

**Brookfield Infrastructure Partners L.P  
(Q2 2022 Results)**

**August 3, 2022**

**Corporate Speakers:**

- David Krant; CFO of Brookfield Infrastructure Partners Limited & Managing Partner of Infrastructure
- Matthew Grimes; Senior Vice President-Investments of Brookfield Infrastructure Partners Limited & Managing Partner of Infrastructure
- Sam Pollock; Managing Partner & CEO of Brookfield Infrastructure Partners Limited
- Ben Vaughan; COO of Brookfield Infrastructure Partners Limited & Managing Partner of Infrastructure

**Participants:**

- Robert Hope; Scotiabank; Analyst
- Maurice Choy; RBC Capital Markets; Analyst
- Robert Catellier; CIBC; Analyst
- Devin Dodge; BMO Capital Markets Equity; Analyst
- Frederic Bastien; Raymond James; Analyst
- Andrew Kuske; Credit Suisse; Analyst
- Naji Baydoun; Industrial Alliance; Analyst

**PRESENTATION**

**Operator:** Thank you for standing by, and welcome to Brookfield Infrastructure Partners' Second Quarter 2022 Earnings Conference Call. (Operator Instructions)

I would now like to hand the call over to CFO, David Krant. Please go ahead.

**David Krant:** Thank you, operator, and good morning, everyone. Welcome to Brookfield Infrastructure Partners' Second Quarter 2022 Earnings Conference Call. As introduced, my name is David Krant, and I am the Chief Financial Officer of Brookfield Infrastructure Partners. Joining me today is Sam Pollock, our Chief Executive Officer, and Matt Grimes, Senior Vice President of our Investments Team, for the Infrastructure Group.

I'll begin today with the discussion of our financial and operating results for the second quarter of 2022, as well as touch on the strength of our balance sheet and current liquidity position. I'll then turn the call over to Matt, who will walk through how decarbonization can influence capital allocation and new investment themes. Finally, Sam will provide an update on strategic initiatives and provide concluding remarks. Following our commentary, we will be joined by Ben Vaughan, our Chief Operating Officer, for our question and answer period.

At this time, I would like to remind you that in our remarks today, 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.

We are pleased to report another quarter of record financial results. Funds from operations, or FFO, increased 30% compared to the same period last year, while FFO per unit was 20% higher at 67 cents. Organic growth remained robust at 10%, reflecting the benefits of elevated inflation, as well as the commissioning of approximately \$1 billion of new capital projects, and over \$3 billion of capital deployed in new investments over the last 12 months.

Taking a closer look at our operating results by segment, starting with utilities, adjusted EBITDA increased 14% relative to the prior year, reflecting the benefits from inflation indexation, the commissioning of approximately \$500 million of capital into rate base, and the contribution from two Australian utility acquisitions completed earlier this year. FFO for the overall segment was consistent with the prior year, as these noted benefits were offset by the impact of higher borrowing costs at our Brazilian assets, which increased by \$25 million compared to the prior year. After removing the impact of these costs, FFO increased 12% over the same period last year.

Our U.K. regulated distribution business continues to perform well, as connections activity increased 17% compared to last year. Our order book of 1.5 million connections is at a record high, reflecting a backlog of new home deliveries that were delayed due to the pandemic. These are expected to drive strong growth into the second half of the year. We completed two tuck-in acquisitions within our North American residential infrastructure business during the quarter, including the largest New York-based submetering provider, and a portfolio of 9,000 submetering connections in British Columbia and Alberta, further expanding our existing footprint in Western Canada.

On our European residential infrastructure business, it became one of the first installers in Germany to provide customer access to electric heat pumps under long-term rental agreements. Switching to a heat pump usually carries a high upfront cost, and results in a tedious transition process for customers. By offering a rental product with a carefree package, we were able to double our expected sales in the first month. We anticipate increasing customer penetration to those looking for an easy transition to environmentally friendly heat pumps – a theme Matt will elaborate on during his remarks.

