Brookfield Infrastructure Partners L.P (Q3 2021 Results)

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Corporate Speakers:

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- Sam Pollock; Brookfield Infrastructure Partners L.P.; CEO of Brookfield Infrastructure Partners Limited
- Brian Baker; Brookfield Infrastructure Partners L.P.; Managing Partner, Regional Head of North America
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Participants:

- Cherilyn Radbourne; TD Securities Equity Research; Analyst
- Robert Kwan; RBC Capital Markets; MD & Energy Infrastructure Analyst
- Robert Catellier; CIBC Capital Markets; Executive Director of Institutional Equity Research
- Devin Dodge; BMO Capital Markets Equity Research; Analyst
- Rob Hope; Scotiabank Global Banking and Markets; Analyst
- Naji Baydoun; Industrial Alliance Securities Inc.; Senior Equity Research Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Brookfield Infrastructure Partners Q3 2021 Results Conference Call.

It is now my pleasure to introduce Chief Financial Officer, David Krant.

David Krant

Thank you, operator, and good morning, everyone. Thank you all for joining us for Brookfield Infrastructure Partners' third quarter earnings conference call for 2021. My name is David Krant, and I'm the Chief Financial Officer of Brookfield Infrastructure Partners. Joining me on today's call is Sam Pollock, our Chief Executive Officer; as well as Ben Vaughan, our Chief Operating Officer; and Brian Baker, Managing Partner, who will be available for questions following our remarks.

At this time, I'd like to remind you that in responding to questions as well as 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, let's move on to third quarter results. We're pleased to report that Brookfield Infrastructure reported another strong quarter. Funds from Operations, or FFO, totaled $422 million, an increase of 16% compared with the third quarter of 2020. On a per-unit basis, results were 13% ahead of the prior year, even after considering the impact of the BIPC shares issued in connection with the privatization of Inter Pipeline, or IPL.

Strong organic growth continued in the third quarter, as results benefited from global economic expansion, improving commodity prices, and the impact of inflation on our revenue streams. BIP's results were supported by strong growth from our base business and the initial contribution from IPL.

Excluding the recovery of shutdown related effects experienced last year, our organic growth was robust at 9%. This includes inflationary tariff increases and the commissioning of over $800 million of new capital projects in the last 12 months.

Taking a closer look at our operating performance by segment, starting with our utilities. We generated FFO of $182 million, compared with $169 million in the prior year. Organic growth for the segment was 7%, reflecting inflation indexation and the commissioning of over $400 million of capital invested into our rate base in the last year.

Results also benefited from the acquisition of the remaining interest in our Brazilian regulated gas transmission operation, whereas last year's results included earnings associated with our U.K. smart meter portfolio as well as our North American district entity platform, both of which were divested earlier this year. At our U.K. regulated distribution operation, connection sales exceeded those in the prior year by over 55%.

This growth reflects the continued strength of our legacy utility connections, but also robust water connection sales, which have more than doubled, relative to last year. In the quarter, the business also signed a 20-year agreement with Virgin Media to offer its TV and broadcast services across our fiber network. We now have long-term arrangements with both Sky and Virgin Media, two of the largest Tier 1 internet service providers in the U.K., positioning our fiber offering for continued growth.

Our North American residential infrastructure business continued its U.S. build-out. During the quarter, the business opened two greenfield locations that provide a hub for regional expansion and nearly doubled its U.S. dealer network to 77 dealers. This capital-light strategy should accelerate our growth requirement. We are also in the final stages of formalizing a partnership with a residential generator manufacturer that will provide a rental alternative for its product line and an annuity-based revenue stream for us.

Now moving on to our transport segment. FFO was $181 million, an improvement of approximately 18% when compared to the prior year. Results benefited from strong organic growth, driven by increased volumes and higher tariffs in line with above-average inflation in the markets where we operate.

Growth is also attributable to a net contribution from capital recycling, as the current period includes our U.S. LNG export terminal, whereas the prior year includes a larger contribution from our Australian export terminal, of which we sold a 22% stake in December of last year. Each of the underlying operating groups within our transport segment are performing well in the current environment.

