Brookfield Infrastructure Partners
(Q1 2022 Results)
May 4, 2022

Corporate Speakers

- David Krant; Brookfield Infrastructure Partners Limited; CFO
- Scott Peak; Brookfield Infrastructure Partners L.P.; CIO, North America
- Sam Pollock; Brookfield Infrastructure Partners Limited; CEO
- Ben Vaughan; Brookfield Infrastructure Partners Limited; COO

Participants

- Cherilyn Radbourne; TD Securities Equity Research; Analyst
- Robert Kwan; RBC Capital Markets; Analyst
- Robert Catellier; CIBC Capital Markets; Analyst
- Robert Hope; Scotiabank Global Banking and Markets; Analyst
- Andrew Kuske; Credit Suisse AG; Analyst
- Dimitry Khmelnitsky; Veritas Investment Research Corporation; Analyst
- Naji Baydoun; Industrial Alliance Securities Inc.; Analyst

PRESENTATION

Operator: Thank you for standing by and welcome to the Brookfield Infrastructure Partners First Quarter 2022 Results Conference Call and Webcast. (Operator Instructions)

And now I'd like to introduce your host for today's program, David Krant, Chief Financial Officer. Please go ahead, sir.

David Krant: Thank you, operator, and good morning, everyone. Welcome to Brookfield Infrastructure Partners First Quarter 2022 Earnings Conference Call. My name is David Krant, and I am Chief Financial Officer of Brookfield Infrastructure Partners. Joining me today is Sam Pollock, our Chief Executive Officer, and Scott Peak, our Chief Investment Officer for North America. Following our prepared remarks Ben Vaughan, our Chief Operating Officer, will join us to take your questions.

At this time, I would like to remind you that in our remarks today we may make forward-looking statements. These statements are subject to known and unknown risks and future results may differ materially. For further information on known risk factors, I would encourage you to review our annual report on Form 20-F which is available on our website.

I'd like to begin with a few comments around the current macroeconomic environment. Top of mind for investors today are the elevated inflation levels, rising interest rates and decelerating global growth that creates headwinds for many industries. During these periods, the infrastructure sector generally outperforms. The growth and resiliency inherent in infrastructure assets is derived from inflation-linked revenues and the ability to pass through operating costs to customers. Exposure to rising interest rates is mitigated by long-term capital structures largely on a fixed rate basis, given the highly predictable cash flows these assets produce.

From a valuation perspective, the established frameworks employed across revenue, expense and debt financing protect or expand margins through revenue compounding, offsetting increases in our capital cost. These attributes in combination with strong operational performance and last year's successful capital deployment have resulted in record results to start the year.

We are pleased to report Funds from Operations, or FFO, of $493 million, a 14% increase year-over-year. This was the highest in our partnership's history. FFO per unit of $0.96 was 3% above of the prior year as a result of the shares issued in conjunction with the acquisition of Inter Pipeline, or IPL, and the equity offering completed November, that has yet to meaningfully contribute to our first quarter results. After removing the weather-related outperformance from our gas storage business last year, total FFO increased 35% and FFO per unit increased 22%.

Organic growth was robust at 10%, reflecting the benefits of elevated inflation impacting our tariffs and the commissioning of approximately $1 billion in new capital projects over the last 12 months. Our base business continues to perform well, benefiting from outperformance in utility and transport segments. Additionally, results from our North American midstream operations have benefited from IPL's first full quarter contribution, as well as outsized cash flow due to higher asset utilization, and a notable increase in commodity-sensitive revenues.

Taking a closer look at our operating results by segment, starting with Utilities, we generated FFO of $167 million, an increase of 8% on a same-store basis. Organic growth for the segment reflects higher than historical levels, given the inflation indexation and the fact that we commissioned approximately $450 million of capital into the rate base during the last 12 months. Results also benefited from the partial contribution of the Australian regulated utility we acquired in February.

Our UK regulated distribution business continues to experience strong sales activity, ending the quarter with over 100,000 new connections sold, a 32% increase quarter over quarter. This is the second-highest quarterly result on record, largely attributable to water connection sales.

