

Brookfield

TRANSCRIPT: Brookfield Investor Day

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BROOKFIELD ASSET MANAGEMENT INC.

Suzanne Fleming, Managing Partner of Communications & Branding

My name is Suzanne Fleming, and I head up communications and branding for Brookfield. This year, I know most of you are watching online, but we're pleased to have some of you here in the room here in New York and as well in Toronto. So however you're joining us, thank you, and welcome. Today, we have people in two locations filming live, plus we have a couple of prerecorded sessions. So let's hope it all goes off without a hitch.

We'll kick things off today with an update on Brookfield Asset Management, followed by Brookfield Renewable Partners. Then, we'll break for lunch, and we'll come back for Brookfield Property Partners, Brookfield Business Partners and Brookfield Infrastructure Partners. At the end of each session, we'll have time for questions, and then we'll have a five-minute break in between each session.

For those of you watching online, there should be a Q&A box on your screen and you could submit your question that way. For those of you in the room, here and in Toronto, there's a QR code on your table in front of you. So just scan that and it will bring up a box that you could ask your questions through.

So we'd like to remind you that in responding to questions and in talking about new initiatives in our financial and operating performance for the Brookfield companies presenting today, we may make forward-looking statements, including forward-looking statements within the meaning of applicable Canadian and U.S. law.

These statements reflect predictions of future events and trends and do not relate to historic events. They're subject to known and unknown risks, and future events may differ materially from such statements. For further information on these risks and their potential impacts on our company, please see our filings with the securities regulators in Canada and the U.S. and the information available on our website.

And with that, I'll hand it over to Bruce.

Bruce Flatt, Chief Executive Officer, Brookfield Asset Management

Thank you, Suzanne, and welcome, everyone in New York, Toronto and online. We live in unusual times. It has been a year since we did this. And I just characterized it as, "Whoa, what a year." So, although I guess what I would say is having been through a number of business contractions, each is different and each one in the middle always feels the worst.

I can tell you that at Brookfield, we have fewer issues than we've ever had before. We have greater liquidity than ever. Our business is stronger and more diverse than at any time. And probably because we started preparing early, the cycle seemed to last longer. And while no company is ever immune, I'd characterize it as, "We're in excellent shape."

We thank all the shareholders of our Brookfield companies for your support and perseverance with us. Rest assured, we are at work in the office every day watching out for your businesses. Most of our securities have traded well, not all. But most importantly, our businesses are strongly intact, and we have vast resources to ensure that each will come out of this recession stronger than what they were before. We also think significant opportunities will be coming in the next 3, 6, 9, 12 months as the recession rules through the economy. These opportunities will drive our franchise.

With those brief opening comments on the day, Nick Goodman and I are going to talk about Brookfield Asset Management first, and I'll move to our presentation. I'm going to start with the conclusion.

Our business, overall, is stronger and more diversified than ever before. Second, a prolonged period of low interest rates is very positive for the overall franchise in many ways, and I'll try to explain that later. We have successfully managed economic disruptions before, and we will this one. The opportunity set in front of us is large, and the opportunity is more scalable than ever before. And lastly, we have record levels of liquidity and have spent decades building up operating expertise to be able to work through these times and excel out the other side.

It's important always to remember what we invest in. We own the backbone of the global economy, and I'll talk about why that's important. As a result of that statement, 80% to 90% of our businesses fared well through the economic shutdown. I highlight four in the slides.

Renewable power was incredibly resilient. Our office building portfolio is 97% leased. Our healthcare facilities were used to take care of the situation at hand, and data center storage exploded during this period. Despite that, the economic shutdown caused temporary stresses on 10% to 20% of our businesses. Those included short-cycle private equity businesses, hospitality, retail malls and toll roads. The most important thing today is that those affected businesses are now on their way to recovery, each and every one of them.

I'm going to mention four overall takeaways from a broad perspective for you, and I think each one of them is important to the franchise going forward. The first is that across almost every capital market in the world, interest rates are close to, if not at, 0. We've been showing this slide for many, many years, and the difference is it said 5%, 4%, 3%, 2%, then it dropped to 0. Even more important, it looks like the forward curve is 0 for quite a while looking forward, and that has various ramifications positively for our business. 2 of them are: fundraising for alternatives will be more significant; and real asset values that have long-term streams of cash flow will be worth more in this environment.

We've shown you this slide many times. We showed it in close to the year 2000. Alternatives in portfolios of institutional clients were 5%. We estimate that number is 25% today. Through discussions with clients, we estimate that will go to 60%. When we stated that 12 months ago, it was probably on the high end of expectations. Today, it's possibly on the low end, because with 0 rate as an alternative, more money will continue to be pushed into to the alternative space.

Third, our business model has proven to be resilient through many periods of stress, whatever caused them. This one happened to be a health care and shutdown of the economies. In 2008, it was the housing crisis. In 2001, it was explosions around the world. I can go through many others. But the point being, we've built the model to ensure that we can live through these periods of stress, and the last 6 months has proven that out.

Fourth, and hopefully most importantly, the business is now launching into the next stage of growth. And I don't want to suggest this is all behind us, but we're now looking to how do we grow the business for the future as we're coming out of this recessionary period. If you look back just for a second, our franchise has grown significantly over the years and very methodically. The business today encompasses \$550 billion of total assets under management and has been built up over a 20 to 30-year period.

While doing so, we've diversified the product offering to ensure that we could deliver products that our clients needed for their portfolios. And through discussions with clients today, it is increasingly more important to them to continue to diversify these offerings for them. While doing so, our flagship funds have continued to grow, which on this slide, you can see they were reflecting back circa \$10 billion in the second round of fundraising, circa \$30 billion in the third round of fundraising, circa \$60 billion in this round of fundraising and what we expect to be a \$100 billion round that we've started into. So the business has continued to grow to facilitate our clients being able to invest with us.

On top of the flagships, we've continued to grow our perpetual strategies, which are open to our private clients. We started some of those funds in 2015. We've raised \$20 billion for those strategies to date. We have a medium-term target of \$60 billion, and we think it can be much more significant than that. And these strategies fit the fixed income alternative of portfolios, which is very significantly looking for product today. We've been able to expand those products and diversify the strategies by leveraging the institutional client base that we have. Reflecting back, that was 90 clients in 2010, and it encompasses over 2,000 clients today.

We've also increased the number of ways that clients can invest with us, and that includes through private distribution channels in the banks, in RIAs and in family offices. And also, we facilitated some investors in the public markets to invest with us in ways that are more attractive to themselves, by creating corporations alongside our partnerships. In total, the business has been built through that period of time to, as I said, \$550 billion of total assets, \$300 billion approximately of that is fee paying, and we have 1,000 professionals in 30 countries.

Nick Goodman is going to talk a lot about our balance sheet and our financial situation, but I'll make just a couple simple points. The balance sheet is very transparent and extremely liquid today. We've strengthened the balance sheet and enhanced the liquidity in very significant ways. We've grown the listed affiliates over the years to be self-sufficient entities. We have high-performing teams within each of the businesses. And all of the leverage, even within the affiliates, is recourse only, by and large, to assets. And none of it is recourse to Brookfield Asset Management, and it just gives us much more flexibility to run the business as it always has.

The liquidity, in total, is stronger than we've ever had it before, and that includes \$16 billion of core liquidity with an increasing amount of cash and financial assets at the parent company level. And over \$60 billion of capital that we can draw from clients to be able to invest in opportunities. We also have access to very significant pools of capital outside of that money, which includes the balance sheets of our partnerships, private fund capital and also, many of our clients wish to invest into investments with us. And this does 2 things. It raises further capital for larger opportunities, but it also facilitates our clients being able to invest directly into the assets that we run, and that helps them support their portfolios. And therefore, it's very good as a client interaction.

But one thing I want to make sure that we leave you with is that we never waver from our disciplined investment standards. We always try to have downside protection in the portfolio, to continue to invest with a value thesis, to be patient when doing things and to recycle capital opportunistically within the portfolio.

Our integrated approach to investing has been built on a sustainable basis, and it's built into the processes we have in the portfolio. Two large groups of assets we have are very centered on sustainability. And we own the largest pure-play renewable energy portfolio, which – some of you will sit through the presentation for – of that company today. And we also have the largest green building portfolio certified in the world. We run a very inclusive and diverse business, which is across the world in 30 different countries.

Turning just to the last 12 months, we raised \$48 billion of capital, deployed \$42 billion and realized \$16 billion. More important than that, significant numbers of all of those were done in the last six months under the conditions that we were under. We executed on many investment transactions to continue to deploy our funds.

In India, for example, we recently completed the purchase of 160,000 telecom towers for \$7.6 billion, which is the largest portfolio of telecom towers in the country. This will be a phenomenal infrastructure asset for a long period of time. We completed the property at One Manhattan West here in New York, which is on the right side of that slide. It cost us \$1.8 billion to build. We financed it for \$1.8 billion. And

the total all-in cost, on a non-recourse basis, is 3%. So it was 100% financed at cost at a 3% value. More importantly, it was done one month ago, and it was one of the largest single asset securitizations ever done in the United States. So it shows the quality of what we own.