Starting with our global toll road portfolio, traffic levels across our networks have continued to improve throughout the quarter. On average, volumes were 14% above the same quarter of last year and 10% above 2019 levels. At our rail operations, higher revenues were driven by average increases in our tariffs of approximately 5%, while volumes remained robust during the quarter. And finally, our diversified terminals performed well, with volumes up 7% over the prior year.

At our U.S. LNG export terminal, strong demand from Europe and Asia, combined with an increasing reliance on LNG as a cleaner fuel, has supported contracting initiatives in higher pricing. Approximately 85% of the terminal's capacity is underpinned by take-or-pay contracts, providing stable and predictable cash flows.

The small portion of uncontracted capacity allowed the business to capitalize on a strong pricing environment. Construction of the sixth liquefaction train is progressing well with the substantial completion expected in the first quarter of next year, roughly one year ahead of schedule. Both the pricing environment and the sixth train construction are well ahead of our expectations at the time of our initial investment.

Moving into our midstream segment, where FFO totaled $103 million, an annual increase of more than 55%. With the completion of the first stage of the privatization in August, results reflect the initial, albeit partial, contribution from IPL. Additionally, our results on a same-store basis benefited from strong gas transportation volumes and elevated commodity prices across our existing businesses.

Carbon abatement remains a focus across our midstream business to reduce emissions and improve the efficiency and competitiveness of our operations. In this regard, our Western Canadian midstream business was recently awarded an $18 million Canadian federal government grant for clean technology initiatives and greenhouse gas reduction projects.

The combination of reduced supply of traditional energy sources and the intermittency of renewable power generation has driven commodity prices to seven-year highs, with approximately 80% of our midstream revenue insulated from commodity prices, our market-sensitive revenues have outperformed our expectations and contributed a strong performance this quarter.

This current pricing environment is not only good for our business, but also for our customers who have strengthened their balance sheets and are generating significant free cash flow at these commodity price levels. This bodes well for future customer reinvestment into their operations, as well as carbon reduction projects, both of which we are well-positioned to participate in and benefit from.

Finally, in our data segment, we recorded FFO of $58 million, an increase of 16% compared with the prior year. This increase reflects a full quarter of results from our Indian telecom tower business and organic growth within our existing operations. The contribution from organic growth includes inflationary price increases and the build-to-suit tower and fiber-to-the-home programs at our French telecom operation.

In July, our Indian telecom tower business agreed to acquire a leading indoor coverage solutions provider in the country for total equity consideration of up to $120 million, with BIP's share being just over $20 million. This strategic bolt-on acquisition complements the business and enhances the existing service offering. The transaction remains subject to regulatory approval and is expected to close in the first half of 2022. Now before turning the call over to Sam, I'll briefly touch on the strength of our balance sheet.

We continue to focus on extending our debt maturity profile amid constructive credit market conditions. Liquidity across markets remain strong, and we are well-positioned to attract long-term and fixed-rate capital. So far this year, we have raised or refinanced over $10 billion of non-recourse financing at the asset level.

During the quarter, we signed an agreement to divest Brookfield's remaining 34% stake in our Chilean toll road operation. The transaction is expected to close later this month and will generate net proceeds to Brookfield Infrastructure of approximately $160 million. This equates to an enterprise value consistent with prior sales in 2019 and last year and an overall investment IRR of approximately 16% on a U.S. dollar basis.

Following the completion of the sale, capital recycling initiatives will have raised nearly $2 billion in net proceeds this year, and we continue to make meaningful progress on three current processes that, combined, should generate a further $1 billion over the next six to eight months. Following the completion of the first stage of the Inter Pipeline privatization in August, we ended the quarter with $4.5 billion of total liquidity, of which approximately $3 billion resided at the corporate level.

We will continue to have a healthy liquidity level following the completion of the take-private of IPL, given the strong support for BIPC shares as part of the consideration.

Thank you all for your time this morning. And now I'll turn the call over to Sam.

Sam Pollock
Thank you, David, and good morning, everyone. For today's call, I'll make some comments regarding today's operating environment, discuss some of the strategic initiatives we have underway, and I'll conclude the call with our outlook as we head into 2022. Let me begin with a brief comment on today's operating environment. It is our belief that the combination of favorable capital markets, healthy economic activity and

low interest rates is driving three important macroeconomic themes that are all very positive for our business.