At our Brazilian regulated gas transmission operation, we secured its first growth project as a result of strong demand from its key customer. This low-risk project will expand the existing network by 11 kilometers and is underpinned by a ship-or-pay contract with inflation and tariff increases over a 15-year term, similar to our existing business. Our investment will be approximately $60 million, with BIP's share being $20 million.

Moving to our transport segment, FFO was $185 million, a 14% increase over the prior year, as the segment continues to perform well under constrained supply chain conditions. Higher traffic levels on our toll road portfolio were balanced by land moves at our diversified terminal, and lower volumes transported across our rail networks due to weather-related delays.

Strong customer demand and activity levels have increased rates generally in line with inflation. Overall, our annualized rate increase across our portfolio is approximately 6% for the year, with potential room to further increase.

FFO from our diversified terminals increased by 40% compared to the first quarter of 2021. Our port operations maximized ancillary revenues by providing short-term storage solutions to our customers, offsetting lower volumes from shipping delays and transportation availability. Our U.S. LNG export terminal continues to experience strong demand. We recently completed an expansion that added a sixth commercial liquefaction train, bringing total LNG capacity to

30 million tons annually. We expect this expansion to contribute to increased annual run-rate EBITDA, underpinned by long-term take-or-pay contracts with diversified counterparties.

In our midstream segment, we generated FFO of $196 million, a step-change increase from 2021 levels. After removing the outperformance of our gas storage operations in the prior year, midstream results have more than doubled, primarily due to the first full quarter contribution from IPL. Organic growth for the segment reflects the stronger commodity price environment and higher utilization of our existing infrastructure, which has sufficient excess capacity to accommodate additional demand from our customers.

At IPL, we are experiencing increased customer demand and benefit from an overbuilt strategy employed on a long-haul pipeline. During the quarter we executed long-term transportation service agreements that combined, will add approximately $50 million of Canadian annual run-rate EBITDA by 2025.

We continue to progress to completion of the Heartland Petrochemical Complex in a safe and reliable manner. Utilizing the strategic connectivity of our adjacent red water access we plan to start up the facilities on a sequential basis, beginning with the polypropylene plant in Q2, followed by the startup of the propane dehydrogenation plant in Q3. Our current plan is to gradually ramp up production through the balance of the year. Demand for North American polypropylene continues to be robust, with end-use customers excited about the introduction of our ESG-friendly product and geographic diversity of supply.

FFO from our data segment was in line with the prior year at $58 million. Underlying growth from additional points of presence and inflationary tariffs escalators, were offset by lower revenues at our U.S. data center operation that we're repositioning for hyperscale growth, as well as the impact of foreign exchange.

We continue to focus advancing a number of capital products across our data storage sub-segment, as customer demand continues to grow globally. Today, we have active developments at seven data centers in five different countries. Once complete, we expect to add 25 megawatts of additional capacity to our portfolio.

I'd now like to touch on the strength of our balance sheet. In recent years, we have spent considerable effort proactively managing our corporate and asset-level balance sheets. Our financing strategy of securing long-duration fixed-rate debt has been successful with less than 1% of our asset level debt maturing in 2022, and no corporate maturity until 2024.

Despite a volatile backdrop of rising interest rates, capital markets have remained supportive for the high-quality contracted and critical infrastructure that we own. In April, we further enhanced our corporate balance sheets and supplemented our liquidity through a C$600 million note issuance. The offering was oversubscribed and well-received and split between a 12-year and 30-year tranche, with an average coupon of approximately 5.5%. Following the note offering, corporate liquidity totaled nearly $3 billion, which we plan on enhancing through our advanced capital recycling initiatives currently underway.

Before I turn the call over to Scott, I'd like to report on a corporate matter that we recently approved at our board of directors. We have today, a three-for-two stock split for Brookfield Infrastructure Partners' units and Brookfield Infrastructure Corporation's shares. The split will be effective on June 10th for unitholders and shareholders of record at the close of business on June 6th.

