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*Chief Financial Officer*

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*Chief Executive Officer*

## CONFERENCE CALL PARTICIPANTS

**Frederic Bastien**
*Raymond James*

**Cherilyn Radbourne**
*TD Securities*

**Devin Dodge**
*BMO Capital Markets*

**Andrew Kuske**
*Credit Suisse*

**Robert Kwan**
*RBC Capital Markets*

**Rupert Merer**
*National Bank Financial*

## PRESENTATION

**Operator**

Thank you for standing by. This is the conference operator. Welcome to the Brookfield Infrastructure Partners 2017 Year End Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an operator by pressing star and zero.

At this time I would like to turn the conference over to Mr. Rene Lubianski, Senior Vice President, Corporate Development. Please go ahead, Mr. Lubianski.

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**Rene Lubianski, Senior Vice President, Corporate Development**

Thank you and good morning. Thank you all for joining us for Brookfield Infrastructure Partners' fourth quarter earnings conference call for 2017. On the call today is Bahir Manios, our Chief Financial Officer, and Sam Pollock, our Chief Executive 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.

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**Bahir Manios, Chief Financial Officer**

Great. Thank you, Rene, and good morning, everyone.

2017 was another positive year for Brookfield Infrastructure, completing a successful decade for our business. We continued to execute very well on our overall business strategy and achieved meaningful growth on a relatively low-risk basis, generating strong financial results as we grew our funds from operations, or FFO per unit, by 14% compared to the prior year.

In addition to these strong financial results, some of our major accomplishments for the year included: an investment of $1.3 billion into a highly strategic Brazilian utility that serves the country's growing natural gas sector. This is the business that generates stable cash flows supported by long-term contracts, has no volume risk and inflation-indexed revenues; second, we invested $900 million into several organic growth capital projects. These projects increased the size of our utilities rate base and we will expand our transport, energy, and communication infrastructure networks; third, we secured $400 million of accretive tuck-in acquisitions that will enhance our existing toll road and district energy businesses; fourth, we raised $1.3 billion of new capital in the form of common equity, debt and preferred shares to bolster our balance sheet and liquidity that will finance a number of growth initiatives we are pursuing; and finally, we signed a binding agreement to sell our interest in Transelec, our Chilean electricity transmission business, for $1.3 billion at an attractive valuation.

With respect to our results from operations, in 2017, Brookfield Infrastructure earned FFO of $1.17 billion or $3.11 on a per-unit basis. Results reflected contributions from new investments and organic growth of 10% generated across our operating groups. The negative impact of a strong U.S. dollar reduced results by approximately $30 million and FFO per unit was also affected by our equity issuance in the second half of the year, the proceeds of which have yet to be deployed.

I'll now take you through a quick overview of the results at our operating segments.

Our utilities segment generated FFO of $610 million in the year, a step change compared to $399 million in the prior year. This was driven by contribution from our newly acquired Brazilian regulated gas transmission business and, to a lesser extent, an increase in our rate base and upward inflation adjustments. Results for this operating group were modestly offset by the impact of the sale of our Canadian electricity transmission asset in late 2016. The standout performance within our utilities operating group continues to be our U.K. regulated distribution business, which achieved a record year across all key performance indicators, including new sales and connections. Momentum has been sustained by robust growth in new home completions and a higher number of utility connections per plot. The business's multi-utility offering is gaining acceptance with homebuilders and we're seeing an acceleration in the sale of higher-yielding utility products, such as fibre, water, and district energy. In November, the business closed on its previously disclosed transaction to acquire up to 2 million smart meters, which is expected to require up to $500 million of capital to be deployed over three years. This contract significantly expands our smart meter adoptions by growing our potential backlog to 3.5 million meters, representing a nearly $1 billion investment, or $800 million net to Brookfield Infrastructure.

Our transport segment generated FFO of $532 million in 2017, 26% ahead of last year. The increase was driven by higher tariffs and volumes across a number of our businesses and results were positively impacted by a full-year contribution from new investments in our road and port businesses. The segment also experienced organic growth of 13% driven by strong year-over-year volume growth, predominantly at our toll roads, as well as positive foreign exchange movements.

Our energy segment generated FFO $209 million in 2017, compared to $175 million in 2016. This improvement in results captures incremental contributions from new contracts, higher gas transport volumes, and reduced leverage at our natural gas transmission operations. We also benefitted from a full-year contribution from the North American gas storage business acquired in 2016, which was partially offset by the impact of the sale of a U.K. gas distribution business in the prior year.

