Brookfield Infrastructure Partners L.P.

Third Quarter 2017 Results

Conference Call Transcript

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Speakers:

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Chief Financial Officer

Sam Pollock
Chief Executive Officer

Rene Lubianski
Senior Vice President, Corporate Development

OPERATOR:
Welcome to the Brookfield Infrastructure Partners' Third Quarter 2017 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.

RENE LUBIANSKI:
Thank you, Operator, and good morning. Thank you all for joining us for Brookfield Infrastructure Partners' Third 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.

BAHIR MANIOS:
Thank you, Rene, and good morning everyone. Brookfield Infrastructure had a solid third quarter, as we generated funds from operations, or FFO, of $301 million, which translates to $0.81 on a per unit basis and represents an increase of 19% compared to the prior year. These results were on the back of meaningful contribution from new investments that closed over the last 12 months and another solid quarter of organic growth. Each one of our operating groups performed well during the quarter. On a holistic basis, results in our businesses grew by 10% on a constant currency basis, and the outlook for each one of our operating groups remains positive for the balance of the year and heading into 2018.

I'll now give a quick overview of the results for each one of our operating segments, touch on some key operational matters, and then I'll turn the call over to Sam who will take you through the various growth initiatives that are underway.

First, I'll start off by discussing results for our utilities operating group that generated FFO of $170 million in the period, representing a step-change increase over the prior year. Our results benefitted from a sizable contribution from the Brazilian regulated gas transmission business acquired in April of this year, as well as additions to rate base, predominantly in our Chilean transmission and U.K. distribution businesses, and upward inflation adjustments across the group. Results in this segment were modestly offset by the impact of the sale of our Canadian electricity business and, to a lesser extent, from foreign exchange.

On the operational front, and as previously noted in prior communications, we've been very focused on the execution of our integration plans related to our newly acquired gas transmission network in Brazil. To date, management has successfully internalized the finance, procurement, human resources and information technology functions, and our ultimate goal is to have this business running on a fully standalone basis by 2019.

Our U.K. regulated distribution operations delivered another strong quarter on the back of several large multi-utility contract wins. The business is on track to achieve its strongest annual results yet, both in terms of new sales that are up on a year-to-date basis by almost 30% compared to our record 2016 year, and in terms of completed connections that are up 15% year-over-year.

Our transport group had a very good quarter, recording FFO of $136 million, which was 21% higher than the prior year, driven by substantial earnings growth, particularly at our toll road business. This operating group continues to benefit immensely from the leverage it has to GDP growth. In that regard, both our Brazilian integrated logistics and toll road businesses are benefitting from the country's economic recovery following a severe and protracted recession. Key economic indicators have improved over the past year, which include: core inflation that is now below 3%, and represents a drop of 50% over the past year; interest rates which have fallen by over 6% and are expected to fall further; and lastly, the country's GDP, which grew modestly in the range of 1% and is expected to continue to recover heading into 2018. This economic turnaround supported a 4% increase in traffic volumes on our roads, which, combined with strong tariff increases and lower interest costs, supported a 50% improvement in this business's quarterly results.

Volumes at our Brazilian logistics business also grew meaningfully from the prior year, as a result of improvements in key industrial sectors and our ongoing ability to capture increasing volumes of agricultural products.

In our energy business, we posted FFO of $48 million for the quarter, which was 20% higher than the prior year. Results benefitted from a growing contribution from our North American gas transmission business, which had higher gas transport volumes due to reduced leverage levels in that business.

Our district energy operations also performed well during the quarter, benefitting from the contribution of newly acquired systems and new contract wins, while our gas storage business posted weaker results due to lower gas spreads compared to the prior year.

Lastly, our communications infrastructure operations in France generated FFO of $19 million in the quarter, which is consistent with the prior year. Results in local currency terms were higher by 8%, primarily reflecting additional contribution from growth initiatives, in addition to inflation indexation.

I also wanted to make a few comments on our liquidity position. In September, we successfully completed an equity offering, raising $1 billion of capital. We're very pleased to have raised this capital at a time when our pipeline of opportunities is extremely robust. With our recent addition to the S&P/TSX Index, our access to capital has never been better. We currently have corporate liquidity that is in excess of $2 billion, which positions us well to quickly execute on this pipeline of initiatives that will add value to our business.

With that, thanks for your time this morning and I'll hand it off to Sam.

