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Corporate Speakers:

- Rene Lubianski; Brookfield Infrastructure Partners L.P.; MD
- Bahir Manios; Brookfield Infrastructure Partners L.P.; CFO
- Sam Pollock; Brookfield Infrastructure Partners L.P.; CEO
- Ben Vaughan; Brookfield Infrastructure Partners L.P.; COO

Participants:

- Cherilyn Radbourne; TD Securities; Analyst
- Robert Kwan; RBC Capital Markets; Analyst
- Rupert Merer; National Bank Financial, Inc.; Analyst
- Frederic Bastien; Raymond James Financial; Analyst
- Robert Catellier; CIBC World Markets Inc.; Analyst
- Asit Sen; BofA Merill Lynch; Analyst
- Rob Hope; Scotiabank; Analyst
- Andrew Kuske; Credit Suisse Group AG; Analyst

PRESENTATION

Operator
Ladies and gentlemen, thank you for standing by and welcome to the Brookfield Infrastructure Partners L.P. Second Quarter 2020 Results Conference Call.

Please be advised that today's conference is being recorded.

It is now my pleasure to introduce Managing Director, Rene Lubianski.

Rene Lubianski
Thank you, operator, and good morning. Thank you all for joining us for Brookfield Infrastructure Partners' second quarter earnings conference call for 2020. On the call today is Bahir Manios, Chief Financial Officer; 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 in talking about our growth initiatives and our financial and operating performance, we may make forward-looking statements. These statements are subject to known and unknown risks, and future results may differ materially. For further information on known risk factors, I would encourage you to review our annual report on Form 20-F, which is available on our website.

With that, I'll turn the call over to Bahir.

Bahir Manios
Thank you, Rene, and good morning, everyone. I'm pleased to provide an update this morning on how our business performed this quarter. I'll start off by touching on a few macro level points before going through a review of our financial and operating results for the period, which were, on an overall basis, better than expected. And then I'll conclude my remarks with an update on our balance sheet and liquidity position. Sam will then take over and go through our strategic initiatives and provide an outlook for the company going forward.

The second quarter was obviously a very challenging period as the global economy experienced a sharp retraction due to the economic shutdowns imposed by governments. Over the past month or so, we've been very encouraged by the return of economic activity with the gradual reopening of economies. While many industries have been hard hit, the infrastructure sector has demonstrated one of its most coveted characteristics, being its highly resilient cash flows.

As we communicated previously, each of our businesses were deemed essential and thus provided largely uninterrupted service throughout this challenging period. Our results for the quarter reflect certain timing impacts that are expected to be recovered over time. These include delays recognizing earnings associated with the build-out of the contracted backlog of projects in our U.K. connections business and reduced traffic on our toll roads, for which we expect to be fully compensated on, under force majeure provisions in our concession agreements. Across all our geographies where we have GDP-sensitive revenues, we have seen strong recoveries in volumes once restrictions were lifted.

While we are pleased with the faster-than-expected recovery of many economies around the world that we do business in, a number of our operations continue to operate at levels that are off pre-shutdown levels. This is due to certain safety protocols that continue to impact productivity at construction sites, in addition to commuter traffic levels that are still impacted by employees continuing to work from home. Therefore, while we may not see a full recovery until later in the year or early 2021, barring any further shutdowns, the impact on our results due to the economic slowdown in the next few quarters should be modest on an overall basis.

In the second quarter, Brookfield Infrastructure generated Funds from Operations, or FFO, totaling $333 million, which was relatively consistent with the prior year. Our assets performed well on a local currency basis, and only a very small portion of our overall revenue was affected by the global economic shutdown. On a per unit basis, our results were off by 5%, compared to the prior year. Results for the quarter benefited from our asset rotation strategy.

In the last 12 months, we've deployed $1.2 billion of capital at an average going-in FFO yield of 12%. These new investments were primarily funded with proceeds from asset sales and refinancings that were done at a much lower cost of capital. Offsetting these positive impacts was a 27% depreciation of the Brazilian real, which reduced our FFO by $30 million. These positive factors were offset by lower market-sensitive revenues,

which were concentrated in our transport segment because of temporary lockdown measures.

Overall, the impact of the economic shutdown reduced our FFO by $27 million, with most of this, as I alluded to earlier, being timing related and therefore not expected to be a permanent loss. Our utilities segment generated FFO of $130 million, compared to $143 million in the prior year. Results reflected a higher rate base due to inflation indexation and approximately $280 million of capital commission in the last 12 months.