Moving on to our transport segment, which continues to experience elevated demand as global supply chains remain constrained. FFO was \$199 million for the quarter, an increase of 15% compared with the prior year. Key highlights include a 16% increase in FFO across our global toll road portfolio, driven by inflationary tariffs and an increase of 8% in traffic levels. At our diversified terminal operations, performance continues to benefit from higher rates, congestion surcharges, and the contribution from our U.S. LNG export terminal, which commissioned a sixth commercial liquefaction train earlier in the year.

Performance has also remained strong in our rail networks, with inflationary tariff increases offsetting softer volumes and the impact of foreign exchange. Our North American rail operation announced it will serve a new U.S.-based electric vehicle, or EV ecosystem. Hyundai Motor Group will invest \$5.5 billion dollars into a dedicated EV and battery manufacturing facility, along our Georgia Central Railway, that is scheduled to begin commercial production in the first half of 2025. We expect our rail network will transport inbound materials to support production, as well as provide outbound transportation of new vehicles to markets across the United States.

Additionally, in May 2022, the Western Australian government formally announced the first package of federal and state government funding towards the Western Australian Agricultural Supply Chain Improvement Program. Of the total Australian dollar, \$200 million program, we expect our Australian rail network will receive approximately \$60 million to upgrade our track to handle incremental capacity. The program, combined with our existing capital plans, will facilitate the shifting of more grain freight from truck onto our rail network.

Our midstream segment generated FFO of \$170 million for the quarter, nearly triple the prior year, primarily due to the acquisition of our diversified Canadian midstream operation. Same store results were favorably impacted by the robust commodity price environment, and higher utilization of our existing infrastructure compared to the prior year. Commissioning at our Heartland petrochemical facility is progressing in line with our expectations. During the quarter, we completed the startup of our polypropylene plant, and shipped our first rail cars of the product to our customers. The entire Heartland complex is scheduled for an integrated startup in the third quarter.

Once fully in service, approximately 70% of our volumes are contracted on a nine-year weighted average term. These agreements are structured to provide cash flow stability and eliminate direct commodity price exposure, similar to our other midstream operations.

FFO from our data segment was consistent with the prior year, at \$60 million. Strong underlying growth from additional points of presence and incremental megawatts commissioned in the last 12 months, as well as inflationary price escalators, were offset by the impact of foreign exchange.

Our French telecom operation has been selected by a local municipality to roll out 15,000 additional fiber connections to the home. This is estimated at approximately 22 million euros of growth capital, underpinned by a 25-year concession agreement with the local authorities. This is an attractive addition to our existing fiber network of over 700,000 connections. Our fiber business expects to complete the rollout in 2023, with commercialization rates significantly exceeding our plan levels.

Now I'd like to touch on the strength of our balance sheet. Our corporate and asset level balance sheets are well-capitalized, with limited exposure to rising interest rates through proactive issuance of fixed rate and long-dated debt. Capital markets remain open and supportive of our business due to our strong investment grade credit profile, and high-quality asset base.

In April, we proactively issued \$600 million of corporate notes in the Canadian debt market. The offering was significantly oversubscribed and split between a 12-year and a 30-year tranche, with an average coupon of approximately 5.5%.

Also, during the quarter, we completed several asset-level financings to reduce risk by opportunistically locking in fixed rates and extending our average duration, most notably in investment grade markets at our diversified Canadian midstream operation, and our U.K.-regulated distribution business. Following this activity, approximately 90% of our borrowings have been fixed for an average duration of over eight years, with less than 1% maturing in the balance of this year.

From a funding perspective, we ended the quarter with \$2.8 billion of available corporate liquidity, and have since made significant progress on our asset recycling strategy. As Sam will highlight, we have secured asset sales that will add over \$700 million to our current liquidity position and fully fund our new investment activity. For the balance of the year, we have three additional sales processes underway that are combined to generate approximately \$1.5 billion of net proceeds.

I would like to thank you all for your time this morning, and I'll now pass the call over to Matt.

**Matthew Grimes:** Thank you, David, and good morning, everyone. I'm pleased to be joining today's call to discuss decarbonization of the global economy, and the resulting investment opportunities. Our view is that this multi-decade initiative will require substantial infrastructure investment to improve and replace the existing energy supply chain.

To achieve these aggressive net zero targets, governments, businesses, and individuals must balance increasing energy consumption with the goal of reducing carbon footprints. This fundamental shift in how the world is powered is expected to be a catalyst for growth in our existing businesses, both organically and through new investment activity.