SAM POLLOCK:
Thank you, Bahir, and good morning everyone. As Bahir alluded to at the beginning of his comments, we've been focused on setting the stage for the next phase of our growth in the

business. To elaborate on this, I'll start by providing updates on some of the key organic growth initiatives underway, and some of those that are already contributing positively to our results.

Firstly, at our U.K. regulated distribution business, our growth outlook for the next year is robust. This is supported by a strong housing market in the U.K., with planning permits at record highs and housing registrations reaching the highest mark in a decade. As part of our continued strategy to capture this growth, we are close to finalizing an agreement with a leading energy retailer to secure up to 2 million smart meters, which more than doubles the size of our smart meter offering, a significant accomplishment for this business. With this contract, we will secure up to 3.5 million meters, which we would look to commission over the next few years, and are on track to deploy nearly $1 billion into this business at excellent risk-adjusted returns on our capital.

Our natural gas transmission business in North America continues to capitalize on changing flow dynamics in the U.S., with Phase I of our Gulf Coast expansion progressing as planned, and continued interest in support of Phase II. During the quarter, the business also secured a significant agreement to transport gas in the Permian Basin, with incremental revenues beginning in 2018. The business is pursuing approximately $300 million of potential expansion projects. As these materialize, they could generate approximately $45 million in incremental EBITDA to BIP. We expect to provide further updates on these opportunities early next year.

At our telecom business, our management team is beginning to position the business as a strategic partner of choice to leading internet service providers. This is on the back of early success in the fibre-to-the-home market with our two network wins in the first half of the year. We also progressed several new fibre-to-the-home opportunities during the quarter. These included new network service areas tendered by municipal authorities and potential partnerships with large service providers to build out and operate segments of their networks. If successful, these initiatives could provide meaningful growth to the business.

Speaking more broadly on telecom, as we discussed last quarter, we have been focused on several opportunities in India on the M&A side. Our agreement to make a $200 million investment in a portfolio of over 40,000 towers from Reliance Telecom, which was conditional on a merger between Reliance with Aircel, the merger will not proceed and therefore this transaction won't proceed as initially intended. However, we continue to monitor the evolving situation to determine if revised terms can be agreed upon with them. Meanwhile, we remain patient in pursuing this and several other potential opportunities in the Indian telecom sector, as we believe this space has tremendous growth potential.

On the transport side of the business, in August we agreed to acquire a portfolio of 370 kilometres of toll roads in southern India for an approximately $100 million investment by BIP, bringing our overall toll road portfolio in the country to over 600 kilometres. The business is comprised of two high-quality, well-located roads which are in advanced stages of construction. Right now they are partially tolling with full commission expected early next year. This is a great investment for the business, in that it should capture the benefits of favourable demographic and economic trends in India.

In September, we held our Annual Investor Day in New York, where we discussed the investment landscape for infrastructure for the next 10 years, focusing on trends that should generate meaningful investment opportunities for our business. Last quarter, my colleague, Justin Beber, reviewed the many opportunities in the water sector, and I'll briefly discuss a few others with you that we're excited about.

First, we are focused on the data infrastructure space. Data is the fastest growing commodity in the world, with global usage growing exponentially, which requires massive investment in networks to store and transmit it, like fibre and telecom, where we have already made investments and remain focused on growing our portfolios.

Second, we see significant opportunity in municipal infrastructure. Trillions of dollars have been committed globally to making cities smarter and more connected, efficient and environmentally friendly to accommodate an increasing rate of urbanization. We see the largest opportunities for us in district energy, where we already have operations in 11 North American cities, and energy-efficient systems, such as smart meters, where we continue to deploy substantial capital. Additionally, we are ideally suited to capture scale in this sector given Brookfield's vast urban property presence.

Lastly, we are focused on making Asia a larger part of our capital allocation. Asia is the world's largest and fastest growing market, with current GDP growth of nearly 6%. It is also estimated that by 2030, the middle class in Asia is expected to be over 150% of what it is today at almost 3.5 billion people. With this growth and Brookfield's established presence in Asia, we will look to allocate capital to fund the build-out and maintenance of critical infrastructure across all sectors where we invest.

To conclude, our investment pipeline is strong, both with respect to M&A and organic growth initiatives. We are operating in a global economy where there is an exceptional need for capital to fund infrastructure projects. We intend to remain true to our investment strategy by creatively and selectively sourcing the right opportunities to achieve our target returns. We will utilize our competitive strengths of size, footprint, operating capabilities and access to capital to execute on accretive projects. We believe there are opportunities to buy for value in both developed and emerging markets.