Following the strong relative performance of our shares and units over the last few years, we think that this split will ensure that our public securities remain accessible to individual holders and improve the liquidity of our units and shares. It is important to note that this split will not dilute our existing investors and will not be taxable in Canada or the United States. As the share and unit split takes effect after the record date for the June distribution, it will not affect the announced distribution for the quarter which remains at $0.54 per unit.

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

Scott Peak: Thank you, David, Good morning, everyone. I'm pleased to be joining today's call to discuss natural gas as a reliable transition fuel and a path to energy security. We are operating in a market environment of disrupted supply chains and rising commodity prices. The impact of recent geopolitical events has raised commodity prices to levels not seen in years and reinforced the importance of energy security.

Natural gas, and more specifically, LNG, will continue to be a leading transition fuel in the move towards net zero. It is also expected to play a key role in providing global energy security. These elements highlight the valuable role our critically located infrastructure plays in the processing, transportation and distribution of natural gas.

Our North American midstream businesses are well positioned in the key markets currently benefiting from high utilization rates, and increasing commodity prices. These businesses typically reserve a small portion of operational capacity as uncontracted to provide operating flexibility. Under the backdrop of the current market, this available capacity has generated incremental revenue that has contributed to our strong financial performance.

An indirect benefit of a constructive commodity environment is its impact on our energy customers, who are currently experiencing strong cash flow and strengthening balance sheets. These tailwinds to our customers' financial profile, coupled with improving market sentiment is expected to incent reinvestment into their operations.

After several years of more limited production growth, we anticipate a renewed interest in customer-initiated infrastructure expansion projects to increase capacity and throughput across our asset base. Today, we own three businesses that are expected to benefit from increased demand for LNG. There is significant interest in securing capacity at U.S. LNG export terminals. Customers on our U.S. natural gas pipeline are discussing the contracting options for a third phase of our Gulf Coast egress. Lastly, our Canadian midstream business is well situated to process and support gas deliveries to West Coast LNG export terminals currently under construction.

In addition to traditional energy businesses, our utility operations play a vital role in the transportation and distribution of natural gas to residential and industrial customers. In each of the countries we operate, energy regulators are advocating for energy security and diversification of supply that includes natural gas as a transition fuel and reliable source of base load generation.

The more limited investment in traditional energy supply and the intermittency of renewable power have created more scarcity value for our assets. As we continue to expand our footprint and recontract our assets on attractive terms, we are well positioned to deliver strong returns on both our in-place businesses and our capital recycling initiatives in the years to come. That concludes my remarks for today. I will now pass the call over to Sam.

Sam Pollock: Thank you Scott, and good morning, everyone. On today's call, I'm going to discuss some of the strategic initiatives as we have underway, and then I'll conclude with an outlook for the business. Overall, as David has discussed, we've had a strong start to the year. On top of our operational achievements and strong financial performance, we've secured nearly $1 billion of investment opportunities leading us to believe that 2022 is shaping up to be an excellent year.

We continue to see opportunities to execute our full cycle investment strategy across all segments and geographies in which we operate. We successfully invested approximately $750 million into two utility investments, including the take private of an Australian regulated utility business called AusNet and the acquisition of an Australian smart metering business called Intellihub.

Subsequent to quarter end, we announced an agreement to acquire Uniti Group in an A$3.7 billion take private transaction through a 50-50 joint venture partnership with another infrastructure investor. Total Brookfield equity for the investment is estimated to be approximately $850 million, with BIP's share at approximately $200 million.

Uniti provides wholesale and retail telecommunications services to customers and businesses in Australia. Strategically, this investment provides exposure to the country's largest pure play greenfield fiber-to-the-home wholesale operator with a stable and predictable recurring revenue stream and a significant backlog.