The first theme is elevated inflation. Whether through regulated frameworks or contractual entitlements, approximately 70% of our revenues are indexed to local inflation. This feature, combined with strong free cash flow conversion levels, is driving significant FFO growth within our base business.

Next is rising commodity prices. Now although 80% of our midstream sector revenues are insulated from commodity prices, the remaining 20% are market-sensitive revenues that should outperform in the current environment. Additionally, higher commodity prices result in more free cash flow generation for our counterparties, which not only strengthens their financial positions, but it can also lead to higher volumes and customer-initiated growth projects.

The last theme I want to mention is supply chain bottlenecks. Logistics infrastructure worldwide is under stress given the recent disruption to traditional supply chains. This puts a spotlight on the essential nature of our networks and facilities. When demand for infrastructure is high, we tend to realize higher tariffs as customers compete for whatever remaining capacity is available. We also tend to generate more revenues from storage services. As a result of all this, in the near term, as these complementary market forces continue, our business is well-positioned to benefit from higher volumes, increased tariffs, and new capital expansion projects.

Now, let's review some of our current strategic initiatives. Our investment professionals are actively pursuing several opportunities of scale across our target sectors and geographies, and we expect our access to capital, our local presence and active operating approach to continue to be differentiating factors. We've been aided by the fact that the current market environment for new investment activity remains very constructive.

The most significant milestone for the quarter was the acquisition of IPL, which Dave touched on earlier in the call. In early September, we successfully completed the first stage of the privatization, acquiring shares to the tender offer process that brought our total ownership to 76%, alongside our institutional partners.

On October 20th, we acquired the remaining 24% not already owned and subsequently delisted with the company. In total, we've deployed approximately $2.5 billion that was funded with cash and about $1.9 billion of newly issued BIPC shares. We are excited about the long-term value that we can create through our operating initiatives at the company. In that regard, we are making good progress implementing our 100-day plan at the business.

Initial activities include reviewing the construction and commissioning plans of the Heartland petrochemical complex to assure an on-time start-up in 2022 and identifying areas for optimization and efficiency post closing. We've also started working on identifying near-term commercial opportunities to improve profitability of the business.

As part of the commercial review, we are highly focused on opportunities where we can assist customers in reaching their net-zero goals.

Now moving on to another major initiative. Earlier this week, it was announced that Brookfield's open-ended core infrastructure fund, alongside institutional partners, reached an agreement to acquire 100% of AusNet, a publicly traded regulated utility company in Australia, for approximately AUD17.8 billion on an enterprise value basis, which translates into about $6.2 billion of equity value.

AusNet's business predominantly comprises three regulated networks in the state of Victoria: electricity transmission, electricity distribution, and gas distribution. These are high-quality regulated utilities that provide essential services within Victoria and are part of Australia's backbone electricity transmission grid. The transaction is expected to close in the second quarter of 2022, and BIP will invest approximately $500 million.

We believe it's an attractive investment for BIP, given the strong going-in yield, sustainable cash flow profile, and the significant growth opportunity to invest in the expected future build-out of the company's regulated asset base as Australia electrifies its economy as part of their decarbonization efforts.

Now I'd like to conclude my remarks with a few comments regarding the outlook for the business. As we highlighted at our annual Investor Day in September, we are excited about the future prospects for our business. Along with economic tailwinds, our asset rotation strategy will drive meaningful growth in the near term.

Also, the long-term outlook is equally favorable as the infrastructure supercycle plays out, and we create platform value across many of our portfolio companies. As we've mentioned, the current global economic environment is extremely supportive for our business with the three components of organic growth all surging.

Higher inflation and strong commodity markets will support top-line growth as well as improve our already solid margins. Customer-initiated growth projects will likely continue to be boosted by these higher commodity prices and the significant strain on supply chain infrastructure should reinforce the criticality of our assets and lead to improved volumes and pricing.