Our primary focus for the balance of the year is to advance our robust pipeline of communications infrastructure and energy transactions that are fairly well-progressed. We also remain very focused on the integration plans at our Brazilian regulated gas transmission business and executing on organic capital project initiatives.

With that, I'll now pass it back over to the Operator and we'd be happy to take any Q&A.

OPERATOR:
Thank you. 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 star, then two. We will pause for a moment as callers join the queue.

Our first question is from Cherilyn Radbourne of TD Securities. Please go ahead.

CHERILYN RADBOURNE:
Thanks very much and good morning. I wanted to start by asking about the smart meter opportunity. Relative to the rest of the capital project backlog, which has a duration of two to three years, I believe the capital outlays for smart meters occur over a slightly shorter time period, and you also start to earn a return, effectively, as soon as you've deployed the capital. Maybe you can just give a little bit more detail there.

BAHIR MANIOS:

Hi, Cherilyn. It's Bahir. I'll start off and maybe Sam will chime in as well. You're absolutely right, we do connect these meters and they take a bit of time to fully get them adopted, but as soon as you deploy the capital you do earn that return right away. So, you're right on that front. Included in our backlog today, there's about $200 million which we expect to adopt over the next 12 to 24 months, and so that will aid our results further, and as you would have seen from our communication included in our shadow backlog that we've spoken about before, was an investment in another 2 million meters that will require about $500 million plus of capital, that we're getting pretty close on, and so should we be successful in getting that done, that will boost results further for that segment.

CHERILYN RADBOURNE:

Great, and then it was very encouraging to see the traffic growth on your toll roads. Maybe you can talk a little bit about how the recovery is progressing in Brazil and how that's impacting both the toll roads and your other GDP-sensitive business, the rail operation.

SAM POLLOCK:

Hi Cherilyn. It's Sam. I'll start and maybe Bahir might add to it as well. I would say, first, that we're obviously very encouraged with the recent progress in the economy down in Brazil. Bahir, I think, spoke to a number of the statistics that have recently come out with, you know, interest rates coming down dramatically from a year ago, 14.25% down to 7.5%. That's obviously having a real meaningful impact on the country. Inflation is down to almost, I think, 3%, but I think in some months it's been almost zero, and we're seeing growth. So, that's all positive, and that's all happening even without, I'd say, a meaningful change on the political side, where there's still some uncertainties. We expect that to get cleared up next year with the election. I'd say the improvement in traffic, we really started noticing late spring, early summer, and it's just been accelerating since then.

As far as the benefits of this improvement in the economy, I guess it affects us several ways. The most impacted is the toll roads. It was the most impacted when the economy struggled, both the impact from interest rates and also the economy, and it's the one that's rebounding the quickest.

With respect to our railroad, the part of the business that's exposed to the industrial sector, I'd say, is benefitting from the improvement in activity there. We didn't see as much of a fall-off in that business related to the agricultural sector, because that sector actually stayed fairly strong, and so most of the benefits that we pick up in the rail will come from the expansions that have taken place. So, that's all positive, but the improvements won't be necessarily GDP-related.

Then, in NTS and our transmission businesses, they're not GDP-related, but the fact that interest rates are coming down will help reduce interest costs for our transmission business, which is fantastic, and for NTS, the opportunity to finance the business and put some leverage into it will probably happen a lot sooner than we ever expected. As you know, that investment was done on a completely unlevered basis, because we thought interest rates were too high, but given that they've moved down so much and that Petrobras has already experienced an upgrade, and the sentiment for capital in the country has improved dramatically, it's likely that we will be able to refinance that business possibly as early as the first quarter of next year.

CHERILYN RADBOURNE:
Great, that's very helpful colour. That's my two, thank you.

SAM POLLOCK:
Okay. Thank you.

OPERATOR:
The next question is from Rupert Merer of National Bank. Please go ahead.

RUPERT MERER:
Good morning, everyone.

BAHIR MANIOS:
Good morning.

RUPERT MERER:
Looking at your exposure to Brazil, it's, I think, 38% of FFO now. I believe over the long run you plan to reduce that. But, two parts to the question. First, how comfortable are you with the exposure right now, and, then, secondly, how can you manage that

exposure? I imagine borrowing is one way, but are you looking at any other strategies, like currency hedging?