This business has similarities to our fiber-to-the-home product that we sell in our UK last mile connections business, and this is what attracted us to acquire it. The investment is expected to close in the third quarter of 2022.
In total, BIP has deployed or secured nearly $1 billion in equity thus far in 2022, and this represents over 60% of our estimated $1.5 billion in annual deployment that we look to target. We have a high degree of confidence in our ability to exceed the balance of our target, based on the robust pipeline of advanced opportunities that our global investment teams are pursuing. Our access to capital, local presence, an active operating approach are expected to continue to differentiate us from others.

We also continue to be active on the capital recycling front and expect to generate up to $2 billion over the next year or so. Most advanced are the sales processes for our Indian toll road business and our 2,400 kilometers of newly constructed electricity transmission lines in Brazil. Both processes are anticipated to result in binding commitments in the coming weeks and be concluded in 2022.

Generally, our capital recycling program continues to attract lower cost of capital buyers searching for de-risked and mature core infrastructure assets. In addition to sales, our current cooperative equity stands near $3 billion, which positions us well to fund a growing pipeline of accreting new investments.

I'll now conclude my remarks with a few comments regarding our outlook for the business, which is very positive. From a macro perspective, we continue to see the significant capital needed globally to build out data infrastructure networks, de-bottleneck supply chains, and decarbonize the energy and transportation sectors.

On top of this, geopolitical challenges have led countries to emphasize the onshoring of critical supply chains and industries. This phenomenon has been referred to as de-globalization and has increased in urgency because of the current conflict in Europe. We expect this re-onshoring activity and deglobalization trend to continue to accelerate, which could create hundreds of billions of dollars of new potential investment opportunities. Given the scale and global nature of our business, we are uniquely positioned to be a leader in this potentially massive investment opportunity set.

At the micro-level, the outlook for our business is equally as strong. Our expectation for 2022 is that we will deliver organic growth at the high end of our target annual range. The business is expected to benefit from the following factors, including favorable operating conditions resulting in higher tariffs from elevated inflation levels and higher utilization of our midstream assets. We have higher embedded organic growth as we continue our asset rotation strategy, and we have incremental cash flows as we progress the commissioning of several meaningful growth projects into full operations.

In addition, businesses insulate from rising interest rates, and we anticipate being able to continue to achieve a 12% to 15% return on invested capital. We have strong visibility on capital deployment, with over 60% this year's estimated target for new investments already secured, and the opportunity pipeline is probably as strong as it's ever been. Now that concludes my remarks for today. I'll pass it back to the operator. We'd be happy to take some questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) Our first question comes in the line of Cherilyn Radbourne from TD Securities.

Cherilyn Radbourne: In terms of the residential infrastructure business, it looks like you've been making some interesting acquisitions to add adjacent products and services, kind of following the playbook of the UK residential distribution business to some degree. So, I was hoping you could give us a bit of color on that, and also talk at a high level about whether there are any relevant differences in how you would expect consumer-oriented infrastructure to perform in this type of environment, versus infrastructure that's more oriented to industrial counterparties.

Sam Pollock: Cherilyn, maybe I'll start and if Scott has anything to add to my comments, then I'll leave for him to add to them. So, I guess your first question is just regarding the residential infrastructure business and our strategy of adding new distribution and products to grow the business.

This is a playbook, as you pointed out, that we were very successful in employing in our UK business. Where we’ve had great success is when we've had businesses that have that great operational leverage, where we have access into a customer's home or to a developer who has multiple needs.

The Enercare franchise, which is where our residential business resides in North America, has great access to the home. And we think that as a trend towards decarbonization takes hold, and many new, more expensive components are introduced to consumers to facilitate the reduction or the conversion from conventional fuels, that customers will need some assistance in the form of rental products or other types of means to invest in those new products and services.

And so, we're well positioned to do that, and by adding the solar product to Enercare, we think that, again, is something that's very unique adding the generation capability through that partnership. We think it's very unique. So, we'll continue to do that, and I think, that is the most accretive way we can grow that franchise.

The other question I guess you had, which is a follow-on to that, and I think what you're alluding to is that there are noises around the potential for recessions in various markets around the world, and that might impact the ability for the consumer to invest.

