

TRANSCRIPT: Q2 2025 CONFERENCE CALL / WEBCAST

August 7, 2025 at 10.00 am (ET)

Corporate Speakers:

Bruce Flatt, *Chief Executive Officer*

Nick Goodman, *President*

Katie Battaglia, *Vice President, Investor Relations*

PRESENTATION

Operator

Hello. Welcome to the Brookfield Corporation Second Quarter 2025 Conference Call and Webcast. [Operator Instructions]

I would now like to hand the conference over to your speaker today Ms. Katie Battaglia, Vice President, Investor Relations. Please go ahead.

Katie Battaglia, Vice President

Thank you, Operator. And good morning.

Welcome to Brookfield Corporation's Second Quarter 2025 Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer, and Nick Goodman, President of Brookfield Corporation. Bruce will start off by giving a business update, followed by Nick, who will discuss our financial and operating results for the quarter. After our formal comments, we'll turn the call over to the operator and take analyst questions.

[Q&A Instructions] I would remind you that in today's comments including in responding to questions and in discussing new initiatives in our financial and operating performance, we may make forward-looking statements including forward-looking statements within the meaning of applicable Canadian and U.S. security laws. These statements reflect predictions of future events and trends and do not relate to historic events. They are subject to known and unknown risks and future events and results may differ materially from such statements.

For further information on these risks and their potential impact on our company, please see our filings with the securities regulators in Canada and the U.S. and the information available on our website. In addition, when we speak about our Wealth Solutions business or Brookfield Wealth Solutions, we are referring to Brookfield's investments in this business that supported the acquisition of its underlying operating subsidiaries.

With that, I'll turn the call over to Bruce.

Bruce Flatt, Chief Executive Officer

Thank you. Welcome, everyone, on the call. We delivered strong second quarter results. Distributable earnings before realizations increased 13% year-over-year to \$1.3 billion. That was \$0.80 per share for the quarter and \$5.3 billion or \$3.36 per share for the last 12 months. Performance was supported by continued momentum across our core businesses and a significant pickup in transaction activity.

Strong underlying operating fundamentals are driving demand and cash flow growth in both our asset management and operating businesses. Our Wealth Solutions business continues to grow its asset base. And last week, we announced an agreement to acquire Just Group, a leading provider of pension risk transfer solutions in the United Kingdom. This acquisition builds on the foundation we established in the U.K. earlier this year and will allow us to accelerate our growth in the country. As already one of the largest infrastructure, renewable, and property investors in the U.K., this acquisition matches well with our capabilities and positions us to assist policyholders to earn strong returns.

Turning briefly to the macro environment. Conditions continue to become increasingly constructive. During the quarter, as most of you will know, global equities hit all-time highs. Credit spreads tightened dramatically, and interest rates remain largely unchanged, with growing expectations that we may see cuts on the short end of the curve in the next while. This relative stability has been supportive of increased monotone, which reflects both the quality of the businesses we own and assets we have.

So far this year, we've completed \$55 billion of asset sales including \$35 billion in the quarter, each generating excellent returns and returning meaningful capital to investors. We also saw continued strength in the financing markets, where we opportunistically completed \$94 billion of financings across the franchise, enhancing our capital structure and deploying significant capital within the business. Against this increasingly constructive backdrop, the key themes that ground our capital deployment, digitalization, deglobalization and decarbonization are accelerating.

With a record \$177 billion of deployable capital, we are well positioned to be at the forefront of these opportunities including the next evolution of the build-out of the global economy. As an example, we are launching our AI infrastructure strategy. At the core of this strategy is the development of AI factories, which are large-scale integrated sites that combine power data shells and the equipment to provide compute capacity to the industry's leaders as well as governments and corporates seeking compute capacity.

This effort draws on the strength of our global operating teams in real estate, power and infrastructure, each today a global leader in their category. At the same time global electricity demand is accelerating at a very dramatic pace, driven by power demand for the AI revolution and the broader electrification of the energy grid. This, coupled with AI infrastructure presents a tremendous investment opportunity, particularly for our renewables and our infrastructure platforms.