In renewables, we completed the privatization of TerraForm, which was originally purchased a number of years ago. And in total, it was about \$11 billion of assets and increased our presence in wind, but more importantly, in solar, which is going to have a significant growth over the next number of years.

We expect to see attractive investment opportunities across all of our verticals. I'll mention a few. The power grid is decarbonizing, and our renewables business sees vast opportunities with that decarbonization. We're in a 100-year upgrade cycle in data infrastructure. Telecom companies need our capital, and we will continue to build out data infrastructure.

There will be significant recapitalizations coming for the private equity business, because out of this, many companies will need more capital. Demand for credit by corporations will continue to grow as stimulus winds down. And we believe that Class A real estate will always be in high demand in great cities.

Low interest rates mean higher valuations for most of the assets we own. And it's merely because as interest rates go down, the next alternative is something else. And if real assets or alternatives have streams of income that are locked in, the valuation of those assets is going higher. So we believe, as we evolve out of this cycle and interest rates continue to stay low, that there will be significant increases in values of alternatives.

Looking forward, our business plan remains essentially unchanged. Last year, we spoke about a \$100 billion flagship fundraising round. And we're off to a great start. We recently closed on the first round of our credit fund in Oaktree of \$12 billion, and we'll continue to raise in that fund and shortly launch many of the other flagships in the next round of financing.

We're also progressing new strategies which could be very impactful to the franchise in years 3, 5, 7 and 10. Firstly, the business of investment management for alternatives is evolving very significantly. And if you go back to that chart I showed you, institutional clients only had 5% of their portfolios in alternatives 20 years ago. Today, it's 25%, and it's going to 60%. What they need now is sometimes they want to reshuffle their portfolio. These are long-term commitments they've made. As a result of that, a whole business has emerged of secondaries and trading the LP commitments that are in funds. We think this can be very significant. It's a meaningful extension for us, and the business never existed before. So we think this could be a \$25 billion to \$50 billion business for us, and we've started up with a number of people doing this within our organization.

Second, impact funds. You may have seen we brought on into the business Mark Carney, who is one of the leaders in impact and ESG around the world. We plan on creating a vertical of funds, which will have a theme of impact investing. This is a very significant area of investment for funds for the next 25 years. We think this could be \$50 to \$100 billion AUM business.

Third, we have dabbled in technology around the businesses that we have. What we've learned from that is that technology is not all one thing, and many businesses in technology are turning into utilities. If you reflect back, what we own is the backbone of the global economy. Many of these software and software-like services are becoming utilities, just like data infrastructure, just like toll roads and just like other products. We think we can create over time a large business in buying utilities in the technology area, and this could be AUM of \$50 to \$100 billion.

And lastly, insurance. We've been slow to insurance, largely because we believed interest rates were coming down. And the greatest risk was buying portfolios where you needed to earn 6%, 5%, 4% or 3% to make your commitments on the other side. We think now, with interest rates at 0, the time is right for us

to consider expanding the small insurance operations we have. Over time, we think this could be a \$100 to \$200 billion business for us.

Before getting into the numbers with Nick, I will leave you with five simple points, which I largely started off with. I want to leave you with, our business is stronger and more diversified than ever before. We have greater amounts of liquidity within the business, and our franchise and relationships we have are the best we've ever been at. We are in a very low interest rate environment, and that looks like it is going to stay, and that is very good for our franchise in many ways.

As an organization, we've successfully managed many economic disruptions, and we will manage through this one. The opportunity set we have with the verticals already is significant. We think there are adjacencies we can widen out, and that those can add to the growth of the business in year 3, 5, 7 and 10. And our liquidity is significant, and the expertise within our operating business is large. And therefore, we should be able to acquire, own and reorganize many businesses out of this economic recession.

So with that, I will turn it over to Nick Goodman. Thank you.

Nicholas Goodman, Chief Financial Officer, Brookfield Asset Management

Thank you, Bruce, and good morning, everyone. So in the financial review section of the presentation, there's really five key takeaways I want to leave you with today.

The first is we've made really good progress against our key 2019 financial objectives, and I'll dig into these a bit in a second. Secondly, and Bruce has touched on this, and I'll go into more detail, our balance sheet continues to be very conservatively capitalized and has proven to be very resilient. Next, our carried interest. It continues to accrue, and it's growing. Fourth, the growth drivers of our business. They're significant and they're achievable, and we'll lay these out to you later in the presentation. And lastly, the free cash flow of the business. It's predictable and it's growing rapidly.

So I'm going to start with a bit of a review of the last 12 months, and really go back to some of the key financial objectives that we would have laid out for you at Investor Day last year and set ourselves for those 12 months. If you remember back to this time last year, we were in the final stages of closing the Oaktree investment. And shortly after, on September 30, we closed the transaction and formed a partnership. And I would say, since then, over the last 12 months – or the first 12 months of the partnership, it's gone fantastically well.

On a day-to-day basis, the two firms, from an investment perspective, continue to operate behind clear and strong information barriers, but we have identified areas where we can add value to the combined franchise. Those two key areas would be product development and product distribution, and we've made great progress in that regard in just the first 12 months.

Next, by adding Oaktree, we had strong conviction that by rounding out the franchise and adding a best-in-class credit product, it would be something that our clients would greatly value. And again, that's played out.

And lastly, if you remember, and I'm sure you would all think the same, by adding Oaktree, we had a view that if we entered a period of stress, distress, volatility or a downturn, we would now have a part of the business that could really exist in that environment. One, they'd be able to put large amounts of capital to work in a short space of time for value in the public credit markets. And two, they could accelerate and outperform in their fundraising. And as we've gone through the last 6 months, we've really seen that play out.

Another key objective we set ourselves was completing the latest round of flagship fundraising. And in January of this year, with the closing of the fourth infrastructure flagship fund, we surpassed our target of \$50 billion. It was then about deploying that capital, and we continue to do that today, and Bruce outlined some of the flagship transactions we've done. And today, we're about over 50% invested or committed on average across the three Brookfield flagship funds.

We're also working hard to increase our perpetual capital and our perpetual private fund offering. Today, that's focused on infrastructure and real estate. We've raised about \$4 billion in the last 12 months, taking our total fee-bearing capital in this area to close to \$20 billion.

And lastly, and I would say the last objective is a continuous objective. And Bruce laid this out, and it'll be a continuous theme throughout the day, is that we always focus on having a very strong foundation for our business to make us resilient through all cycles. That starts with being very, very disciplined on our approach to financing at the asset level, making sure we raise the appropriate amount of debt at each of our investments that can be resilient through cycles, and then we make sure we have adequate levels of liquidity from that asset and operating company level up through the funds to the listed affiliates and up to Brookfield. And we spend a lot of time making sure we have adequate liquidity, and we've been bolstering liquidity along the way. And again, today, we have record levels of liquidity across the organization.

So turning to the numbers and what that means for the franchise. When we add Oaktree and the growth that we've had in our private fund business, you can see there's a significant growth in fee-bearing capital. And that translates into significant growth in our annualized revenues coming from growth in fees and the target carried interest.

Bringing that back to what it means for our planned value and on a per share basis, with the growth in our annualized fee-related earnings and carried interest, we delivered significant intrinsic value growth in our asset manager. And that translates today, the planned value of the business is now around \$84 billion or \$53 per share. That's an 11% total return compared to this time last year. However, as you probably know, our share price today trades at a significant discount to that planned value, close to 40%, which we believe offers a very attractive entry point for investors.

So now I'm going to spend a bit more time and dig into balance sheet resiliency. Last year, we laid out these five key attributes of our business, which, as I said, really provide the strong foundations from which we look to grow, and the last six months have really tested these.

And I'll start with transparency. And I want to focus on this one a little bit more this year because we spend a tremendous amount of time trying to make sure that we provide you with a detailed level of disclosure that allows you to clearly identify the key value drivers of our business and track our performance against those. On a quarterly basis, we provide you with our financial statements, our MD&A, and then we also provide you with very detailed supplemental disclosure that, again, we tend to try to break out and show you what the key value drivers are, and then give you all the information you need to be able to easily track our performance against these value drivers.

What we also try to do is, as you're aware, we report under IFRS. And under IFRS, we're required to consolidate all of our liabilities, even from the investment and portfolio company level onto our balance sheet. What we try and do and we do on a quarterly and annual basis is we break apart those liabilities so you can clearly identify what are liabilities of the corporation, and therefore, you can easily identify the conservative capitalization of the corporation. And when you look at those total liabilities, you're only close to 5% are recourse and are truly liabilities of the corporation, and we'll continue to provide that detailed level of disclosure.

What else is really unique about Brookfield is we have BAM at the top. We also have 4 listed affiliates. So we're actually providing with very, very detailed disclosure on a quarterly basis. All five entities report on a quarterly basis, financial statements, MD&A, supplemental disclosure, we all have IR teams and functions that regularly interact with the investor community. And we provide these annual investor days to give you an update on strategy, so you get a tremendous transparency and look through into the underlying performance of our investments, which allows you, again, to track the overall performance of the franchise, and we will continue to strive to do the best job we can in this regard.