This segment also benefited from the contributions from our North American regulated gas transmission business acquired last October. These contributions were more than offset by a delay in the recognition of connections revenue at our U.K. regulated distribution business, the loss of earnings associated with the sale of an electricity distribution utility in Colombia and the impact of the weaker Brazilian real.

FFO for the quarter from our U.K. regulated distribution business was better than we expected. Construction quickly rebounded in May and June as homebuilders reopened their sites, with connection activity averaging 65% of planned levels throughout June. While physical distancing protocols have limited our ability to add connections at full capacity, construction is now operating at approximately 85% of normal levels and continues to improve.

The business also recently secured its two largest capital projects for the year, representing approximately 28,000 new connections across four of our utility offerings. These initiatives reflect the rebound in building activity, and the positive sentiment we are seeing from home developers. Moreover, this business stands to benefit further given recently announced stimulus to boost national housing demand. From early July 2020 until March 2021, the government has removed stamp duty tax on the first £500,000 of property values. Since these measures took effect, U.K. home sales are approximately 35% ahead of last year.

FFO from our transport segment was $108 million, compared to $135 million in the prior year. Results reflected higher volumes across our Australian and Brazilian rail networks, as well as the contribution from our recently acquired North American rail operation. These positive factors were more than offset by the loss of earnings associated with the sale of a European port business and the partial sale of our interest in a Chilean toll road operation. Results were also affected by a weaker Brazilian real and lower volumes following government enforced lockdowns, which together reduced our results by $29 million.

Among these factors, first, foreign exchange accounted for $14 million of this decline; and second, $13 million related to lower volumes at our toll roads, for which we expect to be compensated based on force majeure protections and ongoing dialogue our teams are having with local regulators. Therefore, the true economic impact from the downturn is, therefore, limited to $2 million, or less than 1% of BIP's total FFO, which is primarily in our port operations.

Our energy segment generated FFO of $106 million, compared to $96 million in the prior year. Performance was insulated from the current economic environment, as over 75% of our cash flows are underpinned by take-or-pay contracts with an average maturity of 11 years. Results benefited from higher transport volumes at our North American natural gas pipeline, over 55,000 new customers at our North American residential infrastructure business and the contribution from the federally regulated portion of our Western Canadian midstream business that we acquired in December. These contributions were partially offset by the loss of income associated with the sale for our Australian district energy operation completed last November.

Despite volatility of the global energy markets, our Canadian natural gas midstream operation recorded results that were ahead of the prior year. This performance reflects the attractive contract profile, with over 85% of our revenues earned under long-term take-or-pay arrangements with primarily investment-grade counterparties. Given the solid liquidity position in these counterparties, we do not foresee any significant concerns arising from a prolonged period of lower commodity prices. The Montney Basin has impressive long-term economics due to high liquid yields. Therefore, most producers have a long-term supply cost less than current commodity prices.

Our North American residential energy infrastructure operation continues to operate with strong durability. Results reflect the fulfillment of good customer demand for cooling equipment and our U.S. sales to rental strategy that has gained substantial momentum, achieving record HVAC rental conversion rates of over 55%.

We're also making progress with our Canadian expansion outside of Ontario, having secured over 3,000 new long-term contracts in Western Canada during the quarter. Following the securitization financing at our Canadian rental business in 2019, we've been exploring ways to optimize our capital structure and efficiently fund our growth. In that regard, we're working on a securitization financing at our U.S. business, which we expect to have completed during the second half of the year.

The stability of our North American district energy operation has been showcased in recent months. This business serves a highly diversified customer base across multiple geographies and industries and generates almost all its EBITDA from volume-agnostic capacity contracts.

Throughout this period, we advanced several expansion projects and are seeing heightened interest from prospective customers looking to minimize the upfront capital spend associated with purchasing standalone heating and cooling equipment. Construction remains on target for the Eastward and Westward expansions of our Toronto system, which has the potential to collectively increase our EBITDA by approximately $20 million when commissioned.

FFO from our data infrastructure segment was $43 million, which was 43% higher than the prior year. Our French telecom business benefited from inflationary price increases and our build-to-suit program, which has added over 200 new sites. Results also reflected

the contribution of earnings associated with the recently acquired data transmission and distribution operations in New Zealand and the United Kingdom.

Our South American data center business finalized an agreement to build two new hyperscale facilities in Mexico that will add 36 megawatts of storage capacity over the next few years. These facilities will require $330 million of capital and are anchored by long-term U.S. dollar denominated take-or-pay contracts with a leading global technology company. Initial phase is scheduled to come online in 2022 and is expected to contribute $50 million of EBITDA on a run rate basis. Since investing in this business just over a year ago, we've added 24% of contracted capacity and secured expansion into both Chile and Mexico, expanding the company's existing footprint outside of Brazil.