We separate these opportunities into two categories. Firstly, supply side, which relates to the industries and companies directly responsible for the carbon emissions, and secondly, demand side, which focuses on consumer preferences for energy-efficient solutions. On the supply side, we believe the fuels used today to power the global economy will either transition to a net zero economy or be run off safely and responsibly.

Our existing midstream assets are predominantly natural gas, highly utilized, and strategically located. We believe these characteristics favorably position us to participate in the energy transition through the adoption of emerging technologies, as well as through the shift in the global energy mix from coal, to natural gas, LNG, and eventually to hydrogen.

Today, we have been most active on demand side decarbonization initiatives, to assist those seeking ways to increase energy efficiency, lower energy consumption, and reduce reliance on fossil fuels. Recently, we have made investments in both smart meters and sub metering, which enable energy demand management through real time information about energy usage. We are also investing in building a platform of residential energy infrastructure businesses in North America and Europe.

The combination of evolving regulatory requirements and growing preference for low carbon, high efficiency, in-home energy solutions provides significant tailwinds for this segment. As essential in-home infrastructure increases in cost and complexity, customers should be more inclined to adopt our rental model to alleviate the high upfront cost of new technology, such as heat pumps and solar panels.

Through HomeServe, we will extend our rental model value chain by offering homeowners subscription-based recurring repair policies for residential infrastructure products. This investment creates an opportunity to scale our existing residential energy operations in North America, where we currently have a large presence. In the U.S. alone, HVAC installation, replacement, and subscription-based repair memberships currently have an

addressable market of in excess of \$40 billion that is expected to grow at a 5% compound annual growth rate over the long term. In Europe, where we have a smaller presence, this acquisition accelerates our growth plans and provides a model for expansion into other markets we know well.

As the global economy moves closer to net zero targets, all new investment opportunities will have transition elements, given our focus on generating sustainable, long term returns for our unitholders. Our operating capabilities, extensive development experience, and ability to leverage the Brookfield ecosystem, positions us well to secure supply and demand side decarbonization investment opportunities. We look forward to sharing our progress with you in the future. That concludes my remarks for today. I will now pass the call over to Sam.

**Sam Pollock:** Thank you, Matt, and good morning, everyone. As David discussed, we've had a strong first half of the year. On top of our operational achievements and strong financial performance, we've successfully deployed or secured new investments for BIP totaling approximately \$2.8 billion, well in excess of our estimated \$1.5 billion annual target. As mentioned last quarter, we successfully invested approximately \$700 million into two Australian utility investments, including the take-private of an Australian regulated utility business, AusNet, and the acquisition of an Australian smart metering business, in Intellihub.

This quarter, we have secured three additional acquisitions in the utilities and data segments for a further capital commitment of approximately \$2.1 billion. In early May, we announced an agreement to acquire Uniti Group, a provider of wholesale and retail telecommunication services to customers and businesses in Australia. We have now received shareholder and court approvals and expect this transaction to close in early August. Total Brookfield equity for the investment is estimated to be \$850 million, with BIP's share at approximately \$200 million.

During the quarter, we also signed an agreement to acquire HomeServe, a leading global provider of home services, operating across North America and Europe, which Matt discussed earlier in the call. The total equity required for this investment is estimated to be \$5 billion, with BIP's share at approximately \$1.3 billion. The acquisition is expected to close in the fourth quarter of this year.

In July, we secured our third acquisition, a 51% interest in a \$17.5 billion German tower portfolio alongside another institutional investor. This marquee portfolio of approximately 36,000 telecom towers in Germany and Austria was acquired from Deutsche Telekom, Europe's largest telecom operator. Deutsche Telekom will retain a 49% stake in the assets and will continue to be an anchored customer under a 30-year master services agreement. Total Brookfield equity for the investment is estimated to be \$2.5 billion, with BIP's share at approximately \$600 million.

During the quarter, we were equally as successful on the capital recycling front. In the past several weeks, we signed definitive agreements to sell four assets, generating nearly \$900 million in aggregate proceeds to BIP.