So now on the stable capital structure. Today, we have about \$8 billion of long-term debt against \$57 billion of perpetual equity, so a very stable and conservatively capitalized balance sheet. When you add in our cash on hand, our financial assets and our undrawn credit facilities, that's close to \$6 billion of core liquidity today. And that doesn't include the \$23 billion of balance sheet-listed investments that we have that are very liquid and can be monetized and redeployed elsewhere into the business to continue to compound value.

And what that foundation and stability does is it provides us strong access to capital through all market cycles. We always strive to have constant access to debt and/or equity capital markets, and since mid-March, when we entered this period of stress-to-stress volatility, we've raised \$3 billion from the debt and preferred equity markets. And just yesterday, at BAM, we issued a \$500 million 30-year bond at 3.5%. More than that, at the asset level, we've also completed over \$15 billion of asset level financing, which again talks to the quality of those financings and the assets that they're backing.

Across the business, we've maintained very high levels of the undrawn capacity in our credit facilities. And in fact, since mid-March, we've increased the capacity of those facilities by \$2 billion. We've maintained our investment-grade credit ratings across BAM and the listed affiliates. And by taking a conservative approach to financing our business nonrecourse at the asset level, we strive to reduce the kind of forced liquidity events that you can encounter through cycles. We sized debt to be resilient. We do nonrecourse, which means, and it will happen and it has happened, where you have to go to lenders to ask for covenant waivers to do some form of restructuring. And in the period of immediate stress that we had, there were a number of covenant waivers that we saw from our lenders, but those are always more constructive conversations when they're focused on that single investment or that single operating company.

And what also is beneficial is we tend to be the best operator of that asset. And it always means that you have a very good chance of coming up with a constructive solution. And again, we've seen that play out in the last 6 months. And to date, we've not been forced to do anything dilutive for the franchise.

And what that provides us is tremendous flexibility. We have that significant available liquidity on cash on hand, sufficient to address short term needs. We have the financial assets we can monetize opportunistically to continue to create value. And with the listed affiliates, we have that access to an additional source of perpetual capital.

So again, focusing – we've always laid out for you the reliable, stable, high-growth cash flows that we have. The last 6 months were a test on this again. And if you know our business, our free cash flow comes from 2 main areas. It comes from our asset management business, and it comes from the return on our invested capital, which is predominantly the distributions we earn on the listed affiliates.

If we focus on our fee-bearing capital first, the \$277 billion that generates about \$2.8 billion of annualized fee revenue today, you can see that the dark blue and the gray areas of the right-hand chart, 90% of that revenue comes from either long-term private funds that are on average 10 years in nature with extension options or perpetual capital. And in the private funds, those fees are predominantly earned on committed capital as opposed to invested. So again, very stable, reliable sources of cash flow. And we expect to maintain our margins in the range of 55% to 65%, which is where they've tracked over in recent years,

and they'll stay in that range as we continue to grow, diversify the business, but really leverage the operational scale that we have.

Turning to cash that we earn on our invested capital. Again, the cash flow here is backed by the underlying assets in our business. That's across infrastructure, renewables and private equity, and these assets are often generating bond-like cash flows, backed by regulated revenue streams, leases, contracts to very high-quality off-takers, and that generates a very stable cash flow, which allows the return on the dividends they pay to be stable and grow. And you can see that in this page, where you can see the distributions that we've earned have continued to grow steadily over time.

And if we put that together, you can see that in the last 12 months, we've delivered about 10% growth in the free cash flow generation in the business. Today, that stands at about \$2.4 billion. We pay out about 30% of that in the form of dividends, which means we have about \$1.7 billion over the last 12 months that we've reinvested back into the business to compound value for shareholders.

So now spending a few minutes on carried interest. And I want to focus on a bit more on diversification this year, because it really is something that's evolved in the business as we've grown and diversified the nature of our private funds. As you know, we take a more conservative approach to reporting our carried interest in our financial statements. We don't realize or recognize carry until we've sold assets, the cash is received and the entire fund is through clawback. So we provide you with additional disclosure in our supplemental and on days like today and help you understand how we're tracking against those target returns. And the punchline is that our returns and our funds are largely tracking in line or in excess of their target returns.

As our private fund business has grown and evolved and diversified, the nature of the carried interest, you can almost say the quality of that has improved because it's become more diversified across risk profile and asset class, and I'll spend more time on this.

And lastly, the point we like to reinforce is that we're not relying on any one specific market or pool of capital for our asset realizations. Large part of our private fund business is in real assets. It's in infrastructure, renewables and real estate. And again, those assets have proven their bond-like nature in the last 6 months and in a low to 0% interest rate environment, they are very attractive investments for people that are looking for inflation-linked bond protect, bond-like investments, and they're often private market transactions, the punchline is we're not that reliant on the public markets for exiting investments and realizing capital.

So a short summary. If you look across the 4 asset classes, real estate, infrastructure, private equity and Oaktree, our funds are largely tracking in line with or exceeding our target returns. Today, we have close to \$122 billion of carry-eligible capital. And if those funds do meet their target returns over the next 10 years, we have the potential to raise close to \$20 billion of gross carry over that period of time.

Spending a minute on the diversification. Today, the annualized target carried interest of \$2.8 billion, and here, you can see, is diversified across 4 different key risk profiles, but also that core and other is going to grow significantly as we scale up those perpetual private funds. What's really interesting is that today, we have over 70 funds that are contributing towards that target carry. That's 15-plus return strategies across five different asset classes, and no fund contributes more than 15% to that target. So as we've evolved, I would say the carry has improved in quality and has become diversified and should be a lot more durable through cycles.

We often get asked about how do we think about sensitizing? Or what's the sensitivity on that number? So we've tried to do an illustrative risk-based sensitivity on the carried interest. And we've sensitized opportunistic funds by 25%, value-add by 15% and core by 10%. And in that, there's an above target and a below target return. But in the below target return in that scenario, we would still realize close to

\$15 billion of carried interest over the next 10 years. So very resilient. And again, we're not relying on any one market for realizations.

Now moving on to the growth profile of the business. Looking out five years, but let's start by looking back five years. In the last five years, we've delivered about a 14% total return in the growth of that planned value per share. And with the growth levers that Bruce has talked about, and the optimism we have for the outlook of the business, we believe that we can continue that trajectory over the next five years.

I'll dig into each of these a bit more. But if we deliver on those growth targets, fee-bearing capital could surpass \$500 billion in the next five years. And there's three key drivers to that. It's the long-term private funds, it's the perpetual strategies, and it's the open-end credit and public securities business.

Let's start with the long-term private funds. One of the key objectives that we focused on last year and reinforced this year is the target of \$100 billion for the next round of flagship funds. We're off to a great start with Oaktree's, the flagship credit fund that has had its first close of \$12 billion and is continuing to grow. On a net basis, that should mean about \$70 billion of fee-bearing capital. And you can see over the five-year period, we get into the next round of flagship funds at the tail end of that five years.

We will continue to grow credit. We have four strategies that Bruce outlined. We have the very early stages of them in this number, but we have other strategies across Brookfield and Oaktree that we will be growing. But what's also unique about this five-year period that's different to the last five years, is we will be starting to return meaningful asset capital to our investors over the next five years.

As I mentioned, some of our earlier-stage funds that were smaller have started to monetize and return capital. And as we get into the later vintages, you'll see larger amounts of capital being returned. And this is important for two key reasons. First, that means we're monetizing, and we're going to be realizing carried interest. And two, it means that we're now returning meaningful amounts of capital to our investors that can be redeployed into other strategies and funds with us. And if we deliver on these targets, fee-bearing capital from private funds would be about \$257 billion five years from now.

On our perpetual strategies, there's really, again, two key drivers. There's growing our perpetual fund strategies and perpetual private fund offerings. And then there's growing the fee-bearing capital of our listed affiliates, and that comes from distribution growth and value appreciation, which could take fee-bearing capital from perpetual strategies to an excess of \$150 billion five years from now.

And then we have open end credit and public securities, which again, has benefited from the partnership with Oaktree. Net of outflows, we believe that we can grow this strategy to close to \$68 billion or to \$68 billion five years from now.

So if we bring that back to what it means for fee-related earnings, with the growth in the fee-bearing capital, we should see a step change in base fees, the IDRs coming through, and if we maintain the margins we planned for, 60% in Brookfield, 30% in credit, then we have the potential to double our fee-related earnings over the next five years to roughly \$2.6 billion five years from now.

The second key contributor to our planned value. As I stated earlier, we have the asset management business, and we have our invested capital. The invested capital growth will come from the growth of the listed affiliates, again, through distribution increases and value appreciation. The other key driver of the growth in the invested capital will come from taking that free cash flow that we earn from the asset management franchise, and the return of the cash that we earn from the listed affiliates and redeploying that back into the business. And that would see our invested capital grow to \$75 billion five years from now. Again, a key building block to the planned value five years from now.

So if we put that together, the growth in the annualized fee-related earnings and the carried interest will contribute to significant growth in the asset management business, taking it to a planned value of about

\$110 billion five years from now. If we add in the invested capital net of leverage, that sees our planned value having the potential to grow to \$174 billion five years from now, which is \$110 per share. And if we look at this bridge, that delivers a 16% total return from today's planned value to the planned value five years from now. However, as I mentioned, our share price is trading at a significant discount today to that planned value. So if you invest at today's market price, there's a potential to achieve a 28% total return if we can achieve that planned value five years from now.