SAM POLLOCK:

Hi, Rupert. It's Sam. I'll start with that and, again, Bahir might jump in. I guess the first thing, maybe just touching on, strategically, are we comfortable with the level we're at now, and I'd say—I'd almost come at it a different way and say that, strategically, we sought to make more investments in the last period of time in Brazil because we felt this was a once-in-a-decade, or even longer period of time, to buy for extreme value. When we look at the investments we made with NTS and with transmission, these are the most ultra-critical assets in the country and we bought them for tremendous value. So, the fact that we were able to lock that in, I'm thrilled with, but I expect, as we've been telegraphing to people, that, you know, the window of these unbelievable opportunities was very short, and so we'll now have to look at different places to invest our capital, and things will just balance out naturally over time. So, very comfortable with where we sit, I feel like we have all the right winds at our back in the country, and we were able to buy assets that we probably never thought we ever could buy. So, that's good from that perspective.

As far as risk management, I think you touched on the main thing, which is the ability to extract capital through leverage. Given that we've underleveraged most of the businesses, particularly NTS, we'll do that. That will help manage some of the currency issues. We probably won't put any currency hedging in place. Historically, we've not found the market to be deep enough, and so the cost of hedging really wasn't representative of the true purchase price parity that exists between the U.S. dollar and the real. So, at this stage, we'll put the leverage in, we'll monitor the operations, and I think that's the current plan.

RUPERT MERER:

Great, thank you. Secondly, on Indian telecom, you're reviewing a number of opportunities there. We have seen some other transactions in that market recently. How competitive is the market? Are you comfortable you'll be able to achieve your return hurdles?

SAM POLLOCK:

Well, look, our view is that there's more assets for sale than there are buyers. Nonetheless, for a few people, like American Towers who have a business there, it was strategic for them to go and buy the portfolio that Vodafone put up, but that's, literally, probably one tenth of the assets that are for sale. Outside of American Towers, and maybe a few other private equity players, there really isn't a deep buyer market, and so we do think we can buy for good value and at scale, but time will tell. These are large companies that are selling, they don't have to sell if they don't want to, and we'll price our capital appropriately.

RUPERT MERER:
Okay, very good. Thank you.

SAM POLLOCK:
Thanks.

OPERATOR:
The next question is from Devin Dodge of BMO Capital Markets. Please go ahead.

DEVIN DODGE:
All right, thanks. Good morning. The $300 million potential expansion projects at NGPL that you highlighted, can you help us understand which projects are within that group? I'm just wondering if it includes both phases of the Chicago market expansion and the Gulf Coast reversal, or is there more to it?

BAHIR MANIOS:
Hi, Devin. It's Bahir. The $300 million—so, in our existing backlog is a second phase of the Gulf Coast expansion that we're executing on and hope to bring to completion by next year, and then included in the $300 million backlog number is another phase of that, and that makes up a big bulk of that number, in addition to several other smaller contracts that we're doing around the Permian and Waha regions.

DEVIN DODGE:
Okay, okay, thanks for that. Then, when we think about the Indian market, it seems like there's lots of opportunity. You're obviously more focused on telecom infrastructure and toll roads, but are there other sectors that look interesting, and is there a limit to how much capital you'd be comfortable deploying into the market?

SAM POLLOCK:

It's Sam again. I guess yes and yes. Firstly, just on other sectors, we're mostly focused on roads and telecom, that's where we see the best opportunities today. There are a few other sectors that we've always just monitored—airports, I guess, is one, and transmission is another—but I'd put the likelihood of transacting in those sectors anytime soon as fairly remote. I think we'll stick to the two sectors that we're currently looking at.

As far as the amount of capital that we deploy, there is sort of a limit to how much we might be prepared to put in that market, but I'd say a lot of it also depends on how attractive we see the opportunities. So, if we are able to do a tremendous investment that we think is a very unique entry point, then maybe we might do something a little larger, but I think it all depends on the situation.

DEVIN DODGE:

Okay, that's helpful, thank you, and then just one last one for me. On the asset recycling program, any updates you can provide there? I think last quarter you talked about something potentially in the back half of this year or early 2018. I'm just wondering if that's still the case.

SAM POLLOCK:

Yes, we're fairly advanced on one particular situation, we don't have an update for the market yet and we'll just see how things progress over the next little while, but our hope would be, that one way or another, we would have an update on that soon.

DEVIN DODGE:

Okay. Thank you.

OPERATOR:

The next question is from Andrew Kuske with Credit Suisse. Please go ahead.