We think that our residential infrastructure businesses are largely recession-proof, I hate to use that word, because it's maybe too strong a word, but because they are critical, people need heating or plumbing or water products, these are not things people can do without, and many of the things that we do are our replacement products, we believe that the demand for what we provide will be sustained and the fact that we're providing a payment neck mechanism, and peace of a mind for this product, that it could, in fact, do very well in a recessionary environment.

The one area where we might see some softness is to the extent that we're providing products to homebuilders for new home sales, well, then it's possible we could see some weakness in that regard. But for the most part, I think our businesses are very well positioned for any economic environment. Scott, did you want to add anything?

Scott Peak: No, look, I thought that was great Sam, I'd just highlight that we emphasize investments in platforms. We seek accretive growth wherever it resides. So, it will not be uncommon for us to pursue adjacent synergistic growth. We're actionable across our asset portfolio. So, these types of bolt-ons and opportunistic acquisitions are going to be commonplace for us across our asset base.

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

Robert Kwan: I'm wondering just as you think about new investments, and obviously, you're just targeting trying to get strong IRRs in total, but there's been some instances here where you have had high return maybe lower multiple but high cash-on-cash returns like Inter Pipeline, and then you've had lower going-in cash-on-cash returns like Uniti and AusNet now obviously some lower risk for volatility and in the case of Uniti, higher growth.

But when you take a step back and you think about combining the investments and where you want FFO to be, like how much of a consideration is that? And maybe just overall, where are you seeing the best opportunities, right now? Is it higher cash-on-cash returns or the lower ones with growth profiles?

Sam Pollock: Robert, maybe I'll start there again and any of my colleagues want to jump in, I'll let them do that. I would say that the first thing is, we don't make acquisitions based on whether or not they have high FFO accretion or low FFO accretion. We are IRR investors and multiple capital investors first and foremost. So, the long-term prospects for the business are what counts. And so, you are correct in pointing out that sometimes, it may be that we buy businesses that have high FFO yields out of the gate and sometimes the profile is reversed.

You know, I think the overriding consideration, and I think your question is, when we buy businesses that have lower FFO yield out of the gate, what considerations do we take into account for that, versus the reverse, because it would imply higher risk, I guess. And really what we're taking into account is the longevity and risk profile around the growth in that business.

And factors that we'll take into account are how much of that growth is contracted and how visible that growth is. And in addition to that we'll also look at, what Scott referred to as the potential platform effect that we could leverage because in many of the businesses that we buy , often we're buying entities where someone is only exploiting a small piece of the opportunity and because of our experience in running many different businesses globally, we have a view that we can expand that growth to a much greater extent.

All those things, I mean, those are the things that make us successful in buying entities versus others. And we always look to add on ancillary services and products to businesses to enhance that operating leverage. Does that answer your question?

Robert Kwan: Yes. Now, that's great. The second question here is just around inflation. You talked about 10% organic growth in Q1, my apologies if you broke it out, but how much of that was specifically inflation? And as we look forward, how much more shows up in the future quarters of this year, whether that's contractually or regulatory-wise?

Sam Pollock: I think Dave's going to answer that.

David Krant: So, if we look at the 10% organic growth that we generated during the quarter, I'd say if you were to break out into the three components, and just as a reminder, that would be inflation indexation, GDP-related volume growth and capital commissioned into our earnings, probably about 6% of it was from inflation.

If we look across our segments, where you're seeing the biggest tailwinds is obviously going to be in our utilities, transport and data businesses, where on balance, probably about 90% of our businesses within those segments have inflation mechanisms built into the revenue constructs.

Looking ahead for the rest in the balance of the year, could we see further increases in inflation? I think that's possible. If the levels persist, a lot of our businesses do roll over at different parts of the year and a good example is, in the U.S. we're seeing average inflation probably around, in our business this quarter, probably around 6%. If we continue to run where they are today, for the balance of the year, we could see that go 7%, 8%, a bit higher in certain elements. So, I do see there being a little bit of opportunity for additional performance in the back half of this year if the current environment persists.