These trends provide a positive backdrop for our business and reinforce our belief that organic growth over the next year or so should be at the high end of our 6-9% target range. This, combined with the high levels of accretion achieved from our active rotation strategy, should result in a run rate FFO per unit this year that is over 20% above prior year levels. So that concludes my remarks for today, and I'll pass it back over to the operator to open the line for questions.

QUESTIONS AND ANSWERS

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

Cherilyn Radbourne
Maybe just to start on the AusNet deal. Curious if you could elaborate a bit more on the unique characteristics of that deal, which made it suitable for both the Super-core fund as well as BIP? And whether you think that's a unique circumstance or something that we could see more of going forward?

Sam Pollock
Maybe the first thing I'll say is just on the business itself. This is a high-quality strategic asset in Australia. It provides and is part of the whole backbone grid for the country and as that country looks to electrify over the next 30 years, we think the investment opportunity in expanding that grid could total over $30 billion. And so, there's meaningful capex to be invested.

What we like about it is the fact that we're investing at a point in time when returns, we think, are at a trough level. And so, we think the opportunity for higher returns as interest rates and inflation go up, will be achieved by us. Obviously, given the regulated framework, the stability and predictability of the cash flow is very attractive. And it will be an investment that will be accretive for BIP.

So, as we look at developing an attractive portfolio composition for BIP, we think this nicely rounds out our investment activities for the year. We have added some midstream assets, but this will give us some additional exposure to utilities, which we think are very attractive for the company. So, from that perspective, it fits very well with our investment objectives. As relates to the Super-core fund, our experience is that the Super-core fund does tend to invest in businesses that are at a return level, slightly lower than what we look to invest at BIP.

We think that there are opportunities to achieve returns at a level for this business that meet our return thresholds. But we also think from a portfolio composition perspective, there's lots of qualitative reasons why it makes sense. As for other businesses that BSIP might invest in, it's hard to say whether or not there will be others that fall into this category where we would participate in.

Cherilyn Radbourne
Okay. That's helpful color, effectively an opportunity to invest in the utility in an environment where there's a lot of competition for that type of asset. Maybe just on the topic of asset sales. It's obviously a very robust environment for that. So, I'm curious whether there are any businesses that are at a point with their value creation plan that maybe you might consider accelerating your disposition plans to opportunistically take advantage of current market conditions.

Sam Pollock
We're always looking at our portfolio and seeing if there are businesses that we can achieve full value sooner than later. I think I might have mentioned on the last call, in fact, that one of those businesses that we are thinking about accelerating the timeline of our monetization would be our transmission business in South America, in Brazil. We've made great progress in advancing that project.

In fact, a series of construction projects. It's highly sought after. We've had a number of inbounds regarding that business. And yes, we are evaluating whether or not we accelerate that into 2022. That would probably be the only one at this stage that I would flag. Otherwise, we have a plan over the next three to five years to generate over $5 billion of proceeds from asset sales. So, we do have a robust divestiture plan, but that may be one business that we could accelerate.

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

Robert Kwan
I'll just start with the growth outlook that you put forward. And you've got the long-term 6-9% organic growth, but in the near term, you think you'd be at the high end of that range. But I'm wondering, as you think about your asset rotation strategy, how do you see that contributing kind of as the adder to that 6-9% on, say, just an average annual basis long-term as well as if you ex out the impacts of IPL, what do you think that could add as you think about the asset rotations in front of you over the next 12 to 24 months.

David Krant
In terms of the asset rotation strategy, I think when we typically look at going-in capital deployment returns versus what we're able to monetize a matured de-risked business. That is generally a pretty meaningful spread between the two, Robert. I think over the last three to five years, we've probably averaged somewhere between 2- 4% in terms of the gap.

I think we highlighted at Investor Day, this phase of asset rotation with Enwave coming out and IPL coming in, it's certainly outsized relative to our historical averages. So that really leads us to that 20% or I'd say, growth when we look ahead from 2021 versus 2020 on a run rate basis, as Sam alluded to. On a long-term basis, I still think we view that we should be able to grow through asset rotation, somewhere in that 2- 4% annually.