And as Bruce mentioned, in the next five years, we're going to have the early stages of these new strategies laid out on this page. But I believe these strategies are going to really meaningfully contribute in years 6 to 10, and they're going to really be the catalyst for the next stage of growth in the business beyond year five.

So yes, the keys to achieving this plan, they're simple, they're transparent, and we're going to continue to report our progress against these. It's raising \$100 billion from our next round of flagship funds. It's growing our perpetual and other strategies. It's compounding the return in our investments, realizing carried interest and the foundation to all of this is maintaining a disciplined, conservatively capitalized balance sheet. If we achieve this, five years from now, our annual free cash flow generation before carried interest could be in excess of \$5 billion. And that's \$7 billion when you add in the potential for realized carried interest at that point in time.

Cumulatively, over this five-year period, that is in excess of \$20 billion, close to \$23 billion, which net of dividends, leaves \$18 billion to be reinvested back into the business or returned to shareholders. If we extrapolate that out to 10 years, that's over \$70 billion of free cash flow generation that we will be bringing in.

We often get asked about allocation of capital at the Brookfield level. And I would say our approach to this really hasn't changed over the years. We're long-term investors. We fundamentally believe in compounding value. And therefore, we look for opportunities to redeploy that capital back into the business. We participate in the growth of our listed affiliates, often through participating in their equity issuances. We seek new investment strategies. We use that cash that we're generating to incubate new strategies on balance sheet. We build a team. We build a track record. And now we can go to our clients with a product that we have conviction in, that we have evidence of the returns that we can generate and the belief that it can be a scalable product and really add value to the franchise over time, and that's very powerful.

We fund opportunistic and strategic transactions, and what's been really underlined in the last 6 months and the benefits of doing this, is we always want to have additional liquidity to support the business through a cycle. We also do look to return capital to shareholders and our preferred route is via share repurchases. And I really believe, as we look forward and you see that step change growth again in our asset management franchise, and that realized carried interest really start to step up that, that return of capital via share repurchases will become a lot more meaningful.

So in conclusion, I want to leave you with some key takeaways. One, our capital structure, and you'll hear this throughout the day. It's very resilient and is conservatively capitalized. Carried interest, it's continuing to accrue, it's diversified, and it's going to be meaningful. The free cash flow of the business, it's predictable and it's growing. The value drivers of the business, they're simple, they're transparent, and we're going to continue to report our progress on these to you with our regular disclosure. And the last point I'll leave you with is just that our business has the potential to deliver very attractive returns.

And with that, we would be happy to take your questions.

Q&A – BROOKFIELD ASSET MANAGEMENT

Bruce Flatt, Chief Executive Officer, Brookfield Asset Management

So it's Bruce Flatt back in New York. And I will take questions from people. There are questions that people can submit on a QR code in the rooms. Or as Suzanne said, they can be submitted online. I have a number of them here, but if there are others that would like to be answered, we have a few minutes to answer some questions.

So the first question is, now that you are 1 year into the acquisition of Oaktree, can you please update us on your progress you have made to date? And the relationship with Oaktree?

So Nick touched on this briefly in his remarks, and I would merely add that we thought Oaktree was one of the great credit businesses in the world, partly due to the leadership of the senior management team, including Howard Marks and Bruce Karsh. You only know that once you actually get into a business. And 18 months later, we're thrilled with the relationship that we have with them and with the whole franchise. They've lived up to everything that they said they would do, and I think we actually have tried to do the same.

There are many things that I think we can do together, as Nick said, on product distribution, on relationships and on behind the scenes-type things, but the businesses operate very separately. And I think that's important because they have a credit mindset to what they do, and they're great professionals at it. There's nothing we're going to do to teach them to do about credit investing.

Firstly, it's been a great relationship. Second, we felt it would be a good investment if we never had another recession, and it would be an excellent investment if there was ever going to be a recession again. It so happened that we had one six months later. So maybe we were proved right on that. I think we can grow this franchise a lot, and we have an excellent relationship with them.

There's another question here on the potential to grow in the insurance space. What does this look like? Is it growing through balance sheet acquisitions, increasing distribution to insurance clients or possibly a combination of both?

And look, some of you may know, but we have a small business which does pension risk transfer, which is essentially small companies that have small pension plans that want to get them off their balance sheet. And we have been bidding on pools of those and taking them off of the balance sheets. We've learned a lot doing that. And we think that there's a significant area to grow.

And I guess, as I stated earlier, we think that it is the right time to take long-tailed annuities, which have defined periods of cash flow because interest rates have come down so low, and that the risk in taking long-tailed liabilities on is that interest rates will go lower and you'll be off side. It's possible rates could be negative for a very long period of time, but it's not probable. And therefore, the odds favor the fact that, at this point in time, this could be a very attractive business for us. And the biggest risk in the business is taken out of it.

So there's a lack of capital in insurance today in the general markets across the world. And therefore, we think in the annuity long-tailed business, it could be very attractive to us, largely because what you do is attract money in and invest that capital. And our skills of investing can enhance the returns out of the portfolio, just like we do for our insurance clients that buy our products.

And it has been – back to the first question, actually, it has been a game changer for us to have a large credit franchise because much of investing insurance capital is ensuring that you can invest the credit portions of their portfolios. And we didn't really have those skills before, so the Oaktree business is very important to doing that.

There's another question here on technology is a new area and likely will require skills beyond the current capabilities of the organization. I think they were commenting on my skills. How do you plan to grow your expertise in these areas so that you can invest and drive value in a similar way to your existing areas of focus?

Look, here's what I would say. As the business evolves, we've tried to stick to the principles we have in the organization. But we've also recognized that as you invest greater amounts of capital, you have to bring professionals in to do certain things. And I'd refer to Oaktree as that.

We knew we could start a credit business probably, and it would take us 10 years, and we might have been able to build what Oaktree has. But we can get there faster for our large clients. And our business today is about scale amounts of capital and putting it to work in a prudent and professional manner.

In technology and in insurance, we have businesses today. They're small. We've been building them ourselves. We may just continue to do that by hiring people into the organization, and making sure that they adhere to our investment philosophy as we do it. It's possible that we do step-outs like we did with Oaktree to add to the franchise and build greater amount of skills quicker. Don't know which one is the right today.

Here's what I would say. We will do it our way by growing our people, unless we find something that suits our purposes better and it's valued at the right price, and it would get us to where we want to be in a quicker way without having to unduly pay for it. But bottom line is we're at it, and we'll report on it over the next number of years.

I think I have maybe time for one more question. With the launch of impact funds, will the focus mainly be investing in renewables? Or are there other areas of your business which will also be able to drive value in this space?

So first, we have a broad thesis about impact and ESG investing. As many of you know, we've been investing in renewables for a long time, and we've been ensuring that our businesses were sustainable for the long-term forever.

What this is about is how do we take what we have and deliver products to our clients that fit the ESG mantra? And we think that there's a significant amount of money out in our institutional client relationships that want to have this product within their portfolio. And therefore, it will fit into that bucket. And it will include numerous things, including renewable investing, but investing in many of the businesses that we operate in. For example, in our private equity business, we bought a water business in Brazil that delivers water as a utility to 21 million people, I think, in Brazil. And that business, if we had it before, could have been a partnership with the 2 funds investing together. So investments like that would fit in.

And longer term, a bigger part of the vertical could possibly be or will possibly be the transition of assets across the world into more sustainable investments. And that's where significant amounts of capital will be coming in, and that's what Mark Carney and the things they've been doing at the UN will be able to help us on how we tailor these strategies for our clients.

So it's 11:01, I see. I'm going to end the Brookfield Asset Management presentation here. I think we're going to take a five-minute break for those online that need to go somewhere for five minutes or for those in the rooms that need to go somewhere for five minutes.

Post that, Brookfield Renewable Partners will be up. And we'd welcome you to be on and listen to that. But thank you for your participation and all your interest in Brookfield.

BROOKFIELD RENEWABLE PARTNERS LP

Sachin Shah, Chief Executive Officer, Brookfield Renewable Partners

Good morning, everyone. I'm just going to get started here. First of all, thank you for joining us at Investor Day, again, this year in 2020, obviously under unique circumstances. My name is Sachin Shah. I'm the CEO of our renewable business at Brookfield.

I'm going to spend the first few minutes of this presentation, just framing the opportunity that's in front of us, which we have articulated over the last few years and that we continue to have strong conviction in. And we're going to talk a little bit about what our competitive strengths are and why we think we're well positioned and also just go through some of the fundamental underpinnings of the business from a value driver perspective, so that it reinforces why we are so excited about this space.

So as we've talked about it at length and, obviously, for anybody who's read the papers, listened to the news and looked at what's happening around the world, there is a global consensus that decarbonization is a very important objective, and it primarily starts with reducing CO₂ emissions that are derived from electricity and the electricity grids around the world. That tends to be the first place people start just because it's such a significant component of CO₂ emissions.

What we've seen as a result of that is that governments at country level, at state level, at municipal level have all aligned their interests around setting targets, to help electricity generation slowly transition to a greener future. And what that means is that they've all set increasingly more stringent standards around decarbonization.