Robert Kwan: And just on the capital side, in terms of what you're spending, do the regulatory constructs and/or the contractual side of things, are you protected on cost increases for capital ? And in fact, do you benefit just from the higher spending levels?

David Krant: Largely, yes, I think to your point on the utility side for rate-based inclusion, we will benefit from higher capital costs of our connections and additions into our rate base. A lot of our large-scale capital projects that we highlighted this quarter including Train 6, the Heartland Petrochemical facility and our Brazilian transmission lines, are either fully complete construction in the case of Train 6 and an Inter Pipeline for HPC, or at Quantum we are 96% physically done construction. So, a lot of that inflation tail risk is behind us.

On the more normal recurring connections and Enercare additions, I'd say those are all repriced pretty regularly and capture inflation, to your point, which should be beneficial for the business looking ahead.

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

Robert Catellier: Could you provide some context around the U.S. data center operations, why the lower revenue and how is the business being repositioned? And in light of that, have the dynamics changed at all, in terms of how BIP is investing in that particular component of the segment?

Sam Pollock: Robert, thanks for that question. And I think we'll ask Ben Vaughan, who's our Chief Operating Officer, to address that question.

Ben Vaughan: Yes, so in that U.S. data center business, we've basically been migrating our client base away from traditional retail colocation product, towards a hyperscale and edge computing product. And so, as we've been engaging in that shift, we now have about seven megawatts of new contracts from hyperscalers to take up our space. Whereas, to put in perspective, a few years ago, we would have had none of those types of contracts.

So, the business is migrating away from a traditional retail colocation offering and towards hyperscale and edge computer offerings. So, that is the process that we're undertaking, and we've got a good pipeline of hyperscale opportunities that we're pursuing and a proven track record now of contracting with hyperscale clients for that service. So, I don't know if that's responsive to your question, but that's a strategic shift that's going on within that asset at this point.

Robert Catellier: Yes, Ben, that's exactly what I was looking for. I was curious as to the impact of competition versus a deliberate strategic change there.

Ben Vaughan: Yes. And then I guess, Robert, sorry, just to highlight and maybe to reinforce the strategic nature of it, we are reinvesting some capital into the facilities in order to reconfigure them. Because the needs of the hyperscalers are different than just the rack-by-rack retail colocation setups. So, it is a very deliberate strategy with a physical repositioning of the assets that complements the new product offering essentially. So, I hope that's helpful.

Robert Catellier: Yes, that definitely helps. And then, I'm just curious on the impact of rising interest rates on the utility ROEs, are you genuinely expecting increases in ROEs to be commensurate with some rising rates allowing for the normal regulatory lag, or do you expect some compression to ROEs because they didn't necessarily chase rates down to the bottom and obviously to mitigate the pressure on customer bills?

Sam Pollock: Hi, Robert, it's Sam here. The short answer to your question is, it will depend on jurisdictions. You know, in Australia and the U.K., we expect, subject to the lag, as you pointed out, that the rates will adjust in the normal regulatory environments. In the U.S., where we don't really have utility operations per se, but that would be a jurisdiction where there may be some delay in response to higher rates because it didn't go down as much. But for most of our businesses, whether in South America or Australia and the UK, I would expect rates to move up pretty quickly with rising rates.

Robert Catellier: Okay. And just finally, I'm curious if you're noticing any change in the permitting environment and any of your operating jurisdictions in light of a need for energy security? Is the permitting environment changing to accommodate that?

Sam Pollock: Maybe I'll ask Scott to address that one.

Scott Peak: Look, it's evolving and it's a continuing discussion with local regulators. I can't say we're seeing a quantum shift. But I think some of the recent geopolitical events have re-emphasized the need for energy security and we're hopeful we'll get everyone aligned to get permits needed for the projects to achieve that energy security. But I can't say we're seeing a quantum shift, but definitely a constructive tailwind.