At our New Zealand data distribution business, we've made progress with the margin improvement program that was core to our investment thesis. At the time of acquisition roughly a year ago, we identified a comprehensive multi-year cost out initiative to drive EBITDA margin expansion from the low 20% range to the mid-30% range. Our team is focused on reducing expenses, rationalizing non-core product offerings, and improving utilization of our utility-like broadband and wireless services. We expect these efforts- in combination with other activities underway- to result in annual FFO growth of approximately 10% over the next five years.

Moving now on to our balance sheet, our liquidity position is robust, with approximately $4.3 billion of total liquidity, including approximately $3.2 billion at the corporate level. The business is further supported by a healthy investment-grade balance sheet, and we have no material debt maturities for the next several years.

During the quarter, Brookfield Infrastructure's credit rating was reaffirmed at BBB+ stable. We've completed over $2 billion of refinancing so far this year. Our ready access to low-cost debt capital is due to our conservative financing structures and many years of developing a track record as a high-quality borrower. We recently completed our first asset-level green bond issuance at the metered service operation of our North American residential energy infrastructure operation. The 10-year issuance of CAD $150 million was priced at a coupon of approximately 3.8%.

So, with that, thank you very much for your time this morning, and I'll turn the call over to Sam.

Sam Pollock
Thank you, Bahir, and good morning everyone. For my remarks today, I'll provide a brief update on some recent strategic initiatives, and I'll follow that with a spotlight on our regulated terminal in Australia. And then I'll finish up the call by providing an outlook for the business.

It is our belief that one of the biggest economic costs of the downturn will be that many industrial companies and all governments will be significantly more indebted. Once the immediate measures to stabilize economies and businesses have been implemented,

governments and businesses alike will need to evaluate alternatives to source capital to repay excessively high debt levels.

We've spoken in the past about the secular trend of governments seeking investment from private sector to acquire build-out infrastructure. With inflated deficits, along with the desire to stimulate economic activity, we expect the impetus for this to become even more pronounced. In addition, many corporations will be susceptible to tighter credit markets and they'll need to reduce debt levels through asset sales. Suffice it to say, this is an attractive environment for Brookfield Infrastructure to source investment opportunities for the foreseeable future.

At the moment, the vast majority of our global investment teams have returned the office, which has reinvigorated our deal activity and outreach activities. We are currently focused on executing several medium-sized tuck-in acquisitions for various businesses in our energy, transportation, and data operations. As a result of the potential synergies, we believe that these acquisitions should be highly accretive at close. Furthermore, we are evaluating numerous new investment opportunities in all our regions.

During the quarter, we made progress on various strategic initiatives. First, the sale of our North American electricity transmission operation closed in July. This resulted in $60 million of proceeds to BIP and an IRR of approximately 21%. We are advancing two other asset sale processes that will generate over $700 million of additional liquidity. We believe that essential and de-risked infrastructure businesses that performed uninterrupted throughout this recent period will attract strong interest at premium prices.

Next, closing of our large-scale acquisition of 130,000 telecom towers in India from Reliance Jio is expected shortly. We have received positive feedback recently from Indian regulators that the remaining approvals are on track. Since we signed the deal with Reliance Jio, we have raised approximately $20 billion of equity capital from technology companies and other private equity investors, which is further solidified the credit quality of this anchor tenant. BIP will invest approximately $500 million of equity in the business.

During the broad market sell-off in March, we acquired stakes in several high-quality infrastructure companies at attractive entry points. The ensuing rebound allowed us to monetize some of these positions and realize profits in a short period of time. We have fully executed a number of these investments, realizing total profits of approximately $40 million, with BIP's share being approximately $25 million. We continue to accumulate positions, however, in a handful of companies that we hope will lead to broader strategic initiatives in time.

Next, dislocations in North American energy markets may provide unique opportunities to invest in value. Our focus is in the highly contracted businesses with solid counterparties, limited exposure to volume and pricing risk and long-life critical infrastructure that complements our existing operations. We believe several of these types of opportunities exist to implement both in the public and private markets.

And then lastly, we are very pleased with the market's response thus far to Brookfield Infrastructure Corporation, or what we often refer to as BIPC. Not only has there been significant demand for these shares, but BIPC was also recently added to the Russell 2000 U.S. index. We intend to support the growth of BIPC's public float to improve the company's trading liquidity, and recently completed our first initiative in this regard in coordination with Brookfield Asset Management, who agreed to sell a portion of its holdings in BIPC. This successful secondary offering in Canada increased the public float of BIPC by approximately 15%.