In June, we signed an agreement and closed a sale of our 49% interest in a U.S. container terminal business in Los Angeles, in Oakland, to our existing partner. Over our eight-year hold period, we successfully executed our business plan to grow and diversify volumes,

as well as fully automate operations at the Los Angeles terminal. These enhancements, combined with a supportive market backdrop, and constrained terminal capacity, created an opportune time to monetize the business at an attractive valuation. Our exit multiple was over 40x pre-pandemic EBITDA, and was approximately 20x last year's normalized EBITDA, which was a record for the business. The sale resulted in an IRR of 19% during our holding period, with proceeds after debt repayment of \$700 million or approximately \$280 million net to BIP.

We also signed agreement with an Indian toll road business at an exit EBITDA multiple of over 14x with proceeds of over \$600 million or approximately \$200 million net to BIP. Closing is expected in Q4 and is subject to customer regulatory approvals.

In mid-July, we signed agreement to sell a 1,500 mobile telecom tower portfolio that was previously owned within our New Zealand telecom business. In 2019, we acquired a 50% stake in a fully integrated telecom network for approximately 7x EBITDA. Three years later, we were able to successfully exit the towers at a 34x 2023 pro-forma EBITDA and returned nearly all our invested capital. The transaction is expected to generate proceeds of \$1 billion, which results in \$140 million net to BIP, with closing in Q4 this year, following customary approvals.

Most recently, we reached an agreement to carve out and sell a portfolio of 2,400 kilometers of newly constructed electricity transmission lines in Brazil. Total proceeds will be approximately \$800 million or approximately \$240 million net to BIP, which implies an IRR of 22% in U.S. dollars. We expect the transaction will close in Q4 and we'll be focused on the organic build-out of the remaining 3,000 kilometers of transmission lines in the country.

As David has highlighted in his remarks, we continue to be active in our capital recycling program with three additional sale processes underway. We anticipate that, combined, these transactions could generate \$1.5 billion of proceeds that will be used to fund future M&A activity.

I will now conclude my remarks with a few comments regarding our positive outlook for the business. From a macro perspective, we are seeing central banks make a concerted effort to tackle high inflation through substantial interest rate hikes. Although these actions have increased the probability of recessionary conditions in many of the markets in which we operate, the highly contracted regulatory nature of our revenues should cushion the effects on our businesses. Nonetheless, we will continue to operate prudently by monitoring inflationary cost pressures within our businesses and maintaining high levels of liquidity.

From a deal flow perspective, we may be entering a period where we can buy businesses for value. Generally, we expect that infrastructure assets will hold their value through recessionary conditions, given their resilient nature. However, should liquidity in the market become tighter, certain owners of high-quality assets may become overextended, which will allow us to use our liquidity and access to capital to make investments at attractive entry points.

For the remainder of the year, our priority will be to complete the investments and asset sales that we have secured or are in the process of securing. Once again, we expect to

exceed our annual investment deployment target, and thus our financial results should remain strong and well ahead of last year.

Finally, I'm pleased announce that we've just published our second annual ESG report, which summarizes our approach and continued commitment to sustainability across our businesses. As you've heard from Matt, decarbonization is a key topic of focus for Brookfield Infrastructure and is expected to drive future investment opportunities. A copy of the report can be found on the responsibility page of our website.

That concludes my remarks for today. I'll now pass this call back over to the operator for questions from the analysts.

## QUESTIONS AND ANSWERS

**Operator:** Our first question comes from the line of Robert Hope of Scotiabank.

**Robert Hope:** Good morning, everyone. First question, as economic conditions soften, does this change where you're focusing your time for new investments? Or maybe to put this another way, do you think that softening conditions could yield opportunities in verticals where you've been a little bit more quiet in recent years, something like transport?

**Sam Pollock:** Hi, Robert. Maybe I'll tackle that one. This is Sam. I'll start off by saying, at the moment, we're at the early stages of any real impact from the rising rates. I think the potential opportunities are probably in the quarters ahead of us. We do expect that valuations, for the most part, as I mentioned in my remarks, for infrastructure assets should hold because many investors are looking past near-term conditions. The compounding impact of inflation will support valuations.