As the backbone of the global economy transforms so does our approach to investing our capital. Today we have \$180 billion of our own capital on our balance sheet, predominantly invested in real assets beside or to assist our clients, where we have deep investing and operating expertise. Our long-term plan is to further enhance the efficiency of our capital structure, thereby enhancing the returns we can earn on our equity without changing the risk profile of the business. This is being done by continuing to refocus overall Brookfield as an investment-led insurance organization. using our large-scale capital base to back low-risk long-duration insurance.

On the asset side of the balance sheet, Importantly, we remain focused on the exact same asset classes where we have proven best-in-class investment skills for decades and which are ideally suited for wealth and insurance. This shift is a natural extension of our platform to continue to

drive long-term shareholder value. To date, we have had two primary sources of capital, the first being our balance sheet and the second being institutional capital in our Asset Management business.

In this next evolution, besides those two amounts, we are focusing our balance sheet to back our growing insurance operations, meaning that our capital will increasingly come from individual investors via our insurance float. Our intention is to continue funding our insurance operations from the Brookfield Corporation balance sheet to ensure that our policyholders and regulators know that we have our capital at risk to assist them. When we established our insurance business, we envisaged this as one arm of Brookfield. But after 5 years of meaningful growth and with a large number of opportunities ahead, this business is becoming an increasingly foundational part of our long-term vision for Brookfield. There will be more to come, so stay tuned.

As we plan for the future, it's important also to reflect on what has been the foundation of our growth and success from the past.

Simply stated, it is our ability to consistently adapt and evolve with the shifts in the global economy, while staying focused on generating investment returns over the long term. This started 30 years ago with real estate, moved to pipelines and electricity transmission lines, and is now led by renewable power data centers, fiber lines telecom towers, and more recently, AI infrastructure and battery storage which are just developing. Each step has been about anticipating where the world is going and positioning ourselves and our investors the center of each transformation.

Our view is that AI is next and coming after that is AI-led advances in manufacturing. The world is always evolving and it is exciting to be involved. I will end my comments by saying that we look forward to seeing you at our Investor Day on September 10 at Brookfield Place in New York. Additional details are on our website. And as always, thank you for your continued support and interest in Brookfield.

Over to Nick.

Nick Goodman, *President*

Thank you, Bruce. And good morning, everyone. Financial results were strong for the quarter. Distributable earnings or DE, before realizations were \$1.3 billion or \$0.80 per share, representing an increase of 13% per share over the prior year quarter. Over the last 12 months, DE before realizations was \$5.3 billion or \$3.36 per share. Total DE including realizations was \$1.4 billion or \$0.88 per share for the quarter and \$5.9 billion or \$3.71 per share over the last 12 months with total net income of \$2.9 billion over the same period.

Starting with our operating performance. Our Asset Management business generated distributable earnings of \$650 million or \$0.41 per share in the quarter and \$2.7 billion or \$1.72 per share over the last 12 months. Strong fundraising across our flagship funds and complementary strategies led to inflows during the quarter of \$22 billion including over \$5 billion from our retail and wealth solutions clients. Fee-bearing capital grew to \$563 billion, resulting in fee-related earnings of \$676 million, an increase of 10% and 16%, respectively, over the prior year quarter.

With final closes anticipated for our fifth vintage flagship opportunistic real estate strategy and our second vintage global transition strategy, we expect fundraising momentum to continue into the second half of 2025, which should support further earnings growth.

Our Wealth Solutions business delivered another quarter of strong results, benefiting from robust investment performance and disciplined capital deployment. Distributable operating earnings were \$391 million or \$0.25 per share in the quarter and \$1.6 billion or \$1.02 per share over the last 12 months. During the quarter, we originated over \$4 billion of retail and institutional annuities, bringing our total insurance assets to \$135 billion.

On the investment side, we deployed \$3.5 billion into Brookfield managed strategies across our portfolio at an average net yield of 8%. Our investment portfolio generated an average yield of 5.8%, allowing us to achieve strong spread earnings, which were 1.8% higher than our average cost of funds.

On both an LTM and annualized basis, we continue to deliver a return on equity that's broadly in line with our long-term target of 15% plus. As Bruce mentioned, we announced an agreement to acquire Just Group, a U.K. leader in buying pensions from companies who wish to get off the risks. This marks an important next step in scaling our global platform and expanding our presence in one of the world's fastest-growing retirement markets. Per the announcement, we plan to acquire the company for \$3.2 billion and we plan to fund this with roughly two-thirds from an acquisition credit facility and the balance from cash on hand at BWS.