And it just depends on the size and the quantum of the capital recycling that's being achieved. And it can be somewhat lumpy. So, you have a year like this, where we've already done $2 billion in 2021 and have a further $1 billion that’s well progressed. And we'll have years like last year where we did maybe about $1 billion of asset sales. So, it is hard to say what any given year will be but on average, you're looking at probably about $1 billion to $1.5 billion of asset sales at a 2-4% spread between buying and selling.

Sam Pollock
The only thing I'd add to that is, it also depends on what type of businesses we're selling because there are some businesses, we talk about these platform businesses where, because they have a lot of embedded growth, they were selling at very low FFO yields. And so, it does accentuate the growth.

And so, there was a lot of growth with Enwave. I would say, our transmission business, given that most of the cash flows haven't come on, but that will be sold at a very low FFO yield. Probably PD Ports would be in that category as well. So, there are some in the near term, that would be very beneficial to the asset rotation story.

Robert Kwan
Got it. If I can just shift to midstream. I know you probably don't want to put hard targets out there. I'm just wondering how big, from a midstream segment perspective, would you be comfortable to refresh that as it relates to overall BIP. But the other one is just taking a step back, there's a number of other assets that many investors would consider traditional midstream investments that you have sitting in other segments. So, looking at that definition, how big would you want to see that as a percentage of BIP's overall FFO.

Sam Pollock
Maybe I'll tackle that, but Dave, you can jump in as well. Look, I think our midstream segment is about 25% today. And typically, over the last 10 or so years, 20% might have been a more typical level for us. But I think the thing to focus on, Robert, is the fact that we like to take advantage of higher returning opportunities when they exist. We did this a number of years ago in Brazil, where we made a number of big investments in the gas transmission as well as the electricity transmission business. And so, it felt like we were a little overweight in Brazil at that time. But then we haven't really done a lot since then in that market.

And in fact, we'll be looking to probably sell some of those businesses over the next couple of years. And so, we'll see the South American content of our business fall pretty dramatically from where it was at one point. I suspect we'll see the same things happen with midstream. There were some great opportunities in the market in the last little while, which we took advantage of.

But as they mature and we sell them off or just generate their cash flow because a lot of them are being bought on a harvesting cash flow basis, we'll see that percentage drop down. And I would say the vast majority of our pipeline of opportunities tend to, in fact, be directed towards data at the moment. And data is still a relatively minor amount of our overall investments, but I see that as being the big area for growth in the next three to five years.

Robert Kwan
That's great. And if I can just finish with a specific question on IPL. Now that it's closed, I don't know if you're willing or able to talk a little bit more openly about it. But you did

mention trying to help focus on your customers achieving net-zero goals or decarbonizing.

Just wondering what the interest is of using some of that IPL infrastructure, joining what was supposed to be the Alberta carbon grid to start with, as well as just overall, you made some statements during the process about potentially carving up the assets. Was that something you kind of just offered up more so to try to get the deal done? Or was there kind of a genuine interest as a plan A for lack of a better term?

Sam Pollock
Well, as relates to the first part, maybe I'll get Brian to comment on the carbon grid. But as it relates to carving the business up, look, I think we're very commercial in how we look at the business. We're trying to create value. And if there's opportunities for us to make more money by either in partnering or selling off businesses, we'll consider all those avenues. And I would say, since we bought the business and have been involved, we've had a tremendous amount of inbounds and outreach from others about opportunities.

So, if all those possibilities still remain, we'll look to optimize the business through those discussions. And that was what our plan always has been. So, we'll continue along that path, and we'll just have to see how those conversations with the various parties pan out. But maybe, Brian, do you want to talk about the carbon grid?

Brian Baker
Yes. I guess, as it relates to, call it, the carbon grid or even just more broadly, transition investing, it is something we have a high degree of interest in. I think these assets are well situated to be parts of solutions for customers. And these are conversations, again, it's early days. We've only been in the seats at IPL for a couple of weeks now. But there is a lot of interest in having those conversations from our side, and we're starting to have those conversations with various industry participants today. So, we'll continue to evaluate them. And if we think there's good accretive investment opportunities for the business going forward, we'll look to execute.

Operator
Our next question comes from the line of Robert Cadier with CIBC Capital Markets.

