

Brookfield Infrastructure Partners (Q3 2022 Results)

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Corporate Speakers:

- David Krant; Brookfield Infrastructure Partners L.P.; CFO & Managing Partner
- Samuel Pollock; Brookfield Infrastructure Partners L.P.; CEO & Managing Partner
- Benjamin Vaughan; Brookfield Infrastructure Partners L.P.; COO & Managing Partner

Participants:

- Cheryl Radbourne; TD Securities Equity Research; Analyst
- Robert Kwan; RBC Capital Markets; Research Division, MD & Energy Infrastructure Analyst
- Robert Hope; Scotiabank Global Banking and Markets; Research Division, Analyst
- Robert Catellier; CIBC Capital Markets; Research Division, Executive Director of Institutional Equity Research
- Andrew Kuske; Credit Suisse AG; Research Division, MD, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research
- Naji Baydoun; iA Capital Markets; Research Division, Senior Equity Research Analyst
- Devin Dodge; BMO Capital Markets Equity Research; Industrials Analyst
- Frederic Bastien; Raymond James Ltd.; Research Division, MD & Equity Research Analyst

PRESENTATION

Operator: Hello, and thank you for standing by. Welcome to the Brookfield Infrastructure Partners Q3 2022 Results Conference Call and Webcast. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. (Operator Instructions). It is now my pleasure to introduce Chief Financial Officer, David Krant.

David Krant: Thank you, Andrew, and good morning, everyone. Welcome to Brookfield Infrastructure Partners Third Quarter 2022 Earnings Conference Call. As introduced, my name is David Krant, and I'm the Chief Financial Officer of Brookfield Infrastructure. I'm also joined today by our Chief Executive Officer, Sam Pollock. I'll begin with a discussion of our third quarter financial and operating results as well as touch on our recent capital markets activity and balance sheet strength.

I'll then turn the call over to Sam, who will provide an update on our strategic initiatives and concluding remarks. Following our commentary this morning, we will be joined by Ben Vaughan, our Chief Operating Officer, for our question-and-answer period. At this

time, I'd like to remind you that in our remarks today, we 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 20F, which is available on our website.

Brookfield Infrastructure delivered another strong quarter with funds from operations or FFO per unit of \$0.68, a 15% increase compared to the same period last year. Our favorable results were driven by organic growth of 10% and the contribution of nearly \$2 billion of capital deployed over the past 12 months.

Taking a closer look at our operating results by segment. FFO from our utilities business were 8% above the prior year at \$196 million. The base business benefited from inflation indexation and the commissioning of approximately \$500 million of capital into the rate base during the last year. Results also benefited from the contribution of two Australian utility acquisitions completed earlier this year.

These positive contributions were partially offset by the impact of increased borrowing costs at our Brazilian utilities and the fact that the prior year included the final contribution from our District Energy operations. Within our segment, we continue to build out platforms in our North American and European residential infrastructure business. In North America, we completed the tuck-in acquisition of Quebec's largest rental water heater provider with 280,000 customers under contract.

This investment expands our geographic footprint and will serve as a base for expansion into Eastern Canada. It also provides a platform to expand into new products and sales channels within the region. During the quarter, we also advanced our growth plans at our North American sub-metering business with an agreement to expand operations into the Brookfield managed residential portfolio and take over the metering of over 45 multifamily buildings across 15 U.S. states. This strategy of leveraging the broader Brookfield ecosystem has successfully accelerated organic growth for us in the past, specifically at our district energy platform and more recently in our indoor wireless systems business.

At our European residential infrastructure business, we are advancing the rollout of the heat pump rental product launched last quarter. Offering customers a financing solution to reduce the upfront cost has led to approximately 1,400 units sold in the first 4 months alone, well exceeding our expectations. We are now focusing on installation efforts as we continue to build up our rental backlog.

Moving to our Transport segment. FFO was \$203 million for the quarter, an increase of 12% compared to the prior year. Results benefited from strong organic growth driven by increased rates that were in line with inflation and stronger volumes. In our diversified terminal, volumes were up 7% compared with the prior year, driven by our U.S. LNG export terminal that commissioned a six commercial liquefaction train earlier in the year.