While we anticipate net investment income will take some time to ramp up following the close, we expect the transaction to deliver a return on equity in line with the long-term target for the overall business of 15% plus.

With this acquisition, our insurance assets are expected to grow by approximately \$40 billion, significantly accelerating the growth of our business and advancing a short-term path towards \$200 billion of insurance assets. Our operating businesses continue to deliver stable and growing cash flows, generating distributable earnings of \$350 million or \$0.22 per share in the quarter and \$1.7 billion or \$1.07 per share over the last 12 months. These results were supported by strong underlying fundamentals and resilient operating earnings. As an example, we signed a landmark agreement with Google to deliver up to 3,000 megawatts of hydroelectric capacity across the U.S., a first-of-its-kind partnership and a testament to our unique capabilities and demonstrates our relationships with the largest buyers of power in the world.

In our real estate business, market fundamentals across the platform continue to strengthen. While this quarter's performance was impacted by softer conditions in our North American residential business, where land and housing sales have moderated, most of our real estate businesses performed well and we saw strong same-store NOI growth across our core portfolio. Demand for high-quality office and retail space remains the first choice for tenants with active requirements. We signed nearly 4 million square feet of office and retail leases during the quarter, reflecting both strong tenant demand and limited availability across our premium space. Our core office and retail assets continue to perform exceptionally well with occupancy in 94% and 97%, respectively.

As the global supply of trophy office space tightens we're seeing leasing interest begin to spill over into other high-quality, well-located assets across our portfolio, and we are seeing this trend play out in real time. For example, in downtown Toronto, one of our long-term tenants in the trophy office building approached us with expansion plans. With our trophy office space pool for a requirement of that size, we leveraged our broader platform to meet their needs by offering space in a nearby premium building where they ultimately 17-year lease.

At the same time, we're already in late-stage discussions to backfill space we vacated at rents approximately 10% higher than prior levels. Rents in premium space are well above their highest on a net effective base ever. We expect this evolving shift in tenant demand to support performance across our broader office portfolio in the coming quarters.

Moving to monetizations. Market sentiment is improving and is increasingly supportive for transactions for high-quality assets.

As Bruce mentioned, we've sold \$55 billion of assets across the business so far this year including over \$35 billion since the last quarter alone. This includes \$15 billion of real estate sales, nearly \$13 billion of infrastructure investments and \$7 billion within energy.

Some highlights include in real estate, we exited a leading student housing platform in Southern Europe for EUR 1.2 billion, sold our triple net lease platform in the U.S. for \$2.2 billion. We also completed the successful IPO of Leela Palaces in India, valuing the portfolio of \$1.8 billion and marking the largest hospitality IPO in India's history, and we executed to AUD 3.9 billion sale of a senior living platform in Australia, the largest direct real estate transaction in the country's history. In infrastructure, we sold our remaining interest in the U.S. gas pipeline for \$1.4 billion of proceeds and a stake in PD ports, one of the U.K.'s largest port operations for approximately \$1.3 billion of proceeds. In energy, we sold \$7 billion in assets, generating an aggregate 17% IRR underscoring the strength of our strategy and execution while also illustrating the global demand for high-quality renewable power assets remains strong.

Substantially, all sales were completed at or above our carrying values monetizing significant value for our clients at attractive returns. And as a result, we realized \$129 million of carried interest into income, but more importantly, with these asset sales, we've moved a number of our funds closer to carried interest realization.

And finally, across our assets, which are not our super premium assets, we continue to make progress on our monetization pipeline, completing over 10 transactions this year. One highlight was the sale of an office building in Washington, D.C. at an 11% premium to recent market comps. This generated a 5.5x multiple on invested capital. That is over 5x equity of what we invested. As markets remain constructive, we expect this momentum and monetizations to continue through the remainder of 2025 and beyond as we continue to see strong demand for high-quality cash-generative assets we own.