ANDREW KUSKE:

Good morning, guys. I guess the question, it really relates to your liquidity position and the excess liquidity you have, and you've telegraphed this, you pointed to lots of opportunities out there, so you've got a bit more liquidity than you normally have. So, how do you think about normal liquidity? Then, how do you also think about just the cost of having that excess capital on your balance sheet right now?

SAM POLLOCK:

Andrew, maybe I'll touch that one, because I think the—it's an interesting question, because I think you can approach it as—there's obviously a mathematical cost. You can always calculate the drag of carrying liquidity and the negative of that, but we've always felt that, strategically, having liquidity and being able to respond quickly and aggressively to exciting opportunities that come up, you can't put a price on, and for us, we should always put ourselves in that position. Even though we might take a little bit of flack for having too much liquidity at certain points in the cycle, you just can't—that optionality of having that cash available to take advantage of those things is priceless. So, that's kind of our view, right or wrong. I know mathematically, it may not work for some, but we just think that's the way we should run the business.

ANDREW KUSKE:

That's helpful, and then, maybe, just tapping into another liquidity pool, and this was of the dialogues at the Brookfield Day, was effectively the high net worth channels and the private bank channels. What initiatives does BIP specifically have, either now or planned into the future, to really have that conduit?

SAM POLLOCK:

This is really up Bahir's alley. He spends a lot of time thinking about accessing new investments for BIP, so maybe I'll turn it over to Bahir to talk a bit about some of the stuff that we're doing. In fact, some of the analysts, yourself included, are super helpful in that regard.

BAHIR MANIOS:

No, it's great. So, this is an initiative that we started off here in Canada, and just given the familiarity with people here, it bodes very well for that investor base, and we've been doing a lot of sort of teach-in sessions, etc., using a number of the banks here in Canada, and now we've expanded that program into the U.S. where we're getting a huge amount of success through, again, using the various brokers, and you've been very helpful in that regard, Andrew, and some others, as well, because there's an immense amount of capital that's out there. In the U.S. and Europe, and to a lesser extent in Asia, we think that the opportunity set is big, but it's just going to come with more education, but I think our story bodes well for this investor base. This is definitely something that we're going to be very focused on for the balance of the year and heading into 2018. Is that helpful, Andrew?

ANDREW KUSKE:

That is helpful. Are there any kind of target size you're thinking for that market? Are these like the "gee whiz" number that Blackstone's got at the top of the house, about almost $50 billion of capital from private banking?

SAM POLLOCK:

Yes, look, I think we're probably talking two different things, a little bit. When Blackstone talks $50 billion, they're really getting large cheques from, you know, PIF, and I think most of their non-mammoth cheques are really using the traditional channels that we would use, and I suspect when it relates to infrastructure, they don't have nearly the penetration that we would. I think it'll take them some time to do that.

I guess we have a number of things going on, not just for BIP, but for BAM. We are looking at Super Core funds that will tap into different groups that Blackstone's targeted. I guess what Bahir and I were mostly talking about here was just expanding the BIP investor base. We don't think that we've really maximized the number of people who can invest in a unique infrastructure story, and we know that. Based on our contacts with investors in our institutional funds, the appetite for infrastructure product is massive, and we think that most of those people who aren't the large institutions should look at us as a proxy.

ANDREW KUSKE:

In what size on both sides.

SAM POLLOCK:

In what size? I don't know. I would love to see Bahir expand the investor base by $500 million to a billion dollars a year, if he could.

ANDREW KUSKE:

Okay. Put that under his performance objectives.

BAHIR MANIOS:

Let's take that offline, Andrew.

SAM POLLOCK:

Done. Done. Thanks, Andrew.

OPERATOR:

The next question is from Robert Kwan with RBC Capital Markets. Please go ahead.

ROBERT KWAN:

Good morning. Maybe just building upon the question around potential limits on investment in India, just when you look at your overall business—and I guess this is also building on the Brazil question—how do you think about where you want to be in terms of cash flow or asset mix between OECD and emerging markets?

SAM POLLOCK:

Robert, we don't have hard and fast percentages. I think we've always felt that just based on the activity level we see and the actionable opportunities that 70/30 was—70% OECD, 30% maybe emerging market—was a realistic or likely outcome. I just think it's going to go through phases. I guess our strategy is to make sure that we're diversified across sectors, across regions. When we can buy unique and scale franchises anywhere and that opportunity arises, we act decisively. Over time, in our regular business, as we just sort of build up through organic opportunities and different things, things will level out.