Volumes at our rail operations were up 2% over the prior year, following strong performance in the U.S. and in Brazil. Rates across our rail networks were up 9%, highlighted by our Brazilian rail operation, which increased tariffs by 20% on average. Across our global toll road portfolio, traffic levels increased 3% compared to the prior year, while tariffs are now 10% higher than this time last year. Prior year results included contributions from businesses that were sold, including our U.S. container terminal in the second quarter and our Chilean toll road operation in 2021.

Australian export terminal recently announced it had agreed on access to pricing with all its existing users for a 10-year period to be applied retroactively from July 1st, 2021. The new rate reflects a 29% increase to the previous framework with all users subject to a 100% take-or-pay volume and annual price escalator for inflation. This outcome provides significant cash flow certainty while preserving the strong contractual protection associated with this critical infrastructure.

Moving to our midstream segment, we generated FFO of \$172 million, which is a 67% increase over the prior year. This result was primarily due to the contribution from our diversified Canadian midstream operation, which only partially contributed in the comparable period. At a base business level, results continue to benefit from increased producer activity and strong market-sensitive revenues.

I'm pleased to report that we remain on track with the ramp-up of our Heartland Petrochemical Complex. In October, our propane dehydrogenation plant, which processes propane in the polymer grade propylene or PGP, commenced production. Having completed commissioning of the back end of the complex earlier this year, this step completes the integrated startup and will begin ramping up production gradually over the balance of the year.

Finally, our highly contracted data business continues to perform well in the current environment with FFO increasing to \$60 million for the quarter. Underlying growth from additional points of presence, incremental megawatts commissioned, and inflationary price escalators were partially offset by the impact of foreign exchange during the quarter.

The strong operational and financial performance I've just outlined is highly supportive of our investment-grade profile and access to capital. As central banks intensify their hawkish policy stance and commit to reduce inflation to target levels through future rate hikes, we continue to proactively access the capital markets to extend near-term maturities. Our 3 most notable financings completed recently totaled \$1.7 billion. They termed out 2023 and 2024 asset-level maturities at costs that are in line with that of the maturing debt. Our proactive financing strategy has positioned us well heading into 2023 as less than 2% of our asset level debt matures over the next 12 months.

Our corporate balance sheet remains well capitalized with no corporate maturities until 2024. The high proportion of fixed rate debt in our capital structure has largely insulated us from rising rates this year, and we continue to maintain an active currency hedging

strategy to protect our cash flows and investment value. During the quarter, over 80% of our FFO was denominated in or hedged to the U.S. dollar, and that program remains in place for the next 24 months.

In terms of corporate liquidity, we ended the quarter with \$2.3 billion that will increase to nearly \$3 billion following the completion of three secured asset sales announced earlier this year. These sales were in addition to the sale of our U.S. container terminal that closed earlier this year for approximately \$350 million. Of the three secured sales, the New Zealand telecom tower portfolio sale closed yesterday, our Brazilian electricity transmission lines are expected to close later this month, and the Indian toll roads are on track to close by the end of the year. In addition, several sales processes are underway that combined are expected to generate a further \$1.5 billion of net proceeds to the partnership.

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

Samuel Pollock: Thank you, David, and good morning everyone. As you just heard, our business generated strong financial results during the quarter, and we believe we will continue to perform well in all business environments. We've adhered to our financial strategy with a capital structure comprised of long-term debt at fixed rates, limiting the impact rising interest rates has on our business. Also, a significant portion of our revenue frameworks have embedded inflation indexation, which allows us to expand our margins during periods of higher inflation. These factors, combined with our substantial capital backlog should allow us to continue to grow our FFO at target levels for the foreseeable future.

In fact, our capital backlog has been significantly expanded through our recently announced partnership with Intel Corporation to invest in a \$30 billion semiconductor foundry in Arizona. Brookfield will be providing approximately \$15 billion over the construction period for a 49% interest in the facility. Most of our capital commitment has been sourced from nonrecourse debt with our base interest rate exposure fully hedged concurrent with signing. Brookfield's approximately \$2 billion equity investment, which will include approximately \$500 million from BIP is back-end weighted closer to the operational phase of the project.

This investment is structured to achieve an attractive risk-adjusted return. We draw parallels to other data investments such as hyperscale data centers that are generally contracted on a long-term basis with high creditworthy counterparties, where we do not assume technological risk. In this instance, we view Intel to be a creditworthy and market-leading partner. The transaction is expected to close by the end of 2022 and an example of the large-scale capital required to support the onshoring of critical supply chains.