Our North American natural gas transmission business has made good progress on $300 million of proposed expansion projects we mentioned last quarter. The business finalized an agreement with a large LNG operator to provide incremental transport and pressure support to their facility in Southern U.S., which is backed by a 10-year take-or-pay contract, adding $30 million to Brookfield Infrastructure's capital backlog. Regulatory approval is required and we anticipate this project to come online in early 2020. The business is also advancing discussions around the potential phase two to its Gulf Coast expansion, which we expect to provide an update on next quarter. Also, our district energy business successfully raised CAD$100 million of private placement financing on the back of good organic growth on a tuck-in acquisition that closed earlier in the year. The terms of the offering were very positive as we achieved an average term of 24 years at an average fixed rate of less than 4%.

Our communication infrastructure operations in France generated FFO of $76 million for the year, which was relatively consistent with the prior year. The business delivered results in-line with expectations as a result of its stable and predictable cash flow profile. Our management team is executing well on its fibre-to-the-home strategy, securing two additional tenders that involve connecting over 500,000 households with a capital requirement of approximately $1 billion over the next few years. This represents an approximately $210 million investment by Brookfield Infrastructure. With these two deals, we now have over 700,000 households secured that will require total capital of approximately $1.3 billion as the networks are deployed, or $275 million from Brookfield Infrastructure. We're also positioning ourselves as a partner of choice with the large internet service providers in the country and are exploring potential opportunities to build and operate segments of their networks. If successful, these initiatives could represent a significant investment that should generate attractive risk-adjusted returns.

I now wanted to make a few remarks on our balance sheet. First, just wanted to touch on our diversified funding plans. Over the past five years the capital markets have been robust and provided us with favourably priced capital to fund our growth initiatives. We raised $4.5 billion in the capital markets, generated $2.4 billion of net proceeds from asset sales, and $800 million of cash flow that was predominantly funded by cash generated and reinvested back into our business. This diversified funding strategy has worked well for us and we intend to stay with it going forward. We will continue to opportunistically access the capital markets for equity and debt when we can do so accretively to fund new investments.

One of our key financial objectives is to always maintain a high degree of liquidity to protect the business against expanded periods of market weakness and to allow us to move quickly to capture time-sensitive investment opportunities. Second, from a liquidity position, we currently have $1.8 billion at the corporate level, which will increase upon completion of the sale of our interest in Transelec. As our businesses continues to mature, we expect to accelerate the amount of capital recycling undertaken over the next several years, granting us more flexibility through a reduced reliance on accessing the capital markets. Lastly, we will maintain a prudent payout ratio, thereby leaving us with 15% to 20% of our annual FFO that we generate to reinvest back into the business.

Before I conclude my remarks and hand the call over to Sam, I'm pleased to report that our Board of Directors has approved an 8% increase in our quarterly distribution to $0.47 per unit, marking the ninth consecutive year of distribution increases for our business. This year's increase, while at the higher end of our target range, is below our historical average. In setting our distribution level for 2018, we have taken a conservative view around the timing of deployment of our substantial liquidity in addition to retaining more cash in the business to fund our growing backlog of projects.

So, with that, thanks for your time this morning and I'll hand the call over to Sam.

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**Sam Pollock, Chief Executive Officer**

Thanks Bahir, and good morning, everyone.

As Bahir mentioned, we have deployed significant capital this year in both the organic growth and new investment fronts and have made good progress with our capital recycling program. While global M&A activity remains frothy, we have been disciplined and focused on situations where we can leverage our competitive advantages to invest for value and we've disposed of mature businesses at premium valuations to redeploy the proceeds into higher-returning opportunities. I'll take this time to provide an update on a few of the initiatives underway, as well as provide a bit of an outlook for the business in the current economic environment.

