like to see where the best opportunities on a risk-adjusted basis occur. As an organization, as an entity, BIP is probably, today, more heavily weighted in Brazil than we would typically expect to be, and we know that over the next little while that will reduce as other transactions that we're working on come to fruition, but when we think about our compositions, I would say

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probably 70% will be developed market, 30% emerging markets, and to your second question about are we playing an arbitrage between when a company—or when a country will go from emerging market status to developed status, I'd say that's probably not the case, because it's hard. I think delineating when that occurs is probably difficult.

We don't really think of it that way. We are mostly focused, even for emerging markets, on countries that are investment grade. It just so happens that Brazil went from investment grade to sub-investment grade, and I would say that one of our theses that we did with the whole Brazil angle was that we were, or are, playing the fact that we think that Brazil will, in a relatively short period of time, revert back to investment grade status, so we bought a lot of, I'd called them, utility businesses that were trading on a non-investment grade basis, that we think will absolutely re-rate once Brazil becomes investment-grade again, and that will probably be a huge, huge value driver for the NTS business, and for those electricity transmission businesses. Hopefully that answered your question.

Any other questions out there? Oh, one more. Okay. We'll take one more question, and then we should probably wrap up.

COLIN DUCHARME:
Hi. Thank you. Colin Ducharme with Sterling Capital again. I'm just curious to build upon the earlier question on the pursuit of the data asset type over time. It sounds very important. It could be a quarter of your business in 10 years according to your slides here. I wanted to drill onto the data center asset type specifically. Just thinking, comparing versus fibre and macro towers where things like multi-tenancy and escalators are part and parcel of that model, depending on how you approach the data center asset type, you could be facing, in a managed hosting environment, a deflationary environment. You could be facing—I'm thinking of hyper-scale players specifically—a single tenant which could fill up the entire center, and that could be preferable, so it's potentially very different than some of the other data asset types that you would be pursuing, so how are you thinking about data centres specifically to make them Brookfield-like assets that share the characteristics that we've come to know? Thanks.

SAM POLLOCK:
That's a very interesting question. I see my partner smiling, because the one thing about data centers—and I hesitated putting it on there—but it's the one asset class that if something came

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through the door, three different groups would put their hand up and say, "that's mine," and so the real estate guys think, "What are you talking about? They're all REITs. This is our business." Cyrus, he's already got a little business related to data centers, and he thinks they're private equity, and we think that there's some infrastructure elements to it for ourselves, and so I think, without being too cute, the answer to your question is it's all case-dependent.

We have looked at a number of data centers already, and I know from an infrastructure perspective, we didn't quite get there. We didn't think the contracts were long enough and that the barriers to entry were vibrant enough or strong enough for us to get comfortable that the cash flows were sustainable, and so in that case, we did throw it over to our private equity group and they looked at it. As it comes through the door, the good news is, from a Brookfield perspective, there should be a home for it somewhere. We just have to figure it out at the time from our risk-return perspective, which home it makes sense to go with.

With that, I think we'll wrap up. Thank you very much, and we'll now turn it over to the Power group.

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