This macroeconomic trend to deglobalize, combined with other trends to digitalize and decarbonize were coined by us as the “Three Ds” and are expected to create significant investment opportunities going forward.

Our successful capital deployment this year positions us well heading into 2023. We have effectively secured our capital deployment objectives for next year, underscoring our ability to remain disciplined and prioritize the pursuit of opportunistic transactions.

During our 13-year listed history, we have made several opportunistic deep value investments in marquee regulated contracted assets. Examples include the privatization of Babcock and Brown Infrastructure in 2010 and the acquisition of two Brazilian utilities during a period of political turmoil in 2016. These investments have provided unitholders with some of the strongest returns realized to date and are a direct result of our contrarian approach investing as well as our access to flexible and large-scale capital.

We believe our competitive advantages will continue to allow us to make deep value acquisitions during periods of market dislocation like we're currently experiencing. Elevated inflation levels and rising overnight lending rates will remain the primary near-term macroeconomic factors impacting the global economy. The current tone for most central banks is that interest rates will continue to rise until rates of inflation have fully abated to their target levels. While lower economic growth and higher interest rates will be unpopular, given the recent events in the U.K., most governments will defer to central banks to achieve their inflation objectives.

Consequently, we believe the investment themes for the balance of 2022 and into 2023, will be centered around operating margin resilience and financial strength. This market environment should therefore favor companies that have strong balance sheets and access to capital as well as business models that are immune to inflationary pressures like ours.

That concludes my remarks for today, and I'll now pass it back over to the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator: Thank you. And our first question comes from the line of Cherilyn Radbourne with TD Securities.

Cherilyn Radbourne: Thanks very much and good morning. My first question is when you get a downturn in the public markets like this, what in your experience, is the typical lag before that impacts the private market and results in value investing opportunities. And apart from transportation assets, which clearly have more volume sensitivity, are there any other areas where you think you might see opportunities emerge.

Samuel Pollock: Hi, Cherilyn, thanks for your questions. In regard to the lag, I think in our experience, it usually takes a number of quarters before we see the impact of lower liquidity impacting companies that have poor balance sheets, and who didn't plan ahead.

So I think we're probably still a couple of quarters away before those companies really feel the effects and need to look for capital.

And as far as valuations, that's typically when people are motivated sellers, that's when you might see some impact on values in those sectors. I'd say just as a caveat, infrastructure assets as a whole tend to be pretty resilient. And so I think we likely won't see for the most part, significant declines in the value of infrastructure assets like you might see in other sectors like private equity. So that would be one thing.

And I think to your second question about where we might see some distress and you obviously flagged more GDP sensitive sectors, which is a fair comment. I think I wouldn't necessarily draw any lines towards sectors or regions but mostly towards individual companies who, as I mentioned earlier, have very weak balance sheets where they've taken on too much debt, have near-term maturities and the market does a good job of finding those companies and punishing them. And I think that's probably the place to look. And there are always a few that surface every cycle.

Cherilyn Radbourne: Okay, that's very helpful. And then maybe just quickly, do you have any comments on the recent election outcome in Brazil and the impact on your own appetite and the appetite of institutional capital more generally to participate in that country?

Samuel Pollock: Sure. I'll maybe take that one and maybe Ben might add a few comments as he lived down there for a number of years. I think, obviously, we watch the results very closely.

This is evolving day by day, but our first impressions are generally positive in the sense that the transitions appears that it will go relatively smoothly, even though there are some protests going on. Bolsonaro has reaffirmed respect for the constitution, he has positioned himself as the leader of a strong opposition in Congress. And as I think most people may have seen a couple of weeks ago, Congress generally voted in more center right legislatures. And so I think that will be a good counterbalance to the new government that was voted in, headed by Lula.

And I think the other thing that we take as a positive is that Lula has nominated a well-known Centrus politician as leader of the transition. And so I think that sends the right signal and we expect that the ministers that get appointed should be reflective of a balanced cabinet. And I think the other thing, as I mentioned, Bolsonaro's Chief of Staff has already started the process transitioning the government.

So all the things we might have worried about with just noise around the transition does not appear it is going to take place. I think all the main government officials are now planning for change. But I think the big thing also is that any concerns we might have had a big shift to the left, I don't think that's going to take place. And the last thing I might just mention is, I think we're actually relatively positive on the outlook for Brazil in the near term, at least.