And the evolution of that, I would say, if you went back five or 10 years ago was that they were setting sort of modest targets, 20% of our power has to come from a renewable generation, and those targets started to increase. And the latest sign of the kind of double and tripling down of this objective has been a net zero standard and really ensuring that over time, there is zero CO₂ produced by virtue of electricity generation. You can see across the board because of those standards have gone up, it means that the gap that's required from an investment perspective to fill those targets, has grown immensely over the last number of years, even though this sector has attracted tremendous amounts of capital. And all of that bodes tremendously well for the business that we have.

On the back of governments doing this, we've now seen corporations really take an aggressive stance around their own objectives. How do they source power, how do they use power, where does it come from, what choices are they making, and as a result, we're seeing very large companies in technology, in oil and gas, in industrial application, all setting significant net zero or renewable level targets. And this is really important because, as we've said over the last decade, one of the key advantages in our business was that we had this ability to sell power directly to not just governments, but to corporate clients, and increasingly, the relationships we've built, we think, will help assist in this transition journey that now many of these corporates are on.

Underpinning all of this, and really what makes it possible, is that wind and solar, the two primary renewable energy sources, are now cheap enough to build and inexpensive enough to run such that they stand on their own economic feet, don't need subsidies from governments. And the economic case that you can make around these forms of electricity generation are just highly compelling, irrespective of the lack of CO₂ they produce. And so when you combine the economic case with the environmental case, there is a very high degree of adoption and conviction that this is the path forward that we should undertake. And all of this has really happened in the last five to seven years.

A good test of just the economic case and the ability for these assets to be highly resilient because if you think about it, this whole industry is very young still, has been this recent recession. How has the recent recession that we've gone through in the last 6 months impacted renewable investment, renewable

generation, because, obviously, it's great to have global objectives that improve the world standing when times are good and when economic times are good, but people quickly revert when times are tough. So we thought it would be important to share with you just what we've seen.

In the United States, over the last six months, really during this period where the health crisis and the economic crisis came together, overall electricity generation was down 5%. And that is consistent with just a weaker economy, weaker industrial output and therefore, weaker energy demand. More importantly, is that generation from fossil fuel-based sources was down 10% and this is because coal and gas, but primarily coal, these have high degrees of fuel costs and environmental compliance costs attached to them, and they require a healthy economy to be dispatched because their margins are very thin. And so when the economy gets weaker and power prices drop, they can no longer earn their fixed or variable cost structure, and therefore, they shut down production. And so we saw a dramatic decline in fossil fuel-based generation over this period.

And interestingly, over the same period in the United States, renewable generation has been up 14%, and that's a combination of two things. What was built and what was in the ground continued to operate at a very high standard, and you'll hear Wyatt talk about what happened in our business, and maybe more importantly, is new investment in renewables continued on the same pace it has had for the last five years. So we did not see a decline in investment in renewables, in wind and solar and renewables more broadly, and I would say, in fact, the pace of renewable deployment has accelerated through all of this. And therefore, what we're seeing is that this asset class is highly resilient and really can withstand deep economic shocks like we've gone through and has a very strong economic footing in terms of its overall cost structure.

On the back of all of this, governments and corporates signing up to these standards, costs coming down, the other big momentum shift is that investors, and what we've done is we've taken investors who are really public markets investors around the world, and looked at their desire to sign up for the UN's principle of responsible investing. And this by no means suggests that they are simply only investing in green products or ESG-friendly products, but it is a momentum, and it is a key leading indicator as to where investor mindsets are going.

And what we've seen is, over the last 15 years, a 20% year-over-year increase in public market investors looking to put capital to work in things that they view as positively impacting society. And today, over \$100 trillion of capital that's controlled by these investors has signed up to the UN PRI. And what we've seen in our business is significant attention being drawn by ESG or impact investors who are looking at our stock saying, this meets that criteria that we want to put money to work in.

More importantly is that the overall market for renewables not only has been large, not only is supported by governments, corporates and investors, but the actual amount of capital needed to just invest and move closer to that gap that I laid out that countries and states have set, is in the multitrillion dollars of opportunity set. And so if you look at a business like ours with \$50 billion of assets, a very large player in the space, you can see, it's an enormous amount of capital that's going to be needed globally to invest and effectively transition electricity grids away from CO₂-based emissions into renewable resources.

And so we continue to focus on building a leading differentiated business, and we'll talk a little bit about what that means. One, I said we have scale. Globally, we have \$50 billion of assets around the world. We're a multi-technology global operator, with operational capabilities and development capabilities. Secondly, we have a very strong track record. We've grown our distribution for 20 years at a 6% average rate, really by investing in this space and running our playbook. And it's a track record that is underpinned by a conservative financing structure, investment-grade balance sheet, significant liquidity today that's been the hallmarks of our business for 20 years.

And increasingly, as investors ask us, that's great, we understand your financial track record, can you explain a little bit more about what the benefit of this and the drivers around why this product is so valuable in the marketplace? It comes down to that objective that I set out earlier on, which is CO₂ reduction, CO₂ avoidance. And to put in perspective what our portfolio does today, our portfolio, just the operating assets, not our development pipeline, but just our operating assets have the ability to avoid or displace all of the CO₂ produced by the city of London every year, year in, year out. So it's an enormous portfolio in terms of renewables. It's very unique. And given that it's a complement of technologies between hydro, wind, solar, storage and distributed generation, we're one of the few entities that also can offer that renewable 24/7 product offering in light of our ability to store power and dispatch facilities at different hours of the day.

Our strategy that we've undertaken, and it's been 20 years of doing this, really has been to be a value investor first and foremost, making sure that when we invest in projects, we look for situations that take advantage of our operational depth and where others have a tougher time to compete. And so that means doing operational turnarounds, carve-out transactions, finding situations where maybe you need further investment to develop or redevelop a project or a portfolio of assets. Looking for situations where maybe the counterparty needs capital to assist in an energy transition objective and needs to then sell assets. And all of those things are part of our playbook as value investors, because we think that if we can find those opportunities with less competition, then we're going to attract a better return over time.

The second part of our playbook, which we've talked about at length over many years is really our operational depth and capabilities. Having 3,000 operators around the world, having marketing teams around the world, working with clients, having engineering and development talent in-house. And we've talked about it sort of at that high level. And I would say, what we want to do this year is spend a little bit of time talking about some of the themes in our space and how they fit in with our operational capability.

First of all, sustainability. It's a big theme in the renewable space. The way we think about sustainability, and people throw this word around a lot, and we accept that everyone has a different definition. But the way we think about it is running a \$50 billion portfolio around the world in communities all across North America, Europe and Asia and Latin America, requires a social license to operate. And we've got a proven track record of embedding ourselves in communities, being a constructive member, providing a tax base, employing people and really looking after assets at the highest level with the highest health and safety standards. And that's sustaining assets and improving them so that we can hand them off to the next generation, and they can meet their full life cycle.

Additionally, we've talked about our development capabilities at length. It's really about adding new renewable resources onto the main grid. And we have today an 18,000-megawatt development pipeline, one of the largest in the world, and our contribution to the additionality objectives that investors are looking for today is immense and growing. And then energy transition, this journey that governments and companies and corporates are taking to move away from fossil fuels. This is a combination of our work we do with corporate clients in our distributed generation business where they've been buying power from utilities and they recognize that a lot of that power comes from coal and gas-fired generation. They want to move to renewable resources where we provide on-site renewables, we work with them on an on-site solution or a behind-the-meter solution, that's an energy transition story. Providing capital, we struck a deal last year with TransAlta, and Connor will talk about that. But providing capital to utilities who might want to move away from fossil fuel and into renewable initiatives.

So we have a very strong transition story and we think our business is really well positioned around those three big themes that we're seeing in the marketplace today. At the end of the day, though, our approach is the same, invest on a value basis, use our operational expertise to sustain assets, to add new assets, to transition assets or transition the economy into a renewable future. And once we've done that, we monetize mature assets and move on.

At the end of the day, though, we fully recognize that what continues to be of paramount importance is our track record from a financial perspective. We think we can do all of these things, and we think we have done all of these things while continuing to focus on our 12% to 15% total return target. Obviously, we've exceeded that over the last 20 years, and we're thrilled that we have, but our targets remain the same. Can we invest at 12% to 15% total returns using our investment-grade capital structure, using the strengths that we have in-house to build a business for investors that delivers a healthy return through dividends that grow over time consistently and capital appreciation.

With that, I'm going to hand it over to Connor, who's actually on a video because he can't be here, he's in London. So this was a video that we taped, and he's going to do his presentation through that.

Connor Teskey, Managing Partner & CIO, Brookfield Renewable Partners

My name is Connor Teskey, and I am the Chief Investment Officer for Brookfield Renewable. Today, we would like to take the next several minutes to walk you through our long-term approach to operations and growth of our business.

As Sachin has described, our opportunity set is growing. Not only our renewables increasingly the lowest cost form of energy, but they are also helping the world reach its decarbonization goals. And therefore, given Brookfield Renewable's consistent approach and continuously expanding capabilities, we feel we are ideally positioned to capture this growing market trend. And as such, today, we are increasing our growth targets and are now targeting annual equity deployment of \$800 million to \$1 billion per year.