To start with, in November we signed a binding agreement to acquire a minimum 53% controlling interest in Gas Natural Colombia, the second largest natural gas distribution system in Colombia. The business operates a high-quality distribution system with regulated revenues and predictable cash flows comprised of over 21,000 kilometres of pipelines serving approximately 2.9 million residential, industrial, and commercial customers within the City of Bogotá and around. The business operates in a transparent and collaborative regulatory environment where Brookfield has experience owning and operating other regulated assets. We also have the ability to deliver incremental value and grow revenues through the offering of ancillary services. At the end of December, we acquired an initial 11% stake in the company along with our institutional partners and we will be making subsequent investments in a staged approach during the first half 2018. This will include a private purchase of the remaining interest held by the largest shareholders, as well as a minority tender offer for the remaining minority interest. This may result in close to full ownership for Brookfield Infrastructure and its institutional partners. In total, the opportunity for 100% ownership will require an equity investment of approximately $600 million, or about $170 million by Brookfield Infrastructure.

With respect to organic growth, approximately $900 million was invested into capital projects during 2017, of which $400 million was funded with equity, and the balance is project-level debt. We also added $1.3 billion of new projects to our capital backlog, several of which Bahir alluded to, which we expect to commission over next 24 to 36 months. Over the past five years, roughly 80% of our equity for growth initiatives went into acquisitions, while approximately 20% went to organic growth projects; however, in more recent years, a greater proportion of our investment activity has been directed to organic growth. In the next 24 months we estimate deploying approximately $1 billion of equity into organic growth initiatives, which on an annualized basis is more than double the levels we invested at less than five years ago. Our goal over the next several years is to generate 30% to 40% of our investment activity through organic projects, which typically generate the strongest risk-adjusted returns to our business.

On the capital recycling front, as mentioned in the past, we plan to monetize roughly $1.5 billion to $2 billion of investments over a two-year period. With the closing of the sale of our interest in Transelec, Brookfield Infrastructure will have sold all five of its initial investments from its spinoff in 2008. Transelec generated strong and predictable cash flows throughout the time we held it and now has a mature cash flow profile, making this a good time to monetize this investment for good value and redeploy the proceeds at significantly higher returns. Upon closing, which is subject to customary closing conditions and approvals, we will have generated a compound internal rate of return on this investment of approximately 16%, or 18% on a pre-tax basis. Closing is targeted to occur in first half of 2018.

Now I'll shift gears a bit and talk about the current economic environment and how certain trends might affect Brookfield Infrastructure. Global economic growth going into 2018 is excellent and in some regions, GDP growth is the strongest it's been since the financial crisis. It's approaching 3% in Canada, the U.S. and Europe, and China and India are projected to approach 7%. In the meantime, South America continues its economic recovery as Brazil experiences growth and commodity price recovery. On the ground in our businesses, we are observing the following indicators of economic growth as well: We had the highest traffic growth relative to GDP growth, which we usually refer to as a multiplier on our South American roads, that we've seen in years; record utility connections in our U.K. distribution business, which is driven by strong housing starts; we've got record volumes and corresponding long queues for vessels at our terminal in Australia; we've got increasing gas volumes in our gas transmission system in United States; and data consumption reported by our French telecom customers has more than doubled year-over-year. Credit quality and growth prospects for our industrial and commodity-based customers have improved significantly with the recovery in commodity prices in the past 12 to 18 months, and there is a notable increase in the level of inquiries from customers to invest into our networks to accommodate their growth projects. As customers are typically required to commit to long-term contracts in order for us to proceed with the capital expansion, this provides a good indication of their positive business outlook. This also bodes well for same-store growth in 2018 and supports our expectation that our capital backlog should continue its upward trend, fuelling future growth in the business.

As a follow-on to my comments on growth, I'd also like to comment on the prospect of rising inflation and interest rates. While statistically, there currently appears to be only benign levels of inflation in most of the jurisdictions where we operate, there is some evidence of wage and price increases in certain markets and it's unclear to us whether this will translate into higher inflation rates or whether it will be offset by the deflationary impact of technology. As approximately 75% of our revenues are indexed to inflation, all other factors being the same, we are positioned to benefit from higher inflation. So, should inflation rates increase, we feel that our contractual frameworks will protect our cash flows and allow us to outperform many other businesses that do not have these protections.

With respect to interest rates, we have been in the midst of a rate tightening cycle by central banks. So far, the yield curve has mostly flattened and long-term rates have stayed under 3% in the U.S. The prudent assumption, however, is that the yield curve will continue to edge upward over the next year. We have expected for some time that interest rates may move up and, as a result, over the past number of years we have proactively refinanced our businesses and extended debt maturities. Consequently, Brookfield Infrastructure has only 25% of its debt maturing before 2022 and approximately 80% of this debt is fixed rate; therefore, our financial costs are, for the most part, locked in and we have little exposure to rising rates in our operating cash flows for the foreseeable future. In our recent investment activities, we continued to apply a conservative approach to our underwriting assumptions, especially with respect to financing.