And part of that is because Brazil actually got ahead of a lot of the inflation issues and moved rates up quickly. Already, we're starting to see that it feels like they've got inflation under better control than a lot of other places, it in fact may be starting to subside a bit. And as a result, I think there could be stability in their interest rate and FX rate for the foreseeable future.

So all in all, we're positive. I think that leads to a good investment environment. We see lots of potential activity with renewed private stations, particularly in the transmission sector in the coming year. And so I think it will attract a lot of capital. And so that's both good for us from a perspective of deploying capital, but to the extent that we recycle any capital, I think there'll be lots of interest in the country. So I apologize for the long-winded answer, but generally, we're mostly positive on situation.

Cherilyn Radbourne: That was great. That was all for me. Thank you.

Samuel Pollock: Thank you, Cherilyn.

Operator: And our next question comes from the line of Robert Kwan with RBC Capital Markets.

Robert Kwan: Good morning. Just kind of coming back to your letter and you highlighting the success you've had with the contrarian approach, DBI and Brazil. Just wondering if you can compare the dislocation you're seeing now with the past.

You did mention balance sheet leverage Sam but I'm just wondering, can you compare the carve-out potential that you see at this point? And then I know that you didn't want to get too much in the sectors but maybe take it the other side, other than infra as you highlighted, are there sectors that you just don't think you're going to see a lot of opportunities in this environment.

Samuel Pollock: Hi, Robert. I think there should be deployment opportunities across all the "Three D's" that we've flagged. And what makes them very interesting for us is the fact that the capital required for all three of those trends is massive.

And we're in an environment where capital is scarce. So I think all the places that we are hunting and see as the main area for us to focus, there should be opportunities for us to invest in. In relation to deep value, it's still a little early to make any comparisons to other points in time because we're obviously at the relatively early stages of this, let's call it, correction for lack of a better expression.

And so this could go on much longer than everyone today expects. And I think there's, maybe I shouldn't say everyone expects, I think there's lots of different views on whether this will be a short period of tightening or whether or not it could be higher rates for longer. And so we'll have to see how this plays out.

If rates stay higher for longer and the recession is deep, then this could be a very attractive time for us. And obviously, the one area where things could get a lot worse because of geopolitical issues is Europe. And so clearly, that's a market that we're spending a lot of time evaluating. North America at the moment, feels a little more immune to some of the factors.

Robert Kwan: Got it. And then can you compare your current deal pipeline versus maybe where you were earlier this year? Is there more on the front burner or is this commentary really just flagging your past success and if this continues to play out, as you mentioned, maybe a couple of quarters or so that you're going to be really well positioned if the opportunities come up.

Samuel Pollock: Well, our pipeline is always pretty deep, Robert. We have a large group of professionals around the world evaluating opportunities and receiving lots of inbound. And so we're never short of opportunities. I'd say what we are always trying to do is to high grade them and pursue those that we think are the most attractive and take into account the current market conditions.

So our pipeline is deep, I think, but we also are prepared to be a little patient, given the amount of capital we've deployed and the fact that we have a number of transactions closing that's providing lots of growth for the business for the next little while. We're looking for some very interesting large transactions that could really move the needle. And so we probably are just, I think, being mindful of that opportunity.

Robert Kwan: Okay, that's great. Thank you very much.

Operator: Thank you. And our next question comes from the line of Robert Hope with Scotiabank.

Robert Hope: Good morning everyone. First question is on the asset monetization pipeline of \$1.5 billion. In your prior remarks, you did mention that in a couple of quarters, you may see some softness in asset pricing. Just want to know if that has crept into your existing processes and whether or not you've had to alter your monetization plan, not necessarily just for the 1.5%, but the next tranche behind that?

Samuel Pollock: Yeah, hi Robert. Look, I guess part of my comment to Cherilyn was we do operate in a sector that is very attractive for all the investment attributes that we described for many years, the resilience and predictability and the fact that these assets tend to weather environments like this.

So for the most part, we know there's a lot of dry powder out there. And so investors in this sector will continue to invest. I think businesses where debt is portable, will be much less impacted by the current situation than some businesses that might be carve-outs.

So to the extent that you're delivering some on the business and then they're stepping into your capital structure for the most part, we don't expect to see too much in the way of

declines in values. And so with that in mind, probably our focus on asset sales will be to sell companies where we can deliver balance sheets that are portable. And that, obviously, as a result, we shouldn't expect any decline in values.