But as we also said, and as you alluded to, there will be some groups and investors who have taken on too much leverage and as a result could face liquidity. We think that opportunities could arise and the assets that typically are most affected are the ones you highlighted, which are transportation assets. That's because they tend to be more GDP-focused and aren't as contracted. They will be the ones where we'll see some pressure. At the moment, we haven't seen any particular opportunities arise on that front, but I think over the coming quarters that's where likely the opportunities could arise.

**Robert Hope:** All right, I appreciate that. Then just as a follow-up, just looking at your own liquidity, pro-forma of the asset sales and the pending acquisitions, where you are right now, could we see you further bolster your liquidity or even accelerate additional asset sales to further bolster the balance sheet if we do enter in recessionary conditions that could yield some incremental opportunities for yourself?

**Sam Pollock:** I'll tackle this one, but Dave if you would like to add some comments as well. For the most part, we have a five-year plan on when we think it's an appropriate time to dispose of our businesses based on where we think they are in their life cycle and where we've achieved most of the operating plans that we've set up for them. We do take into account each year changes that have taken place within those assets and market conditions. But for the most part, we have so many ways to access capital. We tend not to look to accelerate asset sales.

I guess in short, we probably wouldn't do that. We probably wouldn't change our timing on asset sales. We would utilize the other forms of capital that we have. But the only thing I would also add is every year, given the scale of our business, we have a number of large businesses that we intend to sell and so, we have a continuous source of capital from recycling activities that are available for deploying new opportunities.

**Operator:** Your next question comes from the line of Maurice Choy of RBC Capital Markets.

**Maurice Choy:** Sam, good morning. I just want to follow-up on that question about new investments. You mentioned that infrastructure assets tend to hold their value through recessionary conditions. At least until these sellers have liquidity issues, as you say, do you then foresee more opportunities to buy assets at a lower going-in rate, but with greater organic growth, versus buying assets at a good or deep value, which has been the hallmark of Brookfield over recent years?

**Sam Pollock:** Maurice, I didn't quite get the full question there. Let me just paraphrase and tell me if I got this right. I think the question was in this market condition, will we have an opportunity to buy at lower multiples, reflecting maybe lower platform value or goodwill or not reflecting as much growth in the business?

**Maurice Choy:** I'm trying to understand the mix between buying assets at a deep value versus buying assets at a lower going-in yield with a greater platform opportunity, especially given that sellers are not selling or lowering their price in the face of the lack of the greater issues on their side.

**Sam Pollock:** I don't think today the opportunity for some of those deep distressed acquisitions exist. I don't think that's yet the market we're in. This is not the financial crisis-type conditions nor the conditions we saw in Brazil back in 2015, 2016, where we had some really deep value opportunities. That's not to say they couldn't arise, but it's not here today. That's for sure. But I do think that the opportunity to buy growth platforms at lower valuations, yes, I think that is definitely the market environment we are in and what we would look to do.

**Maurice Choy:** Understood, that makes sense. That's the answer and I thank you for that. My second question is about midstream. You obviously have midstream exposure primarily through your midstream segment, but also through some of the assets and other segments, including in transport. How do you broadly view your exposure to this subsector, and whether this is related to IPL assets or not, do you see the potential to add more exposure or even find options to monetize some of these assets in the near-term?

**Sam Pollock:** Look, I think what we've mentioned in the past and would reiterate today is that we think midstream investments are a key component of our portfolio mix and what we think are very attractive assets and critical to the world economy. We recognize that midstream assets will evolve and transition into different fuels over time. But for the most part, they are going to be critical for the next couple of decades.

As far as quantum, or what percentage we would have within our broader portfolio, I think that will always evolve because we are constantly buying and selling assets, depending on their maturity profile. I don't think we have a specific target in mind of what the right amount is. I think our goal is always to have a diversified portfolio across sectors and



regions so that we have minimal exposure to changes in political, regulatory or sector dynamics that might take place from time to time. Other than trying to balance that diversity requirement, we don't really have a percentage in mind.

**Operator:** Our next question comes from the line of Robert Catellier of CIBC.

Robert Catellier: Thanks. Good morning, everyone. I'd like to start with the comments on decarbonization. Maybe you can discuss what ways you're most likely to leverage your sister companies and the renewable and transition platforms to secure new opportunities.