Now, shifting gears, I'd like to spend a few minutes discussing the topic of resiliency. We often characterize BIP as an investment for all seasons, highlighting the recession-resistant characteristics of our business. Our cash flow profile is stable and predictable, which is a function of the regulated and contracted nature of our assets. A great example of this resilience through market cycles is our regulated terminal in Australia.

As background, the terminal serves as a critical link in the global steel supply chain for one of the highest-quality and lowest-cost basins in the world: the Bowen Basin. This fully regulated terminal operates under the established regime and has been a steady contributor within our utilities segment for some time.

This business has several key characteristics that we look for in infrastructure assets.

First, it's a strategically important asset that is an essential link to global export markets and supported by a high-quality and long-life resource.

And second, it has an established regulatory framework, which provides a utility-like risk profile and stable and predictable cash flows with a full pass-through of operating maintenance costs. That's very unique. Every dollar we've invested has been added to the rate base upon which we earn a regulated return.

Third, it has no volume or commodity exposure, as revenues are earned under long-term take-or-pay arrangements.

Fourth, it has robust downside production, with a mechanism for socializing costs amongst counterparts in the event of a default, and no force majeure provision in customer contracts.

And lastly, it has a very creditworthy counterparty profile, which is comprised of some of the largest mining companies in the world.

For these reasons, the economic slowdown had virtually no impact on the operational and financial performance on the business. Similarly, in the past, we've had experiences, and we've reported many times in these calls, the extreme weather events where the business has continued to receive full revenue payments, despite the terminal being unable to operate for periods of time.

To better understand the strength of the business, we can look at our annual EBITDA and FFO since 2017, which was the first full year since the last regulatory reset. The numbers demonstrate that in years between regulatory resets, the annual variability in both EBITDA and FFO is virtually nil. Quarterly variability is also very limited, as the business has no seasonality associated with the cash flows.

We acquired the regulate terminal at an attractive entry price in 2009 as part of the multi-faceted recapitalization of Babcock & Brown. In over 10 years of ownership, we've created value in a number of ways: we've executed several capital projects to increase the regulated asset base, we've enhanced operating efficiency by improving working capital measures and we've reduced the cost of capital through options and financing initiatives. That has resulted today in returns for us of close to four times our invested capital.

Now let's look ahead. Our outlook for the balance of the year is more optimistic than when we last reported back in May. While we remain cautious with prospective potential setbacks in the global recovery, we are encouraged by the pace of reopening and the strong performance of our businesses. Results for our assets that have volume exposure have been, for the most part, quicker to rebound than what we initially anticipated.

At many of our businesses, results are ahead of plan for the year as communities emerge out of lockdown and economic activity ramps up. While our payout ratio in the first half of 2020 is in the higher end of our target range, we believe it will normalize as economic conditions improve and once the Indian telecom tower transaction closes. We expect this acquisition to be accretive to our overall cash flows.

In the second half of 2020, we will focus on execution of our capital recycling initiatives. We are confident that the merits of investing in mature, derisked cash flow producing infrastructure assets will be more appealing to prospective buyers than ever, particularly with the expectation of low interest rates for the foreseeable future. Our investment teams are pursuing a number of large and strategic investment opportunities, as well as follow-on acquisitions.

An ongoing area of focus for us is on data infrastructure. We believe this sector offers significant opportunities given the large-scale investments required to replace the aging copper infrastructure with fiber and upgrade wireless networks to the new 5G standards. With increasing demand placed on their capital, telecom operators are looking for funding partners to reduce the strain on their balance sheet and deliver the next-generation networks required to support an increasingly interconnected society. We remain patient in this regard, but we believe we have laid a substantial amount of groundwork, and we'll aim to advance these opportunities in the coming months. Our liquidity position, combined with access to several sources of capital, will allow us to move quickly when a catalyst for such transactions emerges.

This concludes our remarks for today's call. I'll now pass it back to the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator
And our first question comes from the line of Cherilyn Radbourne with TD Securities.

Cherilyn Radbourne
With regard to the need for industrial businesses and governments to reduce heavy debt loads by monetizing infrastructure, for what time period do you think those opportunities may unfold? And with respect to governments, in particular, do you think that activity will extend to regions where historically there's been some resistance to private ownership of infrastructure?