To conclude, the current economic environment is favourable for our operations and we are optimistic about 2018. Our strong balance sheet and $2.6 billion backlog will fuel continued growth in the business. For the balance of the year, our primary focus is to execute on our capital deployment strategy, including closing on the Colombian transaction and completing the Indian toll road investments, which are both under contract, and executing on our committed backlog of growth projects. Our business development teams are working diligently to convert a strong pipeline of M&A opportunities into investments as well. As we deploy the significant capital that currently sits on our balance sheet, we expect to add high-quality sustainable cash flows to support our FFO and distribution growth objectives.

With that, I'll conclude my remarks, and I'll now pass it back to the operator for Q&A.

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## QUESTION AND ANSWER SESSION

**Operator**

We will now begin the question and answer session. To join the question queue, you may press star then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press the pound key. We will pause for a moment as callers join the queue.

The first question comes from Frederic Bastien with Raymond James. Your line is open.

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**Frederic Bastien, Raymond James**

Good morning, guys.

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**Bahir Manios, Chief Financial Officer**

Good morning, Frederic.

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**Sam Pollock, Chief Executive Officer**

Good morning.

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**Frederic Bastien, Raymond James**

You noted that a greater proportion of BIP's investment activity will be directed at organic growth in the future but Capex invariably takes longer to produce FFO than acquisitions. How much of a rise should we expect from the time you deploy capital and the time this capital actually starts generating FFO? And just curious if that actually influences at all your organic growth expectations?

**Sam Pollock, Chief Executive Officer**

I'll start on that, Frederic, and Bahir might add some more colour as well. I guess my first reaction to your question is that, given the continuous nature of the Capex and the backlog, I think we always have new projects being commissioned as well as new projects being started, so I'm not sure there will be necessarily a lag in the business, because it's kind of a steady growth profile. As we ramp up, I guess you're probably right; there may be a bit of a delay or maybe you'll see in effect higher organic growth rates because of that, but I don't think that will be a meaningful change in our growth profile. I think, as often is the case, in fact our M&A activity tends to be a bit more lumpy as they come in bits and spurts and so that's probably where we have a bit more of the variability in our FFO growth, because if we do a large transaction then that could have a meaningful impact, but there could be a period of time when we're being patient and disciplined and then we don't have that impact on our results. So I'm not sure I fully answered your question but hopefully that was helpful.

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**Frederic Bastien, Raymond James**

Maybe I can reword it another way. I mean you're going to get significant proceeds from the sale of Transelec and you obviously can't redeploy that on day two, so are you comfortable that you can readily deploy that capital in a pretty short period of time?

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**Sam Pollock, Chief Executive Officer**

What I'm very comfortable in stating is that we will find great opportunities to deploy that capital in a reasonable period of time. What I don't want to state, because we pride ourselves on being very disciplined and super selective in our opportunities, is that we're in any rush to deploy it. In fact, given the market conditions, you know, if there is further weakness, then I'll be very happy to sit on the cash for little bit and take advantage of any more distressed sellers that could come along. So we like to be patient. We're in no rush to deploy it, but if we see a great opportunity, as Bahir said, having that strong liquidity allows us to move quickly and take advantage of those opportunities.

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**Frederic Bastien, Raymond James**

Okay, great. Thanks. And in past calls we talked about NTS and you mentioned that you liked the way that the rates were going, and you mentioned that you may be considering adding leverage to the business. How do you guys think about it right now?

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**Sam Pollock, Chief Executive Officer**

So we're still evaluating it. We're getting proposals from various institutions. The market appears to be quite favourable. We haven't made a final decision though. But there's a good probability that we'll do something sooner than later. I guess that's all I can say.

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**Frederic Bastien, Raymond James**

Okay, great. This last one from me, pretty straight forward here. You mentioned that the U.S. dollar reduced your results by about $30 million for the year. Didn't get through all of the supplemental just yet but can you indicate what the impact was on Q4?

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**Bahir Manios, Chief Financial Officer**

Hi, Frederic. It's Bahir. Yeah, $30 million was, you're correct, the impact for the full year. For Q4 it was about $6 million to $7 million. So, predominantly, most of that effect happened in the first nine months. Q4 was a little bit lighter from that perspective.