Shifting to capital allocation. During the quarter, we invested excess cash flow back into the business and returned \$432 million to shareholders through regular dividends and share buybacks. Notably, we repurchased over \$300 million of shares in the open market in the quarter at an average price of \$49.03, adding \$0.21 of value to each remaining share. We continue to

maintain strong access to the capital markets executing \$94 billion of financing so far this year, further bolstering our capital structure and liquidity.

We ended the quarter with conservative capitalization and high levels of liquidity including record deployable capital of \$177 billion.

Bringing it all together, our financial results were strong, and we expect continued growth in our results over the remainder of the year.

I'm pleased to confirm that our Board of Directors has declared a quarterly dividend of \$0.09 per share, payable at the end of September to shareholders of record at the close of business on September 12, 2025. The Board of Directors also approved a 3-for-2 stock split of the outstanding Class A limited voting shares, implemented by way of a stock dividend, which will be payable on October 9, 2025, to shareholders of record at the close of business on October 3, 2025.

Thank you for your time and I will hand the call back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Bart Dziarski with RBC Capital Markets.

Bart Dziarski, *Analyst, RBC*

So just wanted to ask about the growth that you're seeing in the P&C over time and potentially scaling that business to \$30 billion to \$50 billion of equity. So can you just unpack that a little bit and how you're thinking about getting there, what timeframe and any inorganic or organic plans?

Nick Goodman, *President*

Bart, welcome to the call. When we started this business, our focus was and still is to focus on low-risk liabilities, and that's meant the predominant focus so far has been on the annuity business, the PRT market, and that's where we've scaled significantly. We also identified P&C as a potential opportunity for us if we could find product lines where we felt we could bring a competitive advantage where the Brookfield experience and insight could allow us to scale something and if operated well we could run at a less than 100 combined ratio effectively giving us access to attractive float to be invested into the things that we do at Brookfield and it could be very profitable. We've taken our time to assess that. We continue to assess it. But as we do and as we identify those markets where we think we could scale while managing risk and operating something differentiated, then we will do that and allocate capital to scale. So that will be done organically to begin with. That's where we focus with Argo and some P&C within American National. We are refocusing those businesses on the lines that we think of long-term potential. And as we proceed, there could be inorganic opportunities. But for now the focus is organic.

Bart Dziarski, *Analyst, RBC*

Great. Then just a follow-up on the pricing competitive advantage that you talked about within P&C. Like, help us understand some of those dynamics in terms of what you see in these assets and your ability to price better than the incumbents?

Nick Goodman, President

I think that just comes down to risk tolerance, which comes down to your experience with an asset class. And that's leveraging our operating capabilities around the assets where we are not just an investor, but we've been an operator in those assets for a very long time. And that allows you to price risk better, we believe, while not actually increasing the risk profile of the business because we just have a deeper understanding of operations. So that's what we'll be leveraging as we look to grow.

Operator

Next question comes from Kenneth Worthington with J.P. Morgan.

Ken Worthington, Analyst, J.P. Morgan

I wanted to dig into carry and real estate dispositions really centered around this theme of market conditions are getting better. So is the environment better enough to start to pull forward carry that might have logically been expected for 2027 and '26 into the second half of this year or maybe even early '26 if the market condition path sort of continues on its current trajectory. Then from a real estate perspective, sort of fleshing out, Nick, your comments, are the additions better enough to pull forward the timing of dispositions on that T&D portfolio as well?

Nick Goodman, President

Thanks, Ken. So I'll start with the timing of carry. Listen, we are making excellent progress on the monetizations. As you said, it's \$55 billion year-to-date, and it's diversified across asset class and geography, which is very encouraging. The breadth and depth of interest from buyers has been very strong. As it relates to carried interest, it obviously takes time. The market is strong. The focus today is on well-run assets with good platform, with good growth potential, and that's what we've been bringing to market. To bring them to market, to execute sales to complete the sales takes time.

So I think what we are doing is executing probably in line with the plan that we had expected at the start of the year. And obviously the capital markets and general conditions are being conducive to executing that plan. So it has not changed significantly our expected timing on carry. We would still expect this year to be sort of a bridge year broadly in line with last year and then see a significant step up into next year. That will just really be dependent on the actual timing of the transactions and the processes. But right now points to us being broadly in line with what we would have laid out before.