Sam Pollock
Hi, Cherilyn, and good morning. The first part of your question was just how quickly will we see it unfold. I guess my view there is that it’s probably dependent on how long the stimulus will stay outstanding. So, I think if the central banks continue to, and governments themselves specifically saturate the market liquidity, then the debt markets will remain open, and people will probably take advantage of debt for a period of time longer. We do know that there will be a limit to that. And my expectation is that we will first see corporations look to recapitalize their businesses as they'll be fearful of holding too much debt for too long. So, I'd be speculating on a specific timetable. But I think in 2021 we will see many opportunities arise from corporates.

With governments, you touched on in your second part of your question, the willingness to do that. I think, going into next year, there will be a realization amongst governments that they will have to either increase taxes substantially or take other measures to raise revenues in order to fund these deficits. I think that will start the conversation around selling some infrastructure and/or utilizing new structures. Maybe they haven't been advised yet to bring in institutional capital into investing in parts of the economy. So, I think this will evolve. Nothing ever happens quickly with governments. But the magnitude of the deficits and the debt is just so dramatic that our view on the subject is strong as ever.

Cherilyn Radbourne
Okay. That's great color. Second question is quicker. Bahir, I was just hoping you could give us a bit of an update on how volumes are trending in your transport assets to date in Q3?

Bahir Manios
Sure thing. Good morning, Cherilyn. Thanks for the question. So we are, as we've telegraphed in the letter, revising our outlook for the balance of the Q3 and for the balance of the year, just in response to the quick reopening of the various economies around the world. And so, you noted transport, in particular, our rail segment, that's trending positively. So, the second quarter was relatively strong compared to where we initially forecasted coming into the quarter. And I would expect Q3 onwards to be also modestly positive from here.

If you look at our toll road business, we had forecasted for volumes to be down about 40% coming into the quarter. Results came in about 20% better than that. And where things are at today is, we think our toll road volumes in the second half of the year will be about 10% off, call it, normalized level. So also, a bit of an improvement over Q2 levels. And then on the ports as well, coming into the quarter, we thought those would be about 10% to 15% off. They landed at about 5% off, and we would expect that trend to be also positive in the second half of the year.

Operator
Next question comes from the line of Robert Kwan with RBC Capital Markets.

Robert Kwan
If I can just dig into your comments on U.S. midstream. And one of the things you mentioned was looking for assets that complement your existing assets. So, I'm just wondering if you can just elaborate on that, whether you're focused on an extension of your existing asset base, an expansion pretty much on top of what you've got for vertical integration?

Sam Pollock
Hi, Robert. I think we're always looking for opportunities to expand our existing networks, and we've reported on many expansions of the NGPL pipeline. I think what we're referring to in our comments there was the fact that our focus today is primarily in the natural gas sector in the U.S. And so midstream assets for that commodity. And assets that have a very attractive contracted profile.

As you know, what has served us really well during this period of time is the fact that virtually all our midstream assets are highly contracted. And as a result, they performed spectacularly during this downturn. We haven't been impacted by reduced drilling, like a lot of other midstream operators have. So, it's really those types of attributes that we're looking for and that sector that we're focused on.

Robert Kwan
Got it. And just by citing the U.S. specifically, is there really just kind of a read-through here that you're less enthused with Canadian midstream? And can you just talk about some of the factors as to why U.S. versus just a North America and kind of lumping Canada in the mix?

Sam Pollock
Again, I wouldn't read too much into that. I think the fact of the matter is the opportunity set in the United States is just much larger. And so, we just tend to see more opportunities there. But as everyone is familiar with, we have a large operation in BC as well. And we monitor opportunities that arise in Canada as well. And if the right one surface, we would definitely consider it. But the amount of opportunities here in Canada are much smaller and in lower scale than what we see in the United States.

Robert Kwan
Got it. And then I'll just finish the question on asset recycling. You highlighted the robust market that you're seeing. Has anything changed versus the pre-COVID-19 thoughts you had with respect to the asset types, or the amount of potential sales, maybe, with that you profiled DBCT and is that an asset that you now like to own longer term? Or could that be in the mix coming back to the asset monetization processes?

Sam Pollock
So, I think there's two elements to your question. I think the first thing is just on assets that are attractive to the market. I think today, assets that have proven themselves to be resilient during market downturns are more in favor than ever. So those highest-quality, utility-like businesses are the most sought after, particularly in this low interest rate environment. And maybe with the growth outlook that looks a little diminished for the near term, those types of businesses clearly are the ones that we think will attract the highest valuation. And DBCT definitely would tick all those boxes.

As it relates to how we would choose between which ones we might sell and which ones we might hold on to, I think our view has always been that we bring to market those assets that we believe we have de-risked and executed our business plan and those that we think we can achieve an attractive price and then reinvest those proceeds at higher returns. DBCT is a great asset. We would love to hold it forever, but also if we got the right price, we would consider it for sale as well. So, I think we look at all our assets in that manner. Nothing is sacred.