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**Frederic Bastien, Raymond James**

Okay, that's helpful. Thank you, guys.

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**Sam Pollock, Chief Executive Officer**

Thanks.

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**Operator**

Your next question comes from Cherilyn Radbourne with TD Securities. Your line is open.

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**Cherilyn Radbourne, TD Securities**

Thanks very much and good morning. Sam, wanted to start with a bigger picture question for you, and that is, where do you think we are in the cycle? And what I'm driving at there is, the M&A market would tend to suggest that we're pretty late-cycle and yet, as you talk about in your letter, your industrial and commodity-based customers seem to be in the early stages of a recovery following a pretty severe downturn. So I'm just curious what you make of those dynamics and what you think they mean for BIP.

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**Sam Pollock, Chief Executive Officer**

That's a great question, Cherilyn. I think the answer to that, I guess in our view, and, look, we are not experts in predicting cycles, so this is probably not worth all that much, but while we said we are in sort of very, you know, a favourable environment with synchronized growth around most of the world, I think in relation to the cycle it may not be so synchronized. I think in relation to maybe the consumer-related industries where they're dependent on optimistic consumers with lots of capital, maybe we're more in the late stages, because housing prices feel like they're high and debt levels are high, particularly in a number of countries like Canada and the U.K. and Australia, but in some of the commodity-type areas maybe, as you said, we might be in a different point of the cycle, because they've already shaken out a bit. So I think we might see different reactions in different sectors. It may not be the same as in past cycles.

So, as it relates to BIP, I think our view is that our commodity-related businesses are going to experience a period of growth for the next couple of years. It feels like we're heading into a period of expansion. And because it takes such a long time for them to scope projects and bring them online, that will play out for a couple of years. But on the consumer-led areas, I feel like I'm little bit more cautious on those fronts. I don't know if that's helpful or not.

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**Cherilyn Radbourne, TD Securities**

I think everybody is struggling with that question. My second question is easier. In terms of the smart meter opportunity, obviously you've been able to add a lot of capital to a marquee asset. Just curious whether that smart meter opportunity has run its course or are there still more smart meters coming up for tender?

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**Sam Pollock, Chief Executive Officer**

Hi, Cherilyn. It's Bahir. So, look, we were very pleased to execute on that large contract. If we adopted all the meters that we've secured so far, we'd take our offering size up to 3.5 million units. I think there is still a lot more to come and, you know, there's up to 20 million meters that could come as early as 2020. We're not trying to indicate that we will win all of that but if we can take a sufficient market share of that number, we think we would do very well just given the risk-adjusted return profile here. So, definitely attracted to the product offering and optimistic in our ability to secure some more in the future.

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**Cherilyn Radbourne, TD Securities**

Great. Thank you for the time.

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**Sam Pollock, Chief Executive Officer**

Thanks, Cherilyn.

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**Operator**

Your next question comes from Devin Dodge with BMO Capital Markets. Your line is open.

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**Devin Dodge, BMO Capital Markets**

Thanks. Good morning, guys. Can you provide an update on where you're seeing the most attractive opportunities from a new investment point of view? Just given some of your commentary on the distribution increase and pushing more capital into organic growth, should we take this to mean that the M&A pipeline is perhaps a little less robust than it has been in the recent past?

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**Sam Pollock, Chief Executive Officer**

Maybe I'll start with your last comment first and then, I'll give a brief overview of where we see opportunities around the world. As far as M&A activity, it's very high. So I think it's as strong as it's ever been. Having said that, there is a lot of capital out there and it's also as competitive as it's ever been, so it doesn't necessarily translate that because there is more supply that it will lead to more near-term deployment of capital, because we're going to be disciplined and, coming back to Cherilyn's comment about where we are in the cycle, there may be some good opportunities ahead of us if we're patient.

As far as where we're focused on opportunities, I'd say it's pretty broad-based. We're clearly focused in the telecom sector in the United States. We've got number of things that are actionable in the near term. Still lots of telecom activity in Europe and we're involved in situations there. And of course we continue to monitor some interesting situations in India and Asia. So that sector is very good. On the transportation side, we're continuing to look to build out our toll road business in India. There are a number of privatizations underway in that country that we think we're placed on and so that's exciting. There's also a number of other port and general infrastructure opportunities in United States that we are monitoring and are involved with and so, again, I'd say those – the activity level there is quite high. So hopefully that gives you a sense. I'd say transportation and telecom are the two sectors and regionally it's North America, Europe and Asia.