Robert Catellier
Just a follow-up to that question and answer. So, I take it then, in terms of making investments in areas that are perhaps a little bit more carbon intensive, you're not afraid of making those investments, from what I gathered from your answer, especially if there's economic projects that could reduce emissions down the road. Is that correct? Do I have the right look on that? So, you wouldn't shy away from something just for the carbon intensity?

Sam Pollock
No, look, absolutely. We are very cognizant of the direction going on in the world today. It's in the papers, it's in discussions we have. And so that's not lost on us. But I think as we've made it clear, the transition to reducing carbon is going to take a long period of time. And we own businesses that are critical for the economy today and will be for the next couple of decades.

All the investments we've made are in recognition of the broader goals of net-zero by 2050. We will be harvesting a lot of cash flow during that period of time. And I think one of the things we'll find is in many of the businesses that we own today, while we've bought them on the basis of just harvesting cash flows for the next 20 to30 years, many of them will be important pieces in the energy transition story and will require significant amounts of capital and will be very commercial for many decades beyond that.

We don't know exactly what that will look like today. But we think these are critical businesses, and they will be repurposed to fit into that new world. So that's the exciting story that we'll be able to tell, as will others who own assets like ours in the future. But for today, we are investing with cash flows in mind and with those risk parameters fully on top of our minds.

Robert Catellier
Okay. And just going back to the midstream portfolio for a minute. There's been a lot of changes there recently. So, what level of commodity price exposure are you comfortable with? And now that you have IPL under the fold, where are the biggest exposures? And related to that, with the commodity prices at seven-year highs, are you tempted at all to maybe accelerate monetization there?

Sam Pollock
So, I'll ask Brian to touch on this. As you say, monetizations, I think what we're looking at doing is locking in some of these higher prices to improve what we had previously underwritten. So that's the real opportunity here, is the fact that a lot of our businesses that we've recently bought are far more valuable today than they were when we bought them just in the last year or two, whether that's Sabine Pass or whether that's IPL, they're both doing extremely well.

But Brian, maybe you want to talk about the hedging strategy we have in place at IPL today. I realize it's early days, so you're only starting. But it's something they were already starting to do, but a strategy that we're encouraging, I guess, to make sure we take advantage of these commodity prices.

Brian Baker
Yes, I sure can, Sam. And look, I'll just maybe say with most of our midstream businesses, we typically focus on businesses that are highly contracted. Sometimes we will have businesses, and we'll have some direct commodity exposure. And I think one of the things we always liked about Inter Pipeline was that the majority of the business is

highly contracted for the long term. We do have some commodity exposure in the business, and that's primarily through our fractionation facilities.

And it's going to be through exposure to a frac spread, where we have some commodity exposure in the business today. Given the fact that we are in a very high commodity price environment, we're looking to hedge some of that exposure going forward to reduce our volatility and exposure to those prices changing over time, and we're quite comfortable doing that with where prices are today because they are so strong.

Robert Catellier
Right. So, it's a question of optimization as opposed to portfolio management at this point in time?

Brian Baker
Yes, that's a fair characterization.

Robert Catellier
All right. Last one for me. I'm just curious on your indoor coverage solution provider that you acquired. How would you describe the portability of those solutions to other regions and businesses?

Sam Pollock
Well, maybe we'll get Ben to talk about that because then we have the two businesses, obviously...

Ben Vaughan
Yes. Look, I would characterize as they're very portable, and our plans are to leverage that portability into new markets. And leverage the overall Brookfield franchise for deploying those indoor systems across various aspects of real estate and new markets. So, our strategy for all of those businesses that have the indoor capability is to bring them to new markets and expand their footprint and add elements of growth to them with those new geographies. So, they are very portable, and that's one of the aspects that we really like about it.

Sam Pollock
And just to remind you, the first indoor solutions business we bought was as part of our U.K. tower business, which we've actually set up a business in the U.S. We signed our first contract in the West Coast with a Brookfield property, and we're looking at building that business in North America. So that's a perfect example of where we've taken a European business and actually brought it to North America, and we'll be able to do something similar probably with that business in India. That's a big market opportunity, but hopefully, we can transport into different parts of Asia.