I would, I guess, hope to convey to our investors that we shouldn't focus too much on the near-term blips, and that really we should focus on are we buying great businesses at certain points in time, and then longer term, ensuring that the business does have that diversity that protects us from counterparty risk or sectoral risk, or disruptive technology risk and currencies. I think we shouldn't focus too much on currencies. We need focus on a whole array of risks.

ROBERT KWAN:

Understood. I guess, as you tilt kind of away from that longer term mix towards more emerging markets, can you just talk about how you think about trying to set yourself up in—whether it's debt leverage or payout ratio, do you actively look to be more conservative given that sometimes when things go soft globally, a lot of the correlations in EM go to one?

SAM POLLOCK:

It happens naturally, because each business gets financed on a standalone basis using investment grade metrics, and we just can't leverage Brazil or other markets aggressively, and we don't. That acts as a barometer, in any event. I think we've always had a very conservative, robust balance sheet and our payout ratios have never been high. I don't expect that we will change what we're doing. We'll just continue to run the business conservatively, keep our payout ratios in that 65% to 70% ratio, and obviously keep an eye out for the future. If we see anything that worries us, then we'll manage the business accordingly.

ROBERT KWAN:

Got it, and if I can just finish on the new Indian toll roads, given that they're finishing construction and are new, is the return profile expected to be, I guess, as a parallel, similar to AVN, which was new at the time, i.e., a ramping return profile, or is this expected to be different, and, then, I don't know if you're willing to give any comments on expected returns?

SAM POLLOCK:

The good news is that one of the roads is basically done now, and it's really the second road that'll be probably February-ish. What I would say is we should earn mid- to high-teen type returns. We think that we are getting a premium to what other people are paying for complete roads, probably 300 to 400 basis points, and so it definitely pays for us to be more creative when we do this.

In relation to the profile, I think AVN probably had a bit more of a curve to it. The going-in FFO there was relatively low, but it was due to a number of factors. Some of it was due to the ramp-up, but it also had—it had come off a period of time when there was an earthquake, and so traffic was a little depressed when we first bought it, and then also, because it had such a favourable tariff regime, where we get inflation plus 3.5% real, which is more favourable than what we get in Indian roads, you have much more of a growth profile to the cash flows. So, this one is more steady, higher going-in returns. That one was a very unique road. It's played out fantastically, obviously, but just a different profile.

ROBERT KWAN:
That's great. Thank you very much.

SAM POLLOCK:
Thanks.

OPERATOR:
Once again, if you have a question, please press star, then one to join the question queue. The next question is from Matt Borys of Raymond James. Please go ahead.

MATTHEW BORYS:
Hi. Further on your capital recycling program, do you view market conditions as favourable for the sale of any particular asset types, and which of your segments are you looking at for these sales?

BAHIR MANIOS:
Hi, Matt. It's Bahir. We definitely think the current market environment bodes very well for mature, fully sort of contracted and stable assets. There's a lot of people out there vying for these kind of assets, and I think we have a few in our portfolio today that are sort of ideally positioned for those. So, definitely, we do think that we're in a period here for a couple of years that that's going to be quite favourable.

MATTHEW BORYS:
Can you disclose which segments you're looking at?

BAHIR MANIOS:
I would just say that we're just looking to sell, as I mentioned, pretty mature assets, but I can't get into much more detail than that.

MATTHEW BORYS:
Okay, fair enough. Are there any opportunities in emerging markets, Brazil or India, for your district energy offering, or does this kind of only make sense in developed markets at the moment?

SAM POLLOCK:

We're not currently pursuing anything. We have reviewed and analyzed the markets a little bit for that. I guess, today, we have mostly focused on markets where there are established precincts and more brownfield-type of roll-up opportunities, as opposed to—I would say India and Brazil would probably be more greenfield-type systems. So, just from a time and energy perspective, we just felt that there's lots of other places to focus on before we go and spend time in those markets. But, I'll just say, longer term, absolutely, those are markets we should focus on, wherever there's real estate developments, and particularly, as the projects become bigger and the ownership of the real estate is more institutionalized, then that makes for great market conditions.

MATTHEW BORYS:

Okay, that's helpful. Thank you.

BAHIR MANIOS:

Thank you.

SAM POLLOCK:

Thanks very much.

OPERATOR:

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

SAM POLLOCK:

Okay. Well, thank you, Operator, and we would just like to thank everyone who's on the call this morning. we appreciate your interest and all the questions, and look forward to updating you on our progress next quarter.

OPERATOR:

This concludes today's conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.