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**Devin Dodge, BMO Capital Markets**

Okay. That's really helpful. And I guess can you provide some colour on the impacts from the U.S. tax law changes on your existing investments and do these tax reforms change the way you think about future investments in the U.S.?

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**Bahir Manios, Chief Financial Officer**

Good morning, Devin. It's Bahir. So, look, the three key changes with respect to the tax bill that was signed into law obviously relate to reduction in corporate tax rates, there's also changes with that limit interest deductibility to 30% of EBITDA, and third, just again, changes with respect to how much deduction you get for your capital investments, etc. Given the size of our business today in the United States, we don't see the changes having a material impact to BIP, so I would classify them as, you know, the whole tax reform, as neutral to slightly positive, especially in light of the fact that the two last changes I noted are irrelevant for rate-regulated businesses. So, to the extent that we, for future investments, if we make investments in assets that are not rate-regulated, we'd potentially benefit from these tax reforms definitely, but for our existing business today I would say the impact would be pretty small.

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**Devin Dodge, BMO Capital Markets**

Okay. Thank you.

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**Bahir Manios, Chief Financial Officer**

Thank you.

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**Operator**

Your next question comes from Andrew Kuske with Credit Suisse. Your line is open.

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**Andrew Kuske, Credit Suisse**

Thank you. Good morning. The question really relates to some of the near-term equity volatility we've seen and, you know, clearly with that volatility, you guys are balancing an art, science, and a healthy dose of emotion as it relates to valuation of broad markets, but when you at BIP and your business, you clearly have a lot of capital deployment opportunities. Has there been any structural change from a funding perspective that you're seeing in a market basis? And clearly from your results and the commentary, a lot of your underlying operations seem to be working extremely well at this stage with some good growth, especially in the emerging market businesses, so maybe just some commentary on what you're seeing from the funding markets in relation to the equity valuations just broadly.

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**Sam Pollock, Chief Executive Officer**

Hi, Andrew. I'll start with this one.

You know, I guess at the asset level, access to debt capital around the world is still very strong. So we're not seeing anything in the credit markets that give us concern. In fact, even throughout the volatility in the first half of the first month and a bit of the year, you know, the credit markets are still very good and all the initiatives that we have underway are progressing and seem to be going well. So that's very positive.

In relation to investor reaction, it's still too early to tell. I can't say we've seen any notable changes in the private equity markets as far as people competing against us and how they're thinking about valuations and pricing their costs of capital. Time will tell. I think this is still in the early innings so we'll see if this is a long-term pullback that might impact people's views or if it's just a short-term blip.

And as it relates to us, as Bahir mentioned in his remarks, we've had a strategy for 10 years which is a whole balance of being opportunistic in the capital markets with debt, preferred and common equity. We've continued to recycle assets and we probably are entering a period of maybe recycling more assets even than we have in the past, and of course maintaining a low payout ratio so we can retain some cash flow. So that sort balanced approached we'll just keep with and it should serve us well for whatever markets are ahead.

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**Andrew Kuske, Credit Suisse**

And then perhaps as a follow up, when we look at the distribution growth that you posted this year, the 8% increase from the prior year. Obviously that's still a good number, down from the historical average, which was extremely good. Do you look at the current market situation as higher-growth dividend payers, and dividend growers aren't necessarily being rewarded and given the capital backlog you have organically and the M&A opportunities? And then I heard your comments on the capital recycling; it's just more prudent at this stage in time to effectively keep that capital on your balance sheet as opposed to keeping a double-digit distribution growth.

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**Sam Pollock, Chief Executive Officer**

Look, I think... as we looked at it we didn't think, you know, there's no magic to keeping our double-digit growth in perpetuity. I think the way we think of it is, you know, let's obviously be conservative in retaining cash when we have lot of projects in front of us. We can stay conservative in our payout ratio, and to the extent that we are very successful in deploying capital, if it means doing a mid-year adjustment to our distributions, then we can always do that; we've done that in the past. So this would not be the first time that we have come out with an 8% distribution at the beginning of the year and then upped it during the year. So I think we'll just wait and see how things unfold, and I think we're just kind of doing what we've done in the past. I don't think there's any change in how we're thinking about things.