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

Devin Dodge
So maybe start with a question on NTS. There were some regulatory changes in the Brazilian natural gas market earlier this year around converting some concessions to indefinite life assets. And I think creating more competition for building pipelines going forward. Can you speak to those regulatory changes and whether you see them as risks or opportunities for NTS?

Ben Vaughan
Yes. Devin, it's Ben here. We definitely see them as opportunities for NTS. When we bought NTS many years ago, there really was no open market regulated framework in the country. The country was just evolving from basically a vertically integrated energy structure through Petrobras into trying to ensure market participants could add assets to the networks over time in an open-access framework.

And these regulations were many years in the making, and we actively participated in discussions with the regulators about how everyone's goal was to ensure that the energy market in Brazil, especially for natural gas would grow. And so, we're very pleased with the regulations. As you mentioned, I think the two key attributes are, first of all, they make our NTS franchise a perpetual asset base rather than concession based, which allows us to invest over the long, long term.

And the second thing is it makes it much easier for new entrants to come into the Brazilian market and effectively compete in a market where Petrobras otherwise was dominant. And we think that will provide lots of growth opportunities. Not only for domestic and industrial consumption, but for power, natural gas to play a role in power generation in the country. So, we're pretty, I'd say, excited by the whole evolution, and we think it will provide good growth for NTS over time.

Devin Dodge
That's good color. Maybe a question for Dave. We've seen a lot of discussions between construction companies and project owners around covering, we'll say, extra costs, whether it's productivity losses around COVID, material cost inflation, higher wages, et cetera. Just, it's not clear how, at least to us, how these negotiations will go. But I think it's fair to say that the costs to complete projects are going up. Now for BIP, is there a risk that the returns or the yields on the capital projects currently in your backlog? Could they be less than what you've seen historically?

David Krant
I think if we look at our backlog today, and I'm using rough numbers, about 80% of it today are small last-mile connections around the edges where we're constantly repricing every few weeks or months and capturing some of those inflationary pressures on our costs through to our customers.

So, I'd say the majority of, if not the vast majority of our backlog shouldn't be impacted from going-in FFO yield standpoint or an IRR that we've underwritten the project at. So those are the businesses like Enercare, like BUUK, like TDF, and those are really the flagship components of our backlog.

If we think of some of the larger capital initiatives that are more chunky and one-off, I think a great example is how we manage that construction risk to be in Brazil with our transmission lines where we do have an off taker in terms of the construction management company. They bear the risk of cost overruns, and we get rebalanced through our acquisition value.

So, I think we've done a great job on managing some of those projects where we could have had those types of conversations as we're experiencing those inflationary pressures in the current environment, but for the most part, I wouldn't expect it to impact the returns that we expect these projects to generate. And I think you know these are some of the best risk-adjusted returns we can find. So, I think we're in pretty good shape.

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

Rob Hope
Just on the potential decision to accelerate the South American asset sale process there in addition to your other processes. Is this just a function of value you're seeing in the market? Or does it actually tie to incremental kind of M&A opportunities that you could put capital to work?

Sam Pollock
Oh no, look, I think we're just seeing good value for those types of businesses. There's a very strong demand, and we've had numerous inbounds regarding the business. We would have, in any event, probably looked to sell the business maybe in 2023. So, we're not massively accelerating the divestiture of that business, we're just pulling it forward a little bit. But from a liquidity perspective, we had lots of levers for liquidity. So, it really isn't from that perspective. It really is just value.

Rob Hope
All right, thanks. And then just a longer-term question, you will be investing alongside the Super-core fund. And as Brookfield Asset Management diversified its overall fund portfolio, including the global transition fund. Could we see BIP investing alongside other funds? Or do you have enough capital to put to work at BIF IV as well as what should be a larger Brookfield Infrastructure Fund V.

Sam Pollock
Look, I can't say definitively. But for the most part, the vast majority of our investment opportunities will come through our flagship BIF IV, BIF V series of funds. There will be the odd utility-type investment that we'll participate in from the Super-core fund. And it's too early to comment on the transition fund. I think the vast majority of those investments will be renewables related. And so likely will go through BIF, but I guess we'll wait and see what surfaces.