And as things unfolded, we see the direction of interest rates and as we see them start coming down, then I think to the extent that we have businesses that carve out or things like that, where people have to put in their own capital structures. We might look at those businesses then. But for the most part, I think, to answer your question, selling businesses with portable debt would be something we would love to do.

Robert Hope: Thank you for that. And then maybe a shorter-term question. During the quarter, it looks like you had another strong quarter of volume growth on your more GDP-sensitive businesses. Are you starting to see any softness there or is the outlook for volume still quite good at this point?

David Krant: Hi Rob, it's David I can start and Ben feel free to layer on anything incremental. Look, I think if you look across our GDP-sensitive businesses, which predominantly are in our transport segment, I'd say we've seen pretty robust performance throughout the portfolio. Roads have been strong in all regions we operate.

Our rail networks have done well in the current environment with growth in Australia, Brazil and the U.S. I'd say on the diversified terminals front, that's where you're seeing a bit of a mixed bag. I'd say our U.S. LNG facility is doing extremely well. Our container terminals in Australia are doing well. The one asset that has a bit of softness so far has been our U.K. port in PD ports.

However, the one thing I would caveat is that largely, this business is highly contracted and as a landlord port, owns a lot of long-term leases, conservancy rights, so it's not as volume sensitive as some of the we would own. So, I'd say that's the only place where we have seen volumes down in single digits but not significantly, but that's where we've seen a bit of softness so far as a result of what's going on in the economy there.

Robert Hope: That's it for me, thank you.

Operator: Thank you. And our next question comes from the line of Rob Catellier with CIBC.

Robert Catellier: Hi good morning everyone. You've answered most of my questions, but I'm curious as to how your the macro view that you've discussed at length here, specifically the availability of capital might impact your approach to the distribution policy, specifically distribution growth given the fact that notwithstanding the macro environment, you have set yourselves up for a pretty strong FFO per unit growth outlook here.

Samuel Pollock: Yes, hi Robert. So I'm not entirely sure the question. I think what you're trying to ask us is, and correct me if I'm wrong, will liquidity in the market impact

the decisions that the Board ultimately takes on growth in our dividend, given that on the surface, we have very strong FFO growth. And would we dial that back because of the conditions that exist in the market. I think that's your question.

Robert Catellier: Yes, that's the question.

Samuel Pollock: Yes. So and I would say the business itself has lots of liquidity. So I think generally, the board takes a longer-term view. I think one of the things that we'll look at is the capital allocation opportunities that we have within the business, mainly some of the organic growth in front of us as well as new investments. And it's possible those could weigh on how much of a dividend increase that we have.

But look, I think we have a range, and I'm highly confident that the Board will be somewhere within that range. And in any event, we should be able to comfortably reduce our payout ratio at a minimum with these strong results. So I think we're well positioned from a unitholder perspective either with both strong dividend growth as well as improving our payout ratio, which we have been doing for the last number of years

Robert Catellier: Okay. That's helpful. And then maybe you can provide just a little bit more color on the North American submetering business and what partnering with the Brookfield real estate business can mean for the growth rate there?

Samuel Pollock: Okay. Well, I love that business, but I'm going to get Ben to talk about it and to give him a chance to talk here.

Benjamin Vaughan: Yes. So the I guess what we're excited about for that submetering business, it really partnering up with Brookfield really allows us to enter the U.S. market and accelerate our growth in the U.S. market. So we made a couple of tuck-under acquisitions in the business in the U.S. and then partnering up with our real estate business, where it makes sense to just further accelerate that growth just adds really a growth wedge and access to buildings that need our service that otherwise, we have to approach it a different way.

So I would just say at a high level, it really just helps sort of turbocharge the growth profile of the business in the U.S. market. And right now, we have a good franchise in Canada, and we're relatively smaller in the U.S. and see a tremendous growth opportunity. So that's really where we see an initial growth booster for that business in that market.

Robert Catellier: Okay. Thank you very much.

Operator: Thank you. And our next question comes from the line of Andrew Kuske with Credit Suisse.

Andrew Kuske: Thanks good morning. I guess the question is targeted at Sam and it's really about just the partnerships. This has been a consistent theme on the Investor Days,

I guess, a couple of months ago now and even on this call. Could you maybe just give us a sense of how you think this helps you expand the business on going in and buying certain assets or JV-ing and then also on the disposition of assets in the future.