**Sam Pollock:** Hi, Robert. Maybe I'll tackle that one. I guess the first thing I would mention is that while we have different investment groups that deploy capital within the various funds, we are all one team. We work very closely with the renewable and transition group. It is very seamless as to how we exchange information and ideas and philosophies. We very much compare notes on opportunities, and particularly, I think what we try to achieve is within our existing franchises that we already own, take the learnings from the various groups to drive value within those businesses. We work very closely with the renewables transition group on our strategies and share not only best practices, but just learnings from our various investments.

And we collectively think from a brick flow perspective that the decarbonization trends represent an opportunity to invest many billions of dollars over the next couple of decades. And in particular, not only on new investments, but on investments and franchises that we have today. And obviously the residential infrastructure business where we're tackling the demand side equation, we think it's particularly large. And so, we have benefited from the assistance of the renewables group. So, in short, yes, we are working closer together and we'll continue to do so.

**Robert Catellier:** Okay. I just wanted to follow up on the HPC polypropylene plant startup a bit. Can you give us just a little bit more color on how that startup process is going? I know it takes time and you can't rush it. But is the product on spec? Have you had to call on any contractors to perform any warranty work or anything like that? And then other than startup with the facility, 70% contracted, is there anything more required to de-risk that asset and consider other options such as partnering or perhaps divesting a stake?

**Ben Vaughan:** Sure. Robert, it's Ben speaking. Maybe I'll handle the first part of that question. And maybe just to remind everyone, since we took over IPL, the first phase of getting Heartland up and running was to complete construction. And so now that is behind us. And the startup was planned to occur in three phases. The first was to get the central utility block up and running. The second was to operate the polypropylene plant. And then the third is to start the PDH side of the facility.

So, in the spring of this year, we successfully commissioned the central utility block. And there weren't any major warranty claims or any material issues in that startup. We got it running with what I would describe as normal course startup challenges but got it up and running. In July this year, we commissioned the polypropylene plant. And maybe just to add a bit of color to what Dave mentioned in his speaking notes, we were able to achieve full output from the extruder and achieve full capacity on a daily basis for rail car loading.

So, the polypropylene end of the plant is up and running well. And once again, there were no major events. We achieved full output from the extruder and achieve full capacity on a

daily basis for rail car loading. So, the polypropylene end of the plant is up and running well. And once again, there were a few learnings along the way that I would describe once again, as completely normal course for the startup of a plant.

And then we're excited because during August and September, we're starting up the PDH side. And so, once we get the PDH side up and running, we do expect to complete the ramp up to full production at the plant in the fall and towards the end of this year. So, so far, no major issues and the commissioning and operations of the plant is progressing as we'd initially planned.

So hopefully that's a little bit of extra color. And maybe in terms of de-risking Heartland going forward, we have been able to make the spec of product that we were targeting for the commissioning. We have a bit of a wider spec menu that we expect to make as the plant reaches full operation. And as we make that, we'll look to continue to just de-risk the revenue side of the plant. As you mentioned, it's 70% contracted today. And as we move our product into the market, we'll look to achieve more contracts where it's practical to do so and continue to just de-risk the revenue side as we bed down the operations.

And with that, maybe I'll leave the more strategic question about the plant for either Sam or Dave to comment on.

**Sam Pollock:** Thanks Ben. I guess the only thing I'd add regarding your question was, are we looking to bring in any partners, which at this point in time, we're not looking to bring in any partners. But that's obviously an opportunity that we can consider down the road.

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

**Devin Dodge:** Thanks. Good morning. I wanted to ask about Brazil and the general level of investor interest down there. Are you still expecting to be a net seller in Brazil or are you seeing improved prospects for new investments that could see BIP redeploy any recycled capital back into the country?

**Sam Pollock:** Hi Devin. Look, we are always looking for opportunities within the country. It's been an area of focus for us, given our long history in the country. Given the significant asset base that we currently have, we have investments in most of, if not all, the key segments of infrastructure sector in Brazil. There hasn't been too much for us to look at more recently. And most of our investments have been add-ons to our existing business, whether it's growing our transmission or growing our data center business, or even adding onto our gas transmission business. So, I'd say it's mostly been organic growth.