On real estate, what I'd say on real estate, my observation is we've talked extensively over the last few years, and we've been fairly consistent in saying that for real estate transaction activity pickup, we need two key foundations to be in place. One, we need to see the strong operating fundamentals and therefore, the sentiment turn more positive. Secondly, we need to see constructive capital markets to support transaction activity.

I'd say that both of those boxes feel like they are checked now the operating fundamentals for high-quality real estate across the board are very strong. Specifically, as you're asking on balance sheet for office and retail as we talked about, the occupancy is high, supply-demand fundamentals are heavily in our favor. And that is why we're seeing consistent record rents signed across the portfolio and across the globe.

So I think with those two boxes checked, we're now starting to see transaction activity pick up. Within the T&D portfolio, we said well over 13 assets so far this year. We have a lot of assets there that's contributing equity, and we'll continue to execute. Again it takes time to execute those sales, but we have more assets coming to market. We have some actively in the market right now and we will just continue to execute the plan.

Ken Worthington, Analyst, J.P. Morgan

Okay. Great. And just a little one on the Just acquisition. I think you said two-thirds of the financing was coming from a facility. Can you sort of describe what that facility is? And how does that facility or the funding from that facility impact the economics for you and the accretion, if at all?

Nick Goodman, President

So Ken, I would just make a general comment, and this would apply to broadly most questions on Just that you may have on the call that this is a public to private transaction and it's subject to pretty strict U.K. takeover rules. So we are very limited in what we will and can say about the transaction at this stage. If you read the information contained in the public 2.7 announcement, that will give you extra detail on the extra documents filed on a micro site that we can point you to, but we're limited in what we can say at this time about the transaction.

Operator

Next question comes from Mario Saric with Scotiabank.

Mario Saric, Analyst, Scotiabank

Just one for me. And maybe coming back to the disclosed evolution of focus on the balance sheet on growing the insurance operations. With that in mind, are there any kind of longer-term kind of desired or implications for the corporate structure that you say but perhaps you didn't envision five years ago when this initiative started including perhaps desired ownership levels and other listed vehicles.

Nick Goodman, President

Not as it pertains to those, Mario. Listen, I think Bruce said it in his remarks that when we started this company, we thought it would be a very attractive opportunity to deploy capital and would have synergies to broader Brookfield, but it would be a discrete investment. I think what we're seeing is the opportunity and the synergies are more significant and therefore, it's become more integrated into overall Brookfield. I think when we started this, we always had the intention to fund it on balance sheet.

What we're seeing in the business is just reaffirmed that expectation. This business will stay heavily integrated into Brookfield and that would be the approach. I think the important three things to note as we scale the business is, one, it will be a tremendous engine for growth for BAM, who manages the capital; two, as pension markets open up this will be very powerful for broader Brookfield; and three, we just think it will be a more efficient capital structure and will allow us to enhance our returns on capital.

So I think that's the key message. And probably the last thing I would add and just to be very clear, like our single skill in Brookfield is investing people's capital, institutions, sovereigns, individuals and making good risk-adjusted returns, and none of that is changing. This is just potentially a more efficient way to accelerate the scale and the returns of our business.

Operator

Our next question comes from Cherilyn Radbourne with TD Cowen.

Cherilyn Radbourne, Analyst, TD Cowen

With respect to the dedicated AI infrastructure strategy that you're preparing to launch, can you give us some color on whether you expect to have cornerstone investors to support that launch? The way that you did with the inaugural transition strategy? And can you elaborate on how you will mitigate exposure to technological obsolescence risk inside the box?

Nick Goodman, President

Yes. Cherilyn, it's Nick. I think first of all, yes, I think that is something that we are working on when we launch these new strategies. It can be very appealing to some of our largest shareholders around the world, and this is obviously an asset class they're very focused on. So we are engaged with a number of our largest clients. And if things play out, it would be similar to how we launched the transition fund.

I think on your second question, that is sort of how that's through our engagement with the off-takers or who will be providing these services to we will be structuring these investments in a way where we can limit our downside risk and exposure and effectively providing capital to fund the build-out of the backbone of that infrastructure. So we'll come down to the structure and in terms of the capital we provide, but it will be done to meet the criteria of the risk-return profile of this capital, which will be similar to other funds that we've raised.