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**Andrew Kuske, Credit Suisse**

Okay, that's great. Thank you.

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**Operator**

Once again, if you have a question, please press star then one. Your next question comes from Robert Kwan with RBC Capital Markets. Your line is open.

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**Robert Kwan, RBC Capital Markets**

Good morning. If I can maybe just start and follow-on on your last answer there, Sam. With respect to the lower distribution growth, is it more—like, directionally, is there a strategic change within the organization to try to retain more cash in addition to upping the capital recycling to keep more of the funding in-house or was the decision more around the 8%, kind of of that other piece of being conservative around just matching it more with the timing of deploying the cash, whether that's into acquisitions or otherwise?

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**Sam Pollock, Chief Executive Officer**

So when you mean organization, are you just talking about BIP or are you referring more broadly there?

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**Robert Kwan, RBC Capital Markets**

BIP.

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**Sam Pollock, Chief Executive Officer**

Okay. No, look, I think, you know, the main driver was just, we want to be patient and disciplined in how we use that capital. And today, we will have a significant amount of liquidity on the balance sheet at the corporate level and we're just not sure. We could deploy capital, there are situations, it happen very quickly, or if we don't get the right values then we may choose to hold onto it for a bit. And so we just felt that, to the extent that we are conservative, or being too conservative, as I said in my last answer, we can always make adjustments if things play out faster and more positively than our conservative outlook. So I think we just felt good with this number; we didn't feel we needed to come out with a higher growth rate, but we will see how the year progresses.

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**Robert Kwan, RBC Capital Markets**

Got it. So is it fair to say it's probably more about timing than it is than a strategic shift to fund more internally?

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**Sam Pollock, Chief Executive Officer**

Yeah, I think it's probably more that.

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**Robert Kwan, RBC Capital Markets**

Okay. When you look at the organic program, it continues to build with the uptick in the backlog this quarter with the smart meters especially. Just wondering, as that's unfolded, if you kind of just maintain the backlog and keep it flat where it is, how does that position you with respect to the 6% to 9% long-term FFO per unit growth target or specifically the non-inflationary non-GDP wedge that you've previously laid out?

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**Bahir Manios, Chief Financial Officer**

Hi, Robert. It's Bahir. So you're referring to the last bucket of, just to be clear, the 2% to 3%?

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**Robert Kwan, RBC Capital Markets**

Yeah, the 2% to 3% cash flows reinvesting. Like in terms of what you have kind of underlying, if you kept the backlog flat would you be above that? I.e. you've got more backlog than you might think about long term, relative to the size of the overall organization?

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**Bahir Manios, Chief Financial Officer**

Yeah. So the 6% to 9% doesn't require new capital, so then anything over and above—and that's basically investing 20% of our, 15% to 20% of our cash flows that we retained, but at the elevated levels of backlog, we will do much better than the 6% to 9%, at least be on the higher end, and then potentially outperform. But then you'd have to take into account the cost of that capital that we put into the businesses. So it's not, the trajectory is not going to be off the charts here. So I would say for the next little while we would forecast, and just leave currencies aside for a second, 10% to 11% growth is something that we feel pretty comfortable with.

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**Robert Kwan, RBC Capital Markets**

With strong visibility just given the backlogs secured investment number?

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**Bahir Manios, Chief Financial Officer**

That's correct.

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**Robert Kwan, RBC Capital Markets**

Okay. If I can just finish with the comment you had on some of the increasing credit quality of your customers and the increased inquires you're getting from them, wondering just when you've looked at the past cycle, you know, how is your approach going to change as you go forward with respect to new contracting, whether that'd be increased expected returns or more contract structuring given some of the past experience you've had with some of these customers on the way down, things like iron ore.

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**Sam Pollock, Chief Executive Officer**

I think generally our experience has been quite favourable. Even with the one customer that we gave some concessions to, you know, it was pretty remarkable circumstances, and the reality is we haven't, in fact, given much concessions because the price rebounded very quickly and it's been almost a nothing. But we had, you know, we really protected ourselves well in relation to having the minimum volumes, as well as the protection in the dire situation. We had $300 million of bank guarantees that really covered the investment that we made. So I feel that in that particular case you're referencing it was probably very well-structured and in the three or four, it's probably four or five years now that it's been running, we've already made our money back. So it's a fantastic investment. I think going forward we'll continue to look to secure contracts with solid counterparties and to the extent that we're unsure about their credit quality, we'll get some sort of bank protection as well. So we'll approach it the same and I don't see this cycle being any different than the last cycle.