Samuel Pollock: Hi, Andrew. So when you say partners, you mean joining up with either our LPs or other institutional or other investors in buying assets, is that what you're referring to?

Andrew Kuske: It's more broad than that. It's in the context of whether we look at Intel or the Deutsche deal most recently where you've engaged in a different kind of partnership than you would do in the past?

Samuel Pollock: Okay. Fair enough. Look, I would say partnering with strategics. And so maybe I'll go down this path first and if you want to add another question, feel free.

But parting with strategic has always been a key part of our playbook because at the end of the day, those tend to be situations where we can do a bilateral transaction and really structure a deal that meets their objectives, but at the same time can give us better risk-adjusted returns because often, we can trade certain things that they want and often that's various controls or operating decision-making.

And in return for that, they may be prepared to give us some downside protection. So we have done that, whether that was with our transaction with Vale a number of years ago, with Reliance Industries in India. These are all bilateral transactions where we were able to come up with really large-scale solutions that help them and gave us really good deals. And I would say the deal we did with Petrobras when we bought NTS was another example of a carve-out.

And where we restructured the beginnings of a new industry in Brazil and that's been one of our best transactions ever. So I would say, we've always done it, and we think it could be some of our best transactions so we'll continue to look for those situations. And in fact, on the back of what we've recently done with Intel, because it's so prominent, it's opened many doors for us around the world and I'm hopeful that it will lead to a number of other big transactions.

Andrew Kuske: That's helpful. And then maybe if I could just follow on with those kinds of strategic transactions, their operational expertise and industry knowledge gives you probably better downside risk, but I guess the one question is at the top of the house for Brookfield, could you spread yourselves too thin by having too many balls in the air across too many business groups?

I guess if you just think of how many businesses you're running right now, it's quite different than it was at inception. You've scaled the business quite dramatically. But do you have any worries about being spread too thinly across all the groups?

Samuel Pollock: Well, no. Look, I think we have scaled up the organization as a whole to meet the growth in the business. And you've known us for 20 years, Andrew. So you know, you probably talk to maybe 5 of us 20 years ago, and that covered all the investment team and today, it's 500. And the whole organization is comprised of 2,000 people and that's just at the top of the house.

So we've grown our business to be able to deploy capital in scale, but also deal with the complexities of operating in different businesses and in different geographies. So I feel very comfortable with our capabilities. And in fact, I think what's exciting for anyone who's invested across the Brookfield ecosystem is, we have an unrivaled, unparallel business other than maybe 1 or 2 others around the world. So no, I feel confident in our ability to continue what we're doing.

Andrew Kuske: Okay. That's great. I appreciate the colour, thank you.

Operator: Thank you. And our next question comes from the line of Naji Baydoun with Industrial Alliance.

Naji Baydoun: Hi, good morning. Just wanted to start off with the capital recycling. I think you had sort of a time line in mind a few months ago about when that \$1.5 billion could be announced or closed. Just wondering if that time line has changed as well.

Samuel Pollock: Hi, no, our expectation is that in the fourth quarter, we should have the transactions buying or at least in the right direction. And so next quarter, hopefully, we can provide more clarity on where we ended up.

Naji Baydoun: Okay. That's great. And just going back to topic of partnerships. I think you noted that you might look to pursue some CCS projects in Canada. Are there any, call it, partnerships or synergies with some of Brookfield Renewables recent investments in that market? Is that something you might be looking at?

Samuel Pollock: Yes. So and Ben can jump in here as well. We referred to, I think they call it pore space for lack of a better word, sorry for using industry jargon, but basically the area around the facilities in Alberta, where we can inject carbon and this is in relation to IPL.

Yes, I think the short answer is as the technology gets advanced, and we're lucky to have Brookfield renewable investing significantly in those new technologies that we'll be able to leverage that knowledge and expertise to apply to our existing businesses. So we would definitely look to stay close to them as they make those investments and hopefully learn from them. Ben, do you want to add to that?

Benjamin Vaughan: Yes, I would echo what you said. It's relatively early days on a lot of these strategies, but to secure rights like the ones our businesses did, position us well. And like Sam said, the renewable business has a number of initiatives on this front. And

over the years, hopefully, we'll be able to partner up in some ways and commercialize these initiatives.