When thinking about these heightened growth targets, it's important to recognize that the resiliency and growth of our business over the last 12 months, including through the recent economic downturn, is what gives us confidence that we do not need to change our approach or compromise on our returns in order to reach this heightened level of growth. We simply need to keep executing on the consistent strategy that we have been using for several years.

In the past, we've described Brookfield Renewable's approach to capital allocation. We use our competitive advantages of size, global reach, and the ability to navigate complex situations in order to find deep value opportunities where we can differentiate ourselves using something other than cost of capital. That is consistent, that is not changing. However, today, we would like to speak about the second and equally important aspect of our growth, which is our long-term approach to operations. It's through this long-term approach, that we look to de-risk our business, enhance our cash flows and find additional growth avenues for our platform.

When we talk about our long-term approach to operations, there's three key strategies we look to employ: sustainability, additionality and transition, and we'll walk through each of these in detail.

For Brookfield Renewable, sustainability means the preservation and enhancement of our existing renewables assets. Said another way, this is the continuous process of de-risking our existing platform, while at the same time, looking to drive margins and enhance cash flows through the installment of long-term operating principles. And we have a unique model to try and achieve this. Every time Brookfield Renewable buys a new asset, we implement a business plan as if we were going to own that asset forever. Now, asset rotation is a key aspect of our business model. But by taking this long-term operational approach, we ensure that we can deliver on our target returns, not just in the short term, but also over an extended period of ownership.

We do this through a number of different ways. First and foremost, we leverage our experience of owning renewables assets all over the world in sharing best practices to ensure that we are always driving for optimal project efficiency. Similarly, we take a long-term approach, ensuring that every one of our

portfolio companies is properly staffed and trained to uphold the highest operating standards and the highest health and safety standards. We take the same long-term approach when we implement capital structures into our investments, using capital structures that don't focus on maximizing returns in the short-term but rather focus on maximizing returns over the longer term, using robust structures that can handle small changes to the business or deviations in our operating plan.

Similarly, by being a well-capitalized sponsor, we are able to continuously reinvest back into our businesses to ensure that our assets are both well maintained as well as always optimally positioned to capture any future growth opportunities. And our long-term approach doesn't just apply to financials and operations, but also the social aspects of owning a business, where we are continuously looking to ensure that we are a welcomed and value-add participant in the communities around the world where we own assets.

Through this long-term approach, we look to both achieve higher downside protection as well as enhanced upside returns. Through this long-term approach, we consistently achieve 200 to 400 basis points of margin improvement and sometimes significantly more. Similarly, by taking this long-term approach, we de-risk our operations to ensure that we are able to deliver on those target returns over an extended period of ownership.

There is one point of our approach to sustainability that we shouldn't overstate – or that we shouldn't understate, apologies. We own critical renewable power infrastructure in hundreds of communities around the world. In ensuring that we maintain our social license to operate in each of those communities, it is not simply a tick the box exercise to preserve the value of our investment, but rather another way where we take a long-term approach. An example of this is in the middle of the slide in front of you.

At our Kokish hydro facility in British Columbia, Canada, Brookfield Renewable partnered with the 'Namgis First Nation community to build, develop and operate a new hydro facility. We collaborated with the 'Namgis for several years prior to construction. We helped facilitate financing so they could co-invest in the project alongside of us. And today, they remain deeply involved in the operations with board representation influencing governance as well as making up a number of the operating staff at the underlying facility itself. It's through this approach that we take a long-term view to always ensure that we are viewed as a welcomed participant and someone that adds value in the regions that we operate around the world.

The second key strategy to our long-term approach is additionality. Additionality is accretively growing our asset base using organic growth levers that already exist within our business today. As Sachin has mentioned, we own an 18,000-megawatt development pipeline that we are continuously growing and delivering on at mid- to high teens returns. In the past, we've discussed how we are continuously growing our M&A capabilities. We did this by expanding to new geographies, expanding to new asset classes and enhancing the resources available within our platform.

We have gone on that exact same journey with development. Today, we have local development teams in each of our target markets around the world. Those development teams are fully integrated, able to develop, contract and build new renewable power projects. And given our size and scale, those development teams are capable of delivering on some of the largest renewable projects in the world today while at the same time, delivering at some of the lowest costs by taking advantage of our global procurement platform. It is through this process that we have de-risked our approach to development such that we can deliver those mid- to high teens returns on a consistent and repeatable basis.

In all this expansion, in terms of development capabilities, has been equally matched by our opportunities set. Our development pipeline, our additionality opportunity set, has grown by 6x over the last five years. However, when we discuss these expanded development capabilities, it's important to recognize that development is not new to Brookfield Renewable. We've been doing this for several years. In fact, to date,

we've deployed \$4 billion into development and that has led to the delivery of 2 gigawatts of additional renewables capacity at 15% to 20% returns.

Looking at the pie charts on the bottom of the slide, you can see that, that development experience is broad-based, diversified across both geographies and technologies, ensuring that we are well positioned with the appropriate experience to pursue the best development opportunities wherever they arise in the future. We also felt it would be appropriate to highlight the significant ramp-up in our solar development activities. Due to significant declines in solar costs and advances in solar construction that have de-risked the building process, we believe we will be able to deliver those high teens to 20% returns on a continuous basis in the future. As such, we have looked to expand our capabilities through both M&A and through organic growth initiatives.

Today, we have leading development capabilities across both utility-scale solar as well as through commercial and industrial distributed generation. And given the growth prospects we see for both of those businesses, we expect solar to represent the majority of the additionality in the future for Brookfield Renewable and an increasing part of Brookfield Renewable's broader platform on a go-forward basis. And while all of this has been done with a focus on value and on growth, it's important to recognize that we also get the added decarbonization benefit. If Brookfield Renewable is successful in building out its 18,000-megawatt development pipeline over the next several years, we will avoid the same amount of carbon emissions as if we took five million cars off the road on an annual basis.

The third and final component of our long-term approach is transition, where we look to provide capital and solutions that accelerate energy transition initiatives to reduce carbon and increase the use of renewable power. And we're already doing this by investing in a number of key sectors and businesses around the world today. Some existing examples are our distributed generation business, where we are partnering with local businesses who are looking to decarbonize through the use of on-site generated renewable power.

Similarly, we're making large-scale investments into large corporates who are looking to decarbonize and reach their ESG objectives. Last year, we made a significant investment into TransAlta's hydro portfolio to provide that company much needed capital to fund a coal-to-gas conversion to decarbonize its thermal fleet. And lastly, we are always looking for new and advancing technologies and asset classes that provide decarbonization solutions or achieve other ESG objectives. Examples of that are investments in green hydrogen that can decarbonize the use of natural gas as well as investments in green data centers that run primarily on the use of renewable power.

When we talk about Brookfield Renewable and our approach to decarbonizing the future, we are not alone. Shown on this slide are just a handful of the companies that we have engaged with in recent months to either sell them renewable power or to partner with them on various decarbonization solutions. As you can see, this is a diverse spectrum of counterparties that includes hospitals and universities and utilities and tech companies and government organizations and other businesses that are all equally aligned with Brookfield to decarbonize their future and find greener solutions for their business.

Therefore, if there is one remark we would like to leave you with today, it is this. Our platform capabilities and our long-term approach to growth makes us the partner of choice for both governments and businesses who are looking to achieve their decarbonization objectives. This creates a massive growth opportunity for Brookfield Renewable in the future.

In conclusion, we have a consistent approach to value investing. We have a long-term approach to operations that is anchored in sustainability, additionality and transition. And given the growing market backdrop, we feel that we are well positioned to continue to deliver 12% to 15% returns on an increased level of capital deployment, all while providing an additional value-add benefit for the environment.

And with that, we'll hand it back to Toronto.

Wyatt Hartley, Chief Financial Officer, Brookfield Renewable Partners

Good morning. I'm Wyatt Hartley, and I'm the Chief Financial Officer of the Renewable Group here at Brookfield. And today, I will be speaking about how our strategy and our financial flexibility positions us well to take advantage of the increasing growth opportunities in our sector and how that enables us to deliver solid growth through all economic cycles. And how this position of strength has come from executing on a proven and repeatable strategy of having a strong balance sheet with access to significant liquidity, maintaining a high-quality, resilient cash flows, having access to flexible and diverse sources of funding and executing on both organic and M&A levers to deliver strong cash flow growth, and how all of this strategy supports what is one of the highest quality distributions in the sector.

So starting with a look at our balance sheet, which said simply is in great shape. Most importantly, we have a strong BBB+ investment-grade rating, which is one of the strongest ratings in the sector. This means that throughout our capital structure, our debt is either investment-grade or has investment-grade characteristics, which is essential for us as it does 2 things: one, it provides – it safeguards the business by providing access to cash flows through the cycle and avoiding undue cash traps, but it also provides a good base upon which to fund growth.

In addition, approximately 85% of our debt is non-recourse, long-duration project debt, which translates well on a maturity basis, with the average remaining term of 14 years at the corporate level. And as importantly, no material maturities over the next five years, meaning we are very well insulated from liquidity risk. And finally, from a liquidity perspective, we're in great shape with \$3.4 billion available, providing significant financial flexibility to take advantage of periods of capital scarcity.