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

Robert Hope: Just a follow-up question for me. I appreciate the commentary on organic growth being towards the upper end of the range in 2022. But just as we look out to 2023, shouldn't we see, kind of, equally strong organic growth just given the quantity of capital being put into place, as well as the fact that you will see, kind of, inflation being feathered into tariffs throughout the year? So just taking a look at 2023. Shouldn't the factors that we're seeing benefit 2022 equally benefit 2023 as well?

David Krant: Robert, David here. I can pick that one. I think your assumption is correct. I think one of the things that is important to highlight is obviously the inflation that we're passing through this year. One of the biggest benefits is it is compounding. These do continue to grow, and to your point, we will expect to see additional inflation through the back half of this year that should, lead to all being equal, and there are a lot of other variables that go into it but as of today, it should lead to organic growth at the high end of our target range next year.

And if you factor in that HPC will be ramping up at the balance of this year, that is another large project that should come online in 2023 that will contribute to base business earnings next year as well. So, there are a number of tailwinds that should lead to a strong outlook for 2023 as well.

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

Andrew Kuske: I think the question is for Sam, and it really relates to just the partnerships and ventures you've used over the years and how they've evolved. Maybe a little bit of how and why they've evolved and maybe just some examples. You had a partner on the Vodafone New Zealand deal, you aligned yourself with DLR in a couple jurisdictions. I guess just maybe context on how this has changed or evolved over time. Is it easier for exit, helps with risk management? Just some color would be great.

Sam Pollock: Look, I guess I would start off by saying one of our critical success factors is to be a partner of choice. And so that's something that when we go out and meet potential strategics or even some of our peers, we pride ourselves on the fact that we've got a long history going way back into the old Brascan days and we had the mining companies and we had many partnerships on projects, all the way through today and forty years later where we continue to build upon partnerships.

The investments can be large and often others are looking for someone to come in to help them but not necessarily looking to sell in every case or in some cases, someone else might have secured the deal ahead of us and need someone to help them achieve the business plan. So, we are always looking to partner with others where it makes sense.

You know, sometimes we choose to do things on our own because we feel it may make sense for us to have the full discretion over the business plan in order to achieve it, and sometimes maybe the business opportunity isn't big enough to entail a partner. But I would say, given that the scale of the opportunities today, we see being a good partner and finding good partners as a critical component to the strategy.

Andrew Kuske: That's helpful. And then maybe a different kind of partnership, just when one looks internally at the broader group and we think about the data business, part of that is real estate oriented, part of it is power oriented, and part of it is sort of telecom and infrastructure oriented. Has the thought process changed internally at Brookfield on how you think about allocating capital to that? Is it a divide and conquer at times, or is it just solely within BIP?

Sam Pollock: So as relates to data, this is clearly an area that the infrastructure group is focused on. You know, you rightly point out that, particularly with data centers, there's elements where the real estate group can be extremely helpful given their land assembly capabilities. We do leverage those capabilities in markets where it makes sense.

And I think one of the great attributes of Brookfield as an asset manager is the fact that the various platforms are able to work seamlessly across opportunities and we don't let the fact that one group may fund the capital, reduce the ability to leverage all those capabilities and expertise. So yes, the short answer, I appreciate this is long winded, but the short answer is we do get help from time to time from the other platforms, but we do fund all the data infrastructure through the infrastructure group.

Operator: (Operator Instructions) Our next question comes from the line of Dimitry Khmelnitsky from Veritas.

Dimitry Khmelnitsky: I wonder if you can walk us through how your business benefits from rising interest rates by segment, as possible.

Sam Pollock: Dave, do you want to start with that?

David Krant: Yes. Sure. I can start with that. I'd say largely before going segment by segment, I think its important to understand that our business is largely insulated from rising interest rates, because of the capital structures and the financing approach that we put in place, which is largely fixed-rate, long-duration, asset level borrowing.