Operator
And our next question comes from the line of Rupert Merer with National Bank.

Rupert Merer
On capital recycling, you mentioned the target of $700 million of liquidity from two asset sales. On the investment side, you've talked about a fair amount of activity looking at some tuck-ins. Are you able to quantify a target for the investment run rate over the next year or the coming quarters?

Sam Pollock
Hi, Rupert. The investment run rate often is dependent on market conditions. So, let me start off with that caveat. If there's great opportunities, then we will invest heavily, and we will find the capital either through asset sales or raise new capital. And if the returns aren't there, then we'll be patient. But I would say, on average, we're typically looking to invest approximately $1 billion a year in new investments. And these days, we will source the vast majority of that through recycling capital. So, the $700 million plus or minus, it could be a bit more we get from the assets. But I'd say for the most part, we see those amounts being roughly the same.

Rupert Merer
Okay. So, for today, you have more than $4 billion in liquidity, I believe, and you're not looking to invest at a rate much faster than what you can generate from capital recycling.

How much liquidity are you comfortable holding? And when you look at that $4 billion number, do you see that as nice to have in case a very large opportunity comes up? Or is there a minimum level that you'd like to hold?

Sam Pollock
It will typically fluctuate, but I would say it's very common for us to have a company-wide liquidity of plus or minus $3 billion and corporate liquidity usually in the $1 billion to $2 billion range. So that's typically what we operate in, and we try to manage within those levels.

Rupert Merer
Great. And then secondly, looking over the U.K., we have Ofgem proposing lower ROEs for regulated utilities. Can you walk us through the regulatory process over there? And what impact ROE cuts could have on your operations?

Ben Vaughan
Hey. Yes, Rupert, it's Ben Vaughan here. Yes, all those, I guess, the new WACCs that are coming out for companies in the U.K. were all factored into our business plans. And as those new numbers play through the revenue streams that we earn through our business in the U.K., they really have no meaningful impact. So, at this point, they've been factored into our plans, and we've been obviously monitoring it closely, but it's all fallen in line with what we foresaw. And so, we don't expect any real impact from it going forward.

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

Frederic Bastien
You mentioned activating two new indoor wireless systems in buildings across the U.K. and then exploring the potential to export the model to other Brookfield markets. I found that quite interesting. I was wondering if you could provide a bit more color.

Ben Vaughan
Yes. Absolutely. Frederic, once again, it's Ben talking here. I guess there's two things that we sort of see as trends: one is just the continued evolution of 5G and the need for increased density in wireless and communication networks; and I guess the second trend that we've seen is owners of commercial real estate very much understand the value of having high-quality reception in their buildings. And as somebody who's very familiar with the real estate business, we want to work with owners of large real estate portfolios to find opportunities to build out those networks for them. So, we started this business in the U.K., and the next market that we are going to target is in North America. So, leveraging Brookfield's overall knowledge in real estate, we hope we can build an interesting business in this space. But those are the two key trends that are driving the thinking behind it.

Frederic Bastien
Okay. That's helpful. And then just building on the data, there was an article published yesterday suggesting you may be looking at a bid for the fiber unit of a Brazilian telecom company. Are you able to comment on that?

Sam Pollock
Hi, Fred. It's Sam. We don't typically comment on transactions, so I'd rather not.

Frederic Bastien
Okay. Thought I try. Lastly for me, unless I missed it, there was no mention of your container business in your prepared remarks and whether it performed in-line with expectations. It was probably a concern heading into the quarter. How did that business actually perform?

Bahir Manios
Good morning, Frederic. It's Bahir. Maybe I'll take that one. So maybe there wasn't much of a spotlight. It is a much smaller business on a relative basis. But we would have thought, I think I mentioned earlier, 10% to 15% off from a volume basis, and we actually came in much better than that. And the outlook for the balance of the year is positive. So, we're quite pleased with how that business has performed just in light of everything that went on.

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

Robert Catellier
Just a couple of follow-ups here. You talked about the impact of liquidity in the market might, in the short term, reduce government's desire to sell assets, but eventually, will get around to it. I'm curious about whether you're seeing any impact of this high level of liquidity on competitive behavior. Are you seeing any irrational competitive behavior bidding for assets?

Sam Pollock
Hi, Robert. This is Sam. Maybe I'll take this one. Look, there has been and has always been a competitive market. We sometimes witness transactions at prices that don't always make sense to us. Different people have different strategies and return thresholds. I wouldn't say though that we're seeing any change in buyer behavior of any sort.