Looking next at the quality of our cash flows, I covered this in some detail last year, but just to quickly remind everyone, with our largely perpetual and dispatchable asset base as well as our highly contracted profile, we generate the highest – we generate high-quality and resilient cash flows. Our contracted cash flows are supported by long duration contracts, with the majority having more than 20% term remaining. As we have grown our business, we have also significantly de-risked our cash flows by increasing the diversity of our portfolio. Our current business is diversified across multiple markets and technologies such that no single market represents greater than 10% of our business.

We also continue to be focused on maintaining a highly diversified customer base, with over 600 investment-grade counterparties under long-term contracts around the world. And our largest non-government third-party offtake represents just 2% of our generation, meaning we are well insulated for any offtake risk. In addition, we have benefited from diversifying our foreign exchange exposure. Our exposure to any single currency is limited, meaning a 10% strengthening in the U.S. dollar against our largest single currency exposure, which is the Brazilian real, would only have a 1% impact on our FFO.

Accordingly, we are on track to deliver strong performance for the year and continue our track record of FFO per unit growth of 10%-plus over the last 10 years. And as Sachin covered in his section, the resilience of our business has been proven out through the current global shutdown, where despite an unprecedented global health and financial crisis that created significant market volatility and a potentially deep recession, our operations remained resilient and our earnings were stable.

First, from an operational perspective, our business performed well, maintaining strong asset availability. We are very fortunate to benefit from a depth of in-house, technical and commercial expertise, and this comes from the 3,000 employees around the world that both Connor and Sachin mentioned, who manage our facilities at the highest standard every day. It's really their expertise and their speed of decision-

making that has proven to be tremendously valuable through this period. We've also added \$1 billion of liquidity during this period, and we delivered on core strategic and growth priorities, including deploying over \$2 billion of capital into growth initiatives over the last 12 months across multiple jurisdictions and technologies and executing on a strategic transaction, with the merger of TerraForm Power into our business on an all-stock basis.

As we have highlighted previously, the transaction has many immediate benefits, including a simplified ownership structure that further enhances our position as one of the largest publicly available, pure-play renewable businesses globally. The transaction is immediately cash accretive. It expands our portfolio in North America and Western Europe, which makes up more than 70% of our business, and it strengthens an already very strong contract profile.

From a funding perspective, we are advantaged that we have access to flexible and diverse sources of funding, meaning we are not reliant on accessing the equity markets to fund our growth. In the last year alone, we've raised \$1.5 billion across diverse sources to fund the growth of our business. When we finance our business, our focus is to prudently source the lowest cost of capital, which means we maximize asset level up-financings, preferred equity and corporate debt, all while maintaining our strong investment-grade rating.

In the last year, we raised \$300 million from asset level up financings as we continue to access additional debt capacity across our business, but while maintaining strong investment-grade characteristics. We also had issued almost \$800 million of preferred – perpetual preferred equity and corporate debt at very attractive rates. And lastly, we continue to execute on our capital recycling strategy, generating almost \$350 million from these activities, really a strategy of selling mature, de-risked, noncore assets to lower cost of capital buyers and redeploying those proceeds into higher-yielding opportunities.

As a business that has always been focused on sustainability, we're very fortunate that we're leaders in sustainable finance. Given the significant flow of funds into ESG investing, we continue to advance our green financing strategy. To date, we've raised over \$4 billion in sustainable financings. And as our business continues to grow, we will position our capital to meet the needs of ESG-oriented investors and deliver on the growing demand for renewable finance products. We're also broadening our investor base. Earlier this year, we completed the special distribution of Brookfield Renewable Corporation, or BEPC, as we know it.

BEPC's purpose is to provide investors with the option to invest in either an LP or a corporate security depending on their underlying preference. So far, market reception has been very positive, with BEPC trading at a premium to BEP LP and trading representing almost 1/2 of total traded volumes. And we expect to continue to broaden our investor base looking forward as we benefit from both the growing demand for renewables and now the option for investors to elect a security that works best for them. As both Sachin and Connor touched on, our development activities have been increasing, and we now have a very meaningful and growing development pipeline. Among the benefits of this is the enhanced visibility we have over our organic cash flow growth over the next five years.

As we have highlighted previously, we expect to generate 6% to 11% FFO per unit growth over the next five years through organic levers alone. As a reminder, this comes from three basic building blocks. The first is inflation which we expect to generate 1% to 2% FFO per unit growth as we benefit from escalation of approximately half of our revenues. The second is our margin enhancement initiatives where we, through both cost reduction as well as recontracting initiatives, we expect to generate 2% to 4% FFO per unit growth. And while these 2 components, I think, are well understood by the market, I think what is underappreciated is how the increase in our development activities, which is the final building block of organic growth story, supports our ability to achieve our target of 3% to 5% FFO per unit growth from these activities. So I want to spend some additional time walking through this today.

As Connor mentioned, we now have an 18,000-megawatt development pipeline that is well diversified across technologies and geographies. Within that pipeline, we have 3,500 megawatts of near-term development. These are assets that are either under construction or are in advanced stage of development. So what that means is that from these projects alone, we expect to generate 2% annual FFO per unit growth over the next five years, which is almost enough to achieve our target. Further, we have a strong line of sight into our remaining development pipeline, where we only need to develop 20% of that pipeline or an additional 3,500 megawatts to exceed our growth targets. As a result, as you can see, we are well positioned to continue our track record looking forward of growing our FFO per unit at greater than 10%, and that should come from growth initiatives as well as a strong outlook for M&A opportunities.

Bringing it all together, as I said at the outset, we believe looking forward, we provide – we offer one of the highest quality distributions in the sector. This comes from the strength of our financial position, which allows us to fund growth through economic cycles, our high-quality, resilient and diversified cash flows, access to diverse sources of capital and visibility of strong cash flow growth from both organic and M&A activities.

So with that, I'll turn it back to Sachin for concluding remarks.

Q&A – BROOKFIELD RENEWABLE PARTNERS

Sachin Shah, Chief Executive Officer, Brookfield Renewable Partners

Thank you, Wyatt. So look, in summary, and we've addressed it, really, the global macro theme of decarbonization is still in its infancy, but has grown tremendous momentum over the last five to seven years. And obviously, we're building a business that we think is really well positioned to capture a large share of that opportunity and to be a significant driver forward in terms of where electricity grids around the world are moving.

We have been and always will be long-term oriented investors with a value bend to us. And therefore, we think our target returns are achievable. And really, the way we achieve them is by accentuating the strengths we bring from an operational perspective and looking for those situations, as I said earlier, that are unique and where we can add value through the process.

Our balance sheet, our liquidity has always been the bedrocks of our business, and they continue to be really important because markets will ebb and flow, economies will slow down and increase and capital will come in and out of sectors. And for us, the sleep at night factor is really that we maintain a very sound financial structure underpinning the business, have a lot of available liquidity sitting around either for a rainy day or an amazing opportunity, and none of that really has changed. And if anything, we've – it's reinforced our conviction to maintain that, given the volatility we've seen recently in the global economy.

And as a result, we think the business is tremendously well positioned. So with that, again, as always, we thank you for your interest in our business. We look forward to questions. I will take questions both, either from the audience or from the iPad, which might come from people who are online.

So maybe I'll take the first question from the iPad. We get this question a lot, just given how much capital is flowing into this sector, how do we maintain returns, in particular, around development.

And I'd say there's two factors. One is, yes, there's a tremendous amount of capital flowing in for all the reasons we laid out over the last hour. But remember, the opportunity side is also growing. So both the supply of capital and the supply of opportunity is growing.

But I would say, really, like we've been in a decade of low rates that just continue to keep going lower and we've been in this five- to seven-year period where institutions are increasingly looking for ESG-friendly investment opportunities, in particular, private institutions. So we do see a lot of competition. And I'd say where we've really gone to as an organization is making sure that we're not in situations just competing against financial investors.

So you're not going to see us in auctions, looking at wind and solar farms with 25-year PPAs that just have no improvement for opportunity or no wrinkles to them. You're not going to see us really competing with that low-cost of capital investor. What you're going to see is, is the things that just this year, we would have announced, a large solar project in Brazil that wasn't fully contracted, still had some remaining permits outstanding, still had all the procurement work to do, but was about 60% of the way there. And that is in our sweet spot because we have a global procurement program for solar panels. Given the size and scale of our business, we can buy for value from the largest suppliers around the world, and we can buy in bulk. So that helps bring overall costs down.

We have over 300 to 400 clients in Brazil that we sell power to. So we have a large stable of clients that we sell contracts two years, five years, eight years, all the way up to 20 years, and we can bring them into that project. We develop all throughout the country, so we know how the developing process works and we have engineers on the ground who can bring that project to commercialization. Those factors are unique to our organization and therefore, allow us to go into that situation, acquire an asset for value, bring it up to commercial production and generate that 20% type return. And not a lot of people, not – we're not the only ones, but not a lot of people can do all of that and do that in multiple places around the world across multiple technologies. And so as long as we continue to focus on those things, we should be fine in terms of capital allocation.

Any questions in the room? Yes, there's a question.