So, I'd say across the portfolio outside of Brazil, 90% of our business is fixed rate with an average maturity of over seven years. So, from a balance sheet standpoint, we're largely insulated from the impacts of short-term rising rates on the upside, and where we could benefit from rising rates, as Sam alluded to earlier, is most likely in our utility business where largely ROEs and returns on equity are derived from the risk-free and prevailing interest rates of those local environments.

In which case we should start to see regulated earnings go up as these regulatory rate resets kick in over whatever period and whatever line that may be on, but I'd say our utilities business stands to benefit from it the most.

Dimitry Khmelnitsky: Got it. And any potential downsides from rising rates in any of the segments?

Sam Pollock: I would say, David touched on the balance sheet impacts, obviously that's where we see the most impact. I think where we're able to adjust the business is to the extent that rates have increased, we reflect that in our acquisition models and adjust our capital allocation both organically and inorganically.

So, I feel that as rates move up, we reflect those rising rates in all the capital decisions we make going forward. But other than on a more medium to long-term basis, we don't see too much impact from rising rates.

Dimitry Khmelnitsky: Awesome. Got it. And the last question is, I just wonder if you can confirm that in 2022, you plan to generate $2 billion of proceeds from capital recycling and whether that will come primarily from Brazil and electricity transmission and Indian toll roads.

Sam Pollock: So, we have probably six or so investments that are currently being marketed. The only two that we have probably disclosed are the ones you mentioned. Those are the near-term situations that we expect to secure. Those are relatively small in the context. There are several others that are more meaningful and will be signed hopefully in the third quarter of this year. And I think the overall timing to receive proceeds will take place over the next 12 to 15 months.

I think the ones that are going to be signed shortly, we hope to have, probably Q3 and then the rest of them that we sign in Q2, Q3 and Q4 will be thereafter, but that is the current amount that's in the pipeline is that roughly $2 billion worth.

Operator: Our next question comes from the line of Naji Baydoun from iA Capital Markets.

Naji Baydoun: Just wanted to go back to the topic of tailwinds. You talked about inflation and customer demand, and I'm just wondering if you can provide any color on FX and any potential impacts there particularly from the unhedged exposure.

David Krant: Yes. Happy to, and I think like we've seen 80% of our business today is OECD and therefore hedged back into U.S. dollars for the next on an average about 24 months. So, largely our business is very well insulated from those movements. The one currency where we do have the exposure is on the Brazilian real and we've had that historically. That's a balance of somewhere between 15% to 17% of our business. And that could be one of the tailwinds that we start to see starting in the second quarter if the currency can remain around the current levels.

I think for the first quarter, we started to see an appreciation of that currency in the month of March, albeit the overall impact on the quarter was modest if not pretty negligible. I think looking ahead, that's one of the tailwinds that we could see on the balance of the business that if it stays in the, in the 4.8, 4.9 levels that we are currently seeing.

Naji Baydoun: Okay, that's helpful detail and just wanted to ask on the M&A pipeline, it seems like it's very active. You have the different types and scale of transactions in the hopper. Some of them in the public news. I'm just wondering do you see more opportunities today to pursue more public either corporate or asset transactions, just given the volatile market environment or are you still seeing a lot of scale opportunities on the profit side?

Sam Pollock: Yes, maybe I'll take that one. It's a mix, so I would say today we probably have a good balance of both private versus public to privates. Usually, we wouldn't have as much public to privates as we have today. There does appear to be a value discrepancy between public valuations and private valuations, which makes public to privates attractive for investors like ourselves. And I think given the increasing volatility and the pullback in the market that's likely to persist, going out the balance of the year and so that will remain a focus.

But today, I wouldn't want to give you the impression that all we're focused on is public to privates. We have a large number of private opportunities that we are pursuing as well.

Operator: This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Sam Pollock, chief executive officer for any further remarks.

Sam Pollock: Thank you, operator, and thank you to everyone for joining the call this morning, we appreciate your ongoing support and look forward to speaking with you again next quarter thank you.

Operator: Thank you, ladies and gentlemen, for your participation in today's conference this does conclude the program. You may now disconnect, good day.