Naji Baydoun: Okay. That's helpful, thank you. And just maybe a cleanup question. I think you mentioned that in the Australian export terminal business, there were some retroactive payments that were agreed upon going back almost a year. Were those in Q3 results and if yes, can you quantify them?

David Krant: Hi Naji, it's David here. The retroactive payments were agreed upon after the quarter, so they're not in our Q3 results. The only thing our future results included the elevated rate for the quarter, which we knew ahead of time, but other than that, the retro payment for backdated prior to them will be in our Q4 results

Naji Baydoun: Okay. And is it too preliminary to maybe quantify what that could be?

David Krant: Oh, no, happy to. I think the company put out guidance that the total backdated payment was around between AUD 50 million and AUD 60 million, and we own about half of the business. So on a net to bit basis, I think it's between around \$15 million to \$20 million total.

Naji Baydoun: Thank you.

Operator: Thank you. And our next question comes from the line of Devin Dodge with BMO Capital Markets.

Devin Dodge: Thanks, good morning. So just a couple of quick questions on the connections business in the U.K. So maybe just to start with, I believe connections were up in the quarter, but are you able to give us a sense if you started to see, or you expect to see a bit of softening in construction activity that may slow those connection sales?

Benjamin Vaughan: Yes. Devin, at this point, we're seeing no slowdown. The business does have fairly normal variations in the pace of both sales and connections but at this point, we're seeing no broad-based slowdown and so there's no trend that we're noting and the homebuilders continue to build out their portfolios in the country. So we monitor it closely but at this point, we're not noting any trend in any particular direction on that front.

Devin Dodge: Okay. And then, again, sticking with BUUK. Just can you remind us how the rate adjustments to homeowners work and any kind of restrictions on rate resets if there are any?

And then on the connections revenues, are these negotiated with the utilities or construction companies on a project-by-project basis that could give you flexibility to adjust those to compensate you for a higher cost of capital? Just any thoughts you can share there?

Benjamin Vaughan: Sure. So it's Ben again. I would say, first of all, to answer your second question first, we absolutely can adjust the economics of our offering to the homebuilders based on any economic impacts that we see so we can be flexible within that. And then once those are secured, usually, our economics are locked in and inflation protected over time.

And so at this point, we're not really while we track the regulation very closely, I would think of it more as it could set a max rate for us. But generally speaking, we can reprice our product over time in order to accommodate any variations in either supply costs, delivery costs or financing costs generally over time in the business. So I don't know if that answers your question, but at this point, there is no huge exposure to not being able to reprice.

Devin Dodge: Okay, no it's good colour, thank you for that.

Operator: Thank you. And our next question comes from the line of Frederic Bastien with Raymond James.

Frederic Bastien: Hi, good morning. Only one question for me. Your contrarian approach to investing leads me to believe that Europe would rank pretty high on your priority list right now, especially with the geopolitical uncertainty and the related energy and currency crisis. Do you see opportunities to accelerate your capital deployment in the region or am I barking up the wrong tree?

Samuel Pollock: Hi, Frederic. Well, look, I think you're correct that there's lots of factors which would suggest that opportunities could and should arise in Europe.

We have over the last number of years, scaled up our investing capabilities in that market and last year, in fact, I think almost half, maybe slightly less than half the capital that we deployed went into that market. So we have already been seeing lots of opportunities. And I think there could be lots more in front of us. But the only caveat being that, as I mentioned at the outset, distress tends to be company specific more often than not.

And so even though there could be more regional distress in Europe the large-scale situations that we look for where distress occur might just be a company somewhere else. And because they might have not managed their affairs properly. So, I'd just give you that cautionary thing that just because one region is where there's more problems, it doesn't necessarily mean that's where the opportunity will arise.

Frederic Bastien: Okay. That's helpful, Sam, thank you.

Samuel Pollock: Okay. Thanks, Fred.

Operator: Thank you. Now I'm seeing no further questions. So with that, I'll hand the call back over to CEO, Sam Pollock for any closing remarks.

Samuel Pollock: Okay. Thank you, operator, and thank you to everyone who joined the call this morning. We appreciate your support, and we'd like to wish you all happy holidays. I know it's a little bit early for that, but we won't be talking for another few months so happy Thanksgiving and for Americans, and happy holidays in the upcoming season. Thank you very much.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.