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**Robert Kwan, RBC Capital Markets**

That's great. Thank you very much.

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**Operator**

Your next question comes from Rupert Merer with National Bank. Your line is open.

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**Rupert Merer, National Bank Financial**

Good morning, everyone. Looking at the divestiture of Transelec, how should we think about the headwind to FFO from that sale this year? And if you're looking at potentially more recycling opportunities, do you have any concern on potential FFO drag this year around the timing of redeployment of that capital?

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**Bahir Manios, Chief Financial Officer**

Hi, Rupert. It's Bahir. Maybe I'll take this one. Transelec typically generates anywhere between $75 to $80 million of FFO, or $65 to $70 million of AFFO, so that would be, call it, the impact on our results on an annualized basis. So that would be the impact.

With respect to impact on our overall results, it's all dependent again, back to Sam's earlier remarks, it's dependent on how fast we deploy that capital. We feel pretty good that we have a lot of visibility with respect to the organic growth that's going to come online. There could be dilution as a result of the sale of Transelec, no different than with the equity offering proceeds that we currently have on the balance sheet today, but we feel pretty good that we've got sufficient enough organic growth with good visibility on that to give us a lot of flexibility into our results going into the new year and into 2018 and beyond. So, yeah, hopefully that helps.

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**Sam Pollock, Chief Executive Officer**

Maybe I'd just add one thing. I guess what we're confident about and the whole reason for doing sales, is that the net proceeds that we received from the sale of Transelec, we're highly confident that we will reinvest at higher returns than what we sold at. So, while there may be some period of time when it sits in our balance sheet and that's obviously dilutive, as Bahir just said, we don't think that'll be too long. But irrespective of whether that's six months or three months or a year or whatever, on a long-term basis, that capital that we just surfaced will be accretively deployed so that we'll be better off than we were ahead of time. That's the main takeaway.

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**Rupert Merer, National Bank Financial**

Okay, great. Thank you. And secondly, your communications infrastructure business – the results were relatively flat year-over-year. I was interested in the letter to unitholders. You highlighted that data volumes in France actually doubled year-over-year. Can you talk in a little bit of detail about how that business is structured with its capacity utilization today and the contracts, and is there a point where that scale of volume increase translates into increased capital deployment or increased returns on capital?

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**Sam Pollock, Chief Executive Officer**

Okay. The business model there, putting aside the fibre-to-the-home business, but in relation to the tower business, we don't have a direct impact to our results from data usage. What happens is we obviously provide the infrastructure, the towers, and they're rented on long-term basis. And where we make more money is, you know, to extent that there is higher data usage then the tower operators typically need to add more equipment to the existing towers or they need new towers. And so we usually call these points of presence and every year we have more points of presence coming onto the business, because either we're increasing the co-location on our existing towers or we're providing new towers to the businesses for the customers. And so that's sort of the relationship with data usage in that we see no change in the direction of that dynamic in the near term. Just there's more and more data and so we expect more and more densification of our system going forward.

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**Rupert Merer, National Bank Financial**

Is it going to translate into increased organic growth potential, capital deployment?

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**Sam Pollock, Chief Executive Officer**

Absolutely. Absolutely. Yeah, it does.

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**Bahir Manios, Chief Financial Officer**

Rupert, it's Bahir. I'll just add to, just with respect to the results, in local currency we actually achieved a good amount of growth, but that was offset a little bit by foreign exchange. So in local currency terms we are seeing some good steady progress in that business and we've yet to commission some of the growth projects that we've alluded to. So there is a good amount of backlog here which will be coming online in the next couple of years. That being said, the business today is also performing pretty well.

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**Rupert Merer, National Bank Financial**

Great. Thanks for the colour.

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**Operator**

This concludes the question-and-answer session. I will now hand the call back over to Mr. Pollock for closing comments.

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**Sam Pollock, Chief Executive Officer**

Okay. Well, thank you, operator, and thank you to everyone who joined us for the call this morning. We hope you have a great rest of the winter and we look forward to updating you on our progress next quarter. Goodbye.

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**Operator**

This concludes today's conference call. You may now disconnect.

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