So, while I think we can always point to certain transactions that might feel out of the ordinary, we can do that at all points in the cycle and have over the last five years. So, I think the short answer to your question is no, behavior hasn't changed dramatically. But I'd say the bid today is as solid as it was pre-COVID. And so that's what gives us the confidence to come back out into the market with some high-quality assets with confidence that we'll get good prices.

Robert Catellier
Okay. That makes sense. And then can you provide a little bit more color on the securitization opportunity in the U.S.? Obviously, that was a success in the Canadian business. So how far along is the process? It took a while to get it done in Canada, but is the market more developed in the U.S.? And ultimately, how much capital do you think you can pull out of that business?

Bahir Manios
Hey, Robert. It's Bahir. I'll take that one. It's fairly progressed. We've been working on it for about six to nine months. The hope would be that it won't take as long as the Canadian one took. It is still a newer asset class in the U.S. The whole rental strategy of these HVAC units is not something that's typically seen today in the U.S. and hence, it's the newer strategy that we're bringing market. That being said, there are a lot of comparable examples out there, and we're hopeful that the rating agencies will draw on.

So, I believe, and I would expect, that this should close in the second half of the year. As to quantum, I'm not ready to give a number out there on the call today. It is a smaller business compared to the Canadian one, it's less established, we're in ramp-up mode in the U.S., but this program will get much larger, just given the success we've had even thus far executing on our rental strategy there. So maybe I'll leave it at that.

Robert Catellier
Okay. And just my last question here. This is obviously a little bit early, but they're still in the midst of recovery. But you're confident on where the payout ratio is relative to your normal levels being influenced obviously by the COVID downturn and expected to improve with the closing of Jio. But I guess, I'm wondering what you think you need to see between now and the end of the year to maintain your dividend growth strategy?

Sam Pollock
Hi, Robert. I'll tackle that one. I'll start by saying that we haven't had those conversations with the Board yet, and that typically will happen after business planning season and see how the end of the year turns out. But the way the process works is we set the dividend base cost of the long-term run rate for the business. And we look through generally short-term iterations because we run the business for a long term. And at this stage, the revenue and cash flow-generating ability of the businesses has not been impacted by COVID, and we would not expect it to be longer term. And that will all be taken into account when we come to the business planning season.

And I think the last consideration, obviously, we'll be taking into account the various businesses we bought sold during that period of time. And so, we'll have some businesses that will no longer be generating cash flow and other ones that we will have recently bought, that will be. So, all of that will be taken into account. So, it's a bit premature. I can't give you any sense of what that outlook will look like. But with the main point being that we take a long-term perspective to it. And our view today is that COVID has not impacted the long-term cash flow-generating ability of the business.

Robert Catellier
Okay. I realize it's a little early, but that was a good color in light of the context.

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

Asit Sen
On the Indian telecom deal, the slight delay, is it COVID related or is it normal in the course of doing business? And then, Jio was successful in raising significant capital recently. How do you see the potential of investing more in Indian telecom? And broader context, if the reshoring trend away from China takes hold, how do you see the data infrastructure trend in that market?

Sam Pollock
Hi Asit. Maybe I'll start with that and maybe Ben, if you would like to jump in. Let's deal with your questions on the Reliance portfolio first. We do view extremely positively the fact that Reliance Jio raised $20 billion from private equity and technology companies. We think it's a tremendous validation of the business plan they have for the company and it provides some tremendous amount of capital to grow the operations of not only the telecom but the e-commerce side of the business.

And yes, we do think that the potential for them to grow a business of that scale, they have visions of becoming both an Amazon-type business as well as a social media-type business. And I think the scale of that market has huge potential. And that, given the lack of land lines in the country, means that wireless infrastructure will have to be used extensively. And having ownership of those towers means we think there'll have to be even further investments in that infrastructure, which positions us really well. So, suffice it to say, yes, we think it's great.

I think your other question in that regard was just the delays. I think it's a mix of a number of factors. Obviously, COVID impacted all regulatory approvals around the world. Things were not as efficient. The Indian market can sometimes be less efficient, from a regulatory perspective, than others. So that's a factor. So, it's a number of factors. But as I mentioned in our remarks, we've had very positive feedback from the regulators. So, we think it is all on track.

And then, sorry, your third question was regarding China?

Asit Sen
Yes. If there is a reshoring trend that takes place away from China, and its very early days, how does Indian market and telecom look in that environment for you guys investing more?

Sam Pollock
To be honest, I don't know if I have a view yet. I have to think about that. I don't know, Ben, if you have a comment on that.