I think likely that that's going to be our investment posture for at least the next little while. And possibly there will be some exits, as a number of the businesses are becoming more mature. So, it's probably, I hate to say the word net seller, because it sounds more negative, but just from the life cycle of our businesses, that may be the case. But to extent another opportunity arises that's great value, we would definitely look at it.

**Devin Dodge:** Okay. Thanks for that. That's good color. Second question. I was going to ask you about Vodafone New Zealand. With the towers carved out, there really isn't much of what we would consider to be infrastructure remaining in the business. Can you give an update on your plans for the remainder of the company and other candidates out there

where you think there were opportunities to acquire the towers that are integrated with the retail operations?

**Sam Pollock:** So, maybe just the first part. I would say we still think that the Vodafone business, it does have significant infrastructure remaining. It has a very substantial wireline business that provides significant internet and other services to the country. And so, we would actually say it does have tremendous infrastructure bones to it. So, I think we still like the business. And whether or not we decide to operate on a holistic basis today or further separate the operating business from that remaining infrastructure component is something to consider. But we're very happy with the business that we have. And we think there's lots of value to generate.

I guess, on your second question, are there similar type opportunities to buy these fully integrated telecom utilities and separate out some of the infrastructure assets? Yes. I think there still are a number around the world that we can look at and give them the success of this transaction. If one came up that made sense from a value perspective, we would definitely consider it.

**Operator:** Our next question comes from the line of Frederic Bastien of Raymond James.

**Frederic Bastien:** Good results. I was wondering if you could provide your views on the Chips Act and whether you see it as a positive catalyst for BIP. From what I gather, this could bode well for you to joint venture with Digital Bridge, but since I'm no expert in that space was hoping you could add a bit of color here.

**Sam Pollock:** Maybe just to clarify, I guess the JV we have with Digital Bridge is on the Deutsche Telekom business in Germany. And I think we're excited about that opportunity. I don't think the Chips Act will impact that business, but it is related to the re-onshoring of semiconductor facilities into the U.S., which has been an area of focus for us. And we do think that it will provide the impetus and the additional source of capital to make those chip facilities more viable and profitable and probably encourage a number of the semiconductor businesses to proceed. And we are in discussions to help facilitate the development of those businesses. And so, we hope that will, in the not-too-distant future, help us secure a transaction. And hopefully in future cores, we can talk about that.

**Frederic Bastien:** Okay. Sorry for the confusion, but it does sound like it's an underappreciated part of your story here. That's all I have actually. I'll pass it on to others.

**Sam Pollock:** Thanks, Fred.

**Operator:** Our next question comes from the line of Andrew Kuske of Credit Suisse.

**Andrew Kuske:** Thanks. Good morning. Maybe just in the context of the decarb opportunity that you've highlighted on this call and in the letter. Obviously, buildings are one of the biggest culprits from an emission standpoint. Industrials and autos get a lot of focus, but buildings is a big issue. How do you see the interplay of BIP, the flagship funds and then just the broader transition fund, and how this has all work together in the context of the investment potential for BIP?

**Sam Pollock:** Hi, Andrew. And maybe I'll just make sure I answer your question properly. Do you want me to bring it back to buildings in particular on the real estate side, or just

where I think BIP in particular will play a focus on it? I think maybe just clarify the first part of your question.

**Andrew Kuske:** Yes, in fairness it's probably a bit of both as you've got your residential strategy, which is very BIP centric, but you've also got buckets in the bigger, broader Brookfield family of office exposure, residential exposure. There's a bunch of different levers. And then from a capital deployment standpoint, you've got a bunch of buckets of capital from different sources that you can effectively spend or invest. I'm just curious on how you think about that broadly and then more specifically to BIP.

**Sam Pollock:** Okay. I'll probably go on the safe side and maybe leave some of the real estate-related answers to Brian or Bruce on a later call because I probably won't answer it properly. But on the real estate side, where it relates to our business, is mostly on the metering side where we think there's a huge opportunity to deploy capital and grow our metering businesses, both in North America, as well as Australia. That's the primary focus. And to the extent that we can expand those businesses to other geographies, we will definitely do that. And we think that's an important component of improving the efficiency of real estate, both residential and industrial.