Operator
Our next question comes from the line of Naji Baydoun with IA Capital Markets.

Naji Baydoun
I just wanted to set off with the interest rates and asset sales. I appreciate the yields are going to remain low, but with expectations that they're moving up, are there any pressing or time-sensitive refinancings you think you need to complete in the next year or so?

David Krant
Look, we've been pretty vocal in our plan that for the last, say, 24 months, we've been very active on the refinancing front, as I alluded to, it's probably over $10 billion that we've done this year alone across our businesses. And predominantly, none of those were maturities in this year, most of them were either 2022, 2023, that we're getting ahead of.

With that in mind, I think we're always looking at managing that risk, certainly on interest rates for a long-term basis. And certainly, at the corporate level, we have nothing until 2024. And at our businesses there are no material financings in the next 12 months that we're not working on today that we're worried about there. So, I think we've been very proactive on that front, and our balance sheet's in excellent position with that as the prevailing sentiment around interest rates and where they're headed.

Naji Baydoun
Okay. Great. I guess it's related to this, but on the asset sales, you've highlighted the sort of potential value of the platform businesses that you're building. And I guess my question is being able to sell these businesses at higher multiples. How much of that do you attribute to just being today in a lower interest rate environment versus maybe the added value you bring to the franchise?

And I guess, does it just mean that even if you sell assets at higher multiples, you're also paying higher multiples for new investments? And net-net, back to your earlier comments, you're still doing 2-4% spread?

Sam Pollock
Well, look, that's a fair comment. I think in regard to your first comment about how much is environment-related to low interest rates, pushing valuations up versus selling growth, the relative split is difficult to answer. I think there's a combination probably of both factors. Buyers are using more leverage today to be able to pay more.

So, there's very constructive capital markets feeding into valuations. At the same time, we are selling businesses where we have built great platforms, and people are happy to pay for growth. So, I think we're benefiting from both factors. And they’re both important. As it relates to us on the buy side, look, I think we always try to limit the amount of goodwill that we paid for. We try to create it, not buy it, but there's no doubt some level of future growth that we do need to factor into any investment we make to be competitive.

And we just try to be prudent. There are many transactions we're not successful on. We try and pick and choose those ones where we can leverage other considerations and factors to be successful. And I think IPL is a good example where we were able to buy a toehold and position ourselves in a different way and also buy in a time when midstream was a little bit more out of favor. So those are the types of things we try to do so that we're not giving back, I think, is what you're implying some of those gains that we make on the sales side when we buy new assets. Hope that's helpful.

Naji Baydoun
Yes, that's great. Just a quick final question on data. With this bolt-on acquisition in India, I think that's in your existing business, but the JV with Digital Realty has now also closed. Just wondering how you're thinking about investments in both of those, call them, vehicles, going forward in India?

Sam Pollock
Both are very early days. You are right, the Indoor Solutions business was bought as part of the towers platform. And given the size of the towers platform, it's very modest in comparison. We do think it's a good tuck-in to that business and positions us well for some highly accretive growth, but it may not move the needle too much in the near term. We hope longer term, it becomes more meaningful. So, I would manage expectations in that regard.

And the JV with Digital Realty is in the early innings. We're excited by the growth potential in the market and the power for combination of our franchise and their franchise and being able to grow that. At this stage, we're really just building up a pipeline of land in various key markets.

And we hope to have contracts signed to develop those land parcels over the coming quarters. But it's early days. Look forward to giving you more feedback on that. But again, I think the financial impact from that initiative will be in the years ahead. You will not see it in the short run. These are all little seeds that we're planting that we think will be very meaningful for the company in the future.

Operator
I'm showing no further questions at this time. I will now turn the call back over to Chief Executive Officer, Sam Pollock, for any closing remarks.

Sam Pollock
Okay. Thank you, operator, and thank you for everyone who joined the call this morning, and we appreciate your ongoing support. I appreciate we may not speak again until the new year. So, in that regard, we'd like to wish everyone happy holidays and all the best for the remaining part of the year. Thank you.

Operator
This concludes today's conference call. Thank you for participating, and you may now disconnect.