Ben Vaughan
Yes. I guess my only thought, and I haven't talked us through either what the China impact would be, but just the opportunity in India alone, given the scale of the country, the population base the colocation, the fact that many of these networks haven't even leveraged colocation yet, I just think at this point, in my mind, would be a bigger driver of growth than a reshoring of industry, but it would only add to the positive momentum. But at this point, the opportunity is pretty significant, just in and of itself in the current environment.

Operator
And our next question comes from the line of Rob Hope with Scotiabank.

Rob Hope
Just two follow-ups. First off, when you're talking about your M&A pipeline and corporations looking to move down debt levels, with the liquidity we're seeing in the market, have Boards been receptive so far? Or could this be more of a 2021 conversation?

Sam Pollock
I think the conversations will build as the year goes on. I think the reception at every company depended on their own particular situation. So, we tend to focus our current ideas on things that we think are actionable in the near term. And so, trying to pick those Boards and management teams where their needs are immediate.

But as we've mentioned earlier in the call, some companies have managed to kick the can down the road a bit with being able to tap the debt markets. But ultimately, they'll need to recapitalize and do that either by raising equity or by selling assets. And so, we think these discussions will continue to take place over the next six to 18 months. So, I think we're going to be extremely busy, and we're going to see lots of great opportunities.

Asit Sen
All right. And then a follow-up. In terms of your public securities portfolio, it looks like you're still making some investments there, but you have realized some profit there. Can you maybe add some color on the size of your holdings currently? And which sectors look most attractive to you?

Sam Pollock
Yes. I can deal with the first part. We have about $1 billion of cash and financial assets on our balance sheet, and we've earmarked just over $500 million of that for the Jio transaction. So, the balance represents a mixture of equity investments in toeholds as well as some bond financial asset-type debt investments. So, we have still quite a sizable exposure. And look, our focus has been on probably those sectors that were most impacted by COVID, where we saw significant deterioration in share prices. So, I'll leave it at that.

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

Andrew Kuske
Since inception, you've had an emphasis on inflation protected cash flows, whether it's by way of contract or a regulatory construct. So maybe just, in light of the economic environment we're in, are you having any positive or negative impacts from deflationary pressures really, on a near-term basis? And then when you think longer term, does it really set you up for better than the inflation expectations you've had historically?

Sam Pollock
Hi, Andrew. So on your first part of your question, fortunately, there have been, I think, over the years, the odd, weird situation where we have had a deflationary impact on one of our inflation-linked assets, but it's extremely rare. And I can't think of anything at the moment where we're having negative tariff increases. So, nothing has popped up in that regard. It's something we do watch carefully.

It's kind of like, the same example would be, with the negative interest rates, always making sure that we don't have a situation where our swaps are mismatched with any types of debt securities. So, there's no issue today. And then I think on how we're set up for the future, I think your question was, and maybe tell me if I got the gist of this right, but you're suggesting that by having the inflation in cash flows to extent that these monetary policies lead to higher inflation in the future, we should be well-positioned to capture that?

If that is the gist of your question, then I think it's a real possibility that we see inflation down the road. And I do think we will benefit from that substantially. I think we benefit two ways: one is to the extent that there's high inflation; our inflation-linked cash flows or tariffs will rise substantially; also, we do have the GDP exposure, which today has hurt us in some spots. But when the economy recovers, that does allow us the opportunity to pass along real rate increases in some of our tariffs and tools. So hopefully, we can have higher growth in the future.

Andrew Kuske
Okay. That's great. And then with that potential benefit that comes in the future of a greater inflation environment, does that cause you to really revisit your capital structure at this moment in time, with the debt in your capital structure maybe being opportunistic in the current rate environment? And the spreads that we see in locking in debt that further enhances that profitability in the future with rising inflation?

Sam Pollock
Yes. Look, I think our financial strategy or treasury policy has always been to lock away rates to make sure they're fixed and also increase our tenors as much as possible. That has hurt us at times, as rates have come down. By locking in longer-term rates, we've probably penalized ourselves to a certain extent, but we've done it as a risk management policy. I think if we continue it, then to the extent that rates move the other way, which

would seemly be the obvious direction given where rates are today, that should protect us as rates move up. So, I think we'll continue with the policy. We'll continue to push out. We have recently issued debt. We'll continue to look to push out that tenor.

Operator
I will now turn the call back over to CEO, Sam Pollock, for closing remarks.

Sam Pollock
Okay. Thank you, operator. And look, we appreciate everyone's time today. And thank you for joining this call. We hope you enjoy the rest of the summer. Take care.

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