Cherilyn Radbourne, Analyst, TD Cowen

Great. Then just as a quick follow-up with respect to carried interest. Can you remind us which funds are currently recognizing carried interest and which are approaching that milestone?

Nick Goodman, President

Yes. So the carry contribution this year has come from some Oaktree funds. Then we've been finishing off the carry really in the first global vintage of our funds, which would have been the first infrastructure fund, the first real estate fund, which is actually now tied up. It's finished. It's complete. It's delivered an excellent return of north of 20%. So that fund is now done with the final two transactions this quarter. It would have been our fourth private equity fund, which is also largely done. Those would have been the contributors to date. The next funds, which will be significant contributors as we execute on currently signed and planned sales will be the next global infrastructure fund. So BIF II and then working into BSREP II, BSREP III and then the Oaktree opportunity funds coming short after that into X and XI.

Operator

Our next question comes from Jaeme Gloyn with National Bank.

Jaeme Gloyn, Analyst, National Bank

Just in the Wealth Solutions business. Just wanted to get a little bit more color. It looks like spread at 1.8% came in a little lighter than the last couple of quarters by my calculations. Am I reading that right? Then maybe you can just sort of talk through some of the drivers of that slight step down.

Nick Goodman, President

Sure. And also welcome to the call. Thanks for joining. We were roughly at 1.8% last quarter. So it's broadly consistent with last quarter. I think when you look at the rounding, it's down slightly compared to last quarter. I'd say it's nothing really instructive in that. We are still seeing excellent deployment opportunities, and it's probably more just about the timing of the inflows versus the speed to deployment. So when we look at the opportunity set for deployment, we're really seeing an excellent opportunity set and don't see any risk to the downside on that spread as we sit here today.

Jaeme Gloyn, Analyst, National Bank

Great. Then on the real estate operating business, two questions here. First, cash distributions coming in a little now than previous quarters. What could be driving that? Then with the improved operating environment for real estate, do you have a sense as to the timeline when operating FFO or NOI would begin to close the gap to those cash distributions?

Nick Goodman, President

Sure. So just on your first question, the cash distribution this quarter, the reduction is really just a product of the residential land and housing business, where last year, we had onetime income from lot sales that were not repeated this year. We have seen a little bit of a slowdown in home sales. I'd say the long-term outlook for the business remains strong and intact, really driven by the supply/demand fundamentals in housing but that reduction this quarter in the DE was really driven by the land and housing business.

On your question about the operating FFO for the business and the outlook, listen, I think the underlying fundamentals for the business are very strong. And so obviously we had the impact from RESI. I would tell you that the FFO this quarter, if you look at it year-over-year, is impacted by the fact that we have sold assets. So that has an impact to income.

Then we have the absence of some onetime events that were there last year. These impacts were offset by lower rates, tightening credit spreads and the effects of the deleveraging we've undertaken in the business. And I think that deleveraging, better capital markets, tighter spreads, but that's supported by the core NOI continuing to grow in the business is going to drive FFO growth over the next months and years. And as we sign these new rents like just this week, we're poised to sign a rent in a building in New York at \$300 a square foot.

It's \$300 a square foot for a new lease were poised to sign in New York this week. And as those leases start to work their way through earnings as we burn off the rent freeze and they start to work their way through earnings. We have a tremendous tailwind for FFO coming from these assets.

So I think you have strong FFO coming from those assets. While the FFO may take time to pick up, these leases are fully reflected into the valuation of the assets now as people do a long-term DCF on these assets. So I think you have that positive driver. Then I think on top of that, the increased pace of monetization is going to bring significant capital and cash flow back to the business. I mean just if you think about the three transactions announced out of BSREP and our interest in those assets, that's going to be \$500 million to \$600 million of cash flow for the real estate business from three transactions alone. So I think the outlook for the liquidity, capital, and FFO for the real estate business is very positive.

Operator

And as there are no more questions, I will now turn it back to Ms. Katie Battaglia for any closing remarks.

Katie Battaglia, Vice President

Thank you, everybody, for joining us today. With that, we'll end the call.

Operator

Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.