But I think where we have the most immediate and largest potential in our business really is on the residential side of business, particularly as it relates to driving, the deployment of new rental products through Enercare and now leveraging the benefit of HomeServe and really just growing the number of products that we provide to customers and assisting them in financing those.

And today we've expanded the products to generators, rooftop, solar, as well as HVAC and different types of HVAC and heat pumps. I think the array of products has grown dramatically. And I think over the coming decade, the number of products will grow even more and become more relevant in the sense that it'll become more expensive and more sophisticated. And so, people will need our services that much more. I think the market opportunity is truly in the billions of dollars and we think we're well-positioned to be leaders in building that business.

**Andrew Kuske:** I appreciate that color and then maybe just a follow up. When you think about securitizing those cashflow streams and effectively repackaging them, are there certain markets, like say the U.S. market and to a certain degree, the Canadian market, where it's well established that can be done? Does that mean those areas grow at a faster rate than maybe some areas where securitization could just be a bit more difficult? There's not as many examples or precedence where that's been done.

**Sam Pollock:** Look, I think there's lots of pools of capital to grow this business, even outside of North America, whether it's Australia or Europe. There's lots of deep pools of capital and low-cost capital that will still make it an attractive value proposition for our customers. Obviously, to the extent that we have the securitization, that's the gold standard as far as driving down cost of capital, particularly in this type of business. And so North America, I think, is the best suited. But look, I think there are lots of pools of capital that we can tap into to grow the business elsewhere.

**Operator:** Our final question comes from the line of Naji Baydoun of Industrial Alliance.

**Naji Baydoun:** I'm just wondering if you can break down the components of organic growth in the quarter, the 10% that you posted?

**David Krant:** Yes. Hey, Naji, it's David here. I can tackle that one. If we look a little deeper into the 10% for the quarter, I'd say the primary driver is going to be the outsized inflation that we're benefiting from today. You'll recall that benefits all four of our segments. Most notably, it'd be across utilities, transport, and data that you're seeing those benefits in the upwards of 80 to 95% of those businesses. I'd say on average of the 10%, 6% of it, almost 7% is from the inflation indexation. Volumes overall, we're pretty resilient. I'd say they were pretty flat when you're looking year-over-year in terms of total trend.

And then the other key driver would be the commissioning of capital projects. We would have our normal course addition to rate base at BUUK, for example, but I'd say the larger and chunkier ones that you're seeing in this quarter would be the sixth train at Sabine in our transport sector. And then one of the lines within Quantum, our Brazilian electricity transmission project, was commissioned in the first quarter, that's now fully contributing to revenues, relative to the prior year. Those would be the two, on the utilities and the transport side where you're seeing outside Capex in this current quarter, but those would be the two biggest drivers looking year-over-year.

**Naji Baydoun:** Okay. That's perfect. That's great color. And I think initially when you started to see some of this higher inflation dynamics, you were maybe pointing to the ability to hit the high end of your organic growth targets. I noticed some of that language is no longer there in the supplemental, but do you still see a lag in terms of inflation impacting results and still being able to potentially hit the upper end of organic growth targets, let's say, this year and the next one?

**David Krant:** Definitely for the back half of this year, Naji, and I wouldn't read into just not touching on it in the current quarter. We had a ton of strategic initiatives to highlight. So, I wouldn't read too much into that. I'd say for the back half of this year, inflation still runs well above our target range in all of the markets in which we're operating, so we'll look to capture that and continue to benefit from that.

And to your point, we do have a number of our regulated utilities in Australia and the U.K. that do have a bit of a lag between the risk-free rate and when you pass through current inflation, so we should see incremental benefits looking ahead to 2023. I know I still expect next year to be above our target range as well, based on the current environment we're in.

**Operator:** Thank you. At this time, I'd like to turn the call back over to Sam Pollock, CEO, for closing remarks. Sir?

**Sam Pollock:** Okay. Thank you, operator. And thank you everyone for joining the call this morning. We do apologize for the technical difficulties that we had and appreciate your bearing with us. And more important, we thank you for your support and look forward to speaking to you next quarter, but also at our investor day presentation, which is on September 29th. Details of that are available on our website. Thank you very much and enjoy the rest of your summer.

**Operator:** This concludes today's conference call. Thank you for participating. You may now disconnect.