Unidentified Participant: (inaudible)

Sachin Shah: Yes. So the question – and it's a good one because I saw it here on the iPad as well, is we put out a press release this morning about our participation in a green hydrogen project. We're partnering with a company called Plug Power. And what Ben is asking is just what do we – what's our intention in terms of hydrogen, the scale of the opportunity, the economics of hydrogen and where do we see it fitting into our portfolio.

So first, I would start out with, it's still very early days in green hydrogen. And you should think of it as really a substitute for largely natural gas and in particular, in long haul, freight and trucking, where you're looking for, batteries don't necessarily work properly and you're looking for a fuel source that's clean to provide a long-term stable source of power.

And what is evolving in the sector is that the process of making hydrogen can now be made. The electricity that's needed is now trying to be sourced with renewables. And if renewables can provide the electricity that you need to create the hydrogen, then you have sort of full cycle green product that then can be used, as I said, in long-haul freight, in eventually heating people's homes. So there's a huge market opportunity here.

I say it's early days because it feels a little bit like what solar felt to us like seven years ago, where the cost structure is still much higher than producing hydrogen from gas, natural gas. And today, it's still anywhere between 5 to 10x, depending on who you believe, the cost structure of just producing hydrogen without a renewable resource behind it. And that's just because of the amount of electricity you need when you get into green hydrogen.

So, I would say it's early days because the cost structure is high. We are participating a little bit into it, but on – just on the margins with some of our assets. And we're paying attention, becoming smart and, no

different than what we did with solar seven years ago. We dabbled until we went in big because we believed that the costs were coming down and we had built – we'd already built the operational capabilities. Green hydrogen is the same thing. We're building out our expertise. We're starting to understand. What is unique to us is that because of our hydro fleet, we could really be a partner of choice on green hydrogen, given that hydros can provide 24/7 power. And that is a really unique advantage we have in North America and even in Latin America, where if green hydrogen costs become highly competitive and it becomes a very important part of overall energy supply, backing it with hydros is very lucrative, given the cost structure of hydros and their ability to provide 24/7 power.

So we think we're really well positioned. It is a key differentiator between wind and solar and hydro. And therefore, we're becoming knowledgeable and starting to put a little bit of capital to work in this area, but it's on the margins today.

Is that okay, Ben? Any other questions in the room? I probably have time for one more question.

If not, one question that's come in is you have stayed away from offshore wind, can you please explain why? And do you ever see yourself getting into that area?

So offshore wind is an interesting one. I would say, as an asset class, we think it's an excellent asset class with a tremendous growth opportunity and will be a meaningful part of electricity grids around the world for a very long period of time. However, we have been a little bit more patient than maybe others because the returns, relative to the risk, have been really low.

And what that means is there's sort of two groups who went into this. One were the developers. The developers went in and I'd say, made a very good return. And they made a good return because they basically were taking speculative risk on large swaths of offshore land or offshore regions and then banking on governments coming in providing contracts and they could sell that down to financial investors, who will then provide the capital to commercialize the project.

We were not prepared to take that development risk in the early days because it's still a very new technology. And on the financial side, the financial investors went into this really with a return target that would be lower than what we would want to achieve. We think this sector will evolve. We think overall operating costs will come down. The technology still is maturing, and we think that through the life cycle, the environment that these are in, typically saltwater, highly corrosive, significant operational requirements, we think there will be opportunities for us to come in and leverage the operational strength that we talk about. And if we see an opportunity to get into – involved in more of the development side, that would really play to our strengths at this stage. So we're being patient, we're not competing with the low-cost of capital investors. But we do think in the long term, this could form a meaningful part of our portfolio.

So maybe with that, I'll just pause there and again, say thank you to everyone. We appreciate your interest, and we look forward to giving you an update either after this or at any time that you're interested, please call any of us. Thank you.

BROOKFIELD PROPERTY PARTNERS L.P.

Brian Kingston, Chief Executive Officer, Brookfield Property Partners

Good afternoon, everyone. And welcome to the afternoon session. I'm Brian Kingston. I'm the CEO of Brookfield Property Partners. Thank you all for coming, either in person or for those of you who are joining us online. We hope that all of you are safe and healthy and as can be in these circumstances that we find ourselves in, in 2020.

I'm going to start off today with a bit of an overview of the business, talk a little bit about what we've been up to over the last 12 months since we last got together. Following that, Meredith Darnell from our retail group, is going to talk about retail, which is obviously very topical, and in particular, the future of retail, where we really see that business heading. Following that, as usual, Bryan will run through a financial update, talking a little bit about our NAV distribution profile, et cetera. And at the end, we'd be happy to take questions from either you here in person or online as we wrap things up.

So you're all familiar with Brookfield Property Partners, but we are one of the largest owners, developers and operators of high-quality real estate in the world. Our 134 office properties define the skylines of some of the most important cities in the world. 122 shopping centers in 47 states around the U.S. comprise over 120 million square feet.

And importantly, we also have an investment in Brookfield-sponsored real estate private equity funds. And those investments give us an exposure to a broad range of real estate asset classes in an opportunistic buy, fix and sell strategy. And that really provides us with core earnings and a growth profile from development and redevelopment opportunities within our core businesses and meaningful upside from those more opportunistic investments.

About 85% of our capital is invested in those core office and core retail businesses with the balance in our LP opportunistic investments. So what can I say about the last 12 months? It's really been three years in 1 as we look back on it. The first half of the year, since we were last together, was business as usual. We got off to a strong start from September until the early part of this year.

Then in February and March, due to the rapid spread of the COVID-19 virus, the world's economy largely came to a grinding halt and our business stopped along with it for a short period of time. And really since June, we've been in this recovery and reopening mode. So sort of walking through each of those phases, as I said, the year started out strong. Leasing in both of our core businesses was good. Office supplied generally in the world today is relatively restrained and our tenants were expanding, which is a great environment to be leasing space in.

In retail, the 2019 Christmas sales was very strong. A number of our retailer tenants were starting to hit their stride as investments that they made in 1 channel, marketing and distribution programs began to pay dividends. We took advantage of that market, and we're able to recycle about \$700 million of capital by selling assets at premiums to our carrying values.

And in the first quarter of this year, we completed two of the most important and largest office developments in our history that are both substantially let on a very long-term basis to high quality tenants. Then as I mentioned, as we moved into Phase 2 in March, our businesses – we're really at two speeds. For office, industrial and many of our other businesses, they've been largely unaffected. The resiliency of them has sort of shown through this period of time.

The credit quality of the tenants paid off. So we are 92% occupied. Collections have been largely normal through this period of time. For others of our businesses like retail and hotels, it's obviously been much more challenging. Importantly though, because we do have businesses around the world, and those reopenings or those reemergences from the virus happened at different points in time, we were able to

take learnings from places like South Korea and even parts of Europe that reopened sooner than North America and really apply them here in the U.S., and it gave us a great head start on the preparation for the third phase, which really is reopening and recovery, which started in June of this year.

And so as I said, we took a lot of those learnings from other parts of the world and applied them here, including upgrading all of the air handling and air filtration systems in our office and retail portfolio to best-in-class bionic ionization filters. We've implemented temperature screening at many of our properties. We're providing PPE and hand sanitizing stations to our tenants as well as their customers to make people feel safe and secure when entering into our properties. And importantly, we've increased the amount and frequency of the various cleaning procedures.

And all of those things allowed us to really hit the ground running when we were allowed to reopen again. And as a result, we had about 85% of our properties reopened ahead of the July 4 long weekend, which is well ahead of many of our peers. And so now as we emerge from that period of time, and we look at where our tenants are heading and Meredith is going to talk a little bit about this later on. What we've really seen is a rapid adoption of many of the trends that we saw happening earlier, including buy online, pick up in store, curbside pickup.

And as a result of that, what we saw through this period was that many of the online-only distribution channels, were unable to keep up with that demand. And if you look at who the winners were amongst retailers through this period of time, it was those who had very large retail footprints, Walmart, Best Buy, Target, et cetera. And what it really does is it bears out our thesis that a successful online strategy requires a successful bricks-and-mortar strategy.

The trading price of our shares, along with the rest of the sector, largely mirrored those three phases that I described, business as usual, ground to a screeching halt and then a slow recovery since that period of time.

Today, our shares trade at a significant discount to the underlying value of our real estate. And so purchasing them at these prices, provide investors with both an attractive yield as well as meaningful upside when we do, when we do ultimately recover.

So where to from here? We do think that the worst is behind us. While there still may be COVID hotspots that crop up from time to time and setbacks at various points in time, it's highly unlikely that we'll find ourselves in a situation like we did earlier this year, with the entire global economy shutting down at the same time.

As a result, capital is plentiful and is hungry for the types of assets that we own and develop. Offsetting that, though, is it's a challenging operating environment for many of our tenants, particularly our retail partners. And so rental growth is going to be challenging until that market does somewhat stabilize.

But we do think, ultimately, this is temporary. We will recover, we'll come out the other side of it. And when we do, many of the trends that acted as a tailwind to our business over the last couple of decades will reemerge. One of them that's been getting a lot of attention lately is urbanization, or the propensity for people to want to live in large cities in close proximity to one another.

And it's pretty natural given what's going on right now for people to ask that question. But we think it's important to have a very long-term perspective when thinking about this. We're trying to predict the future. The start of the last century, 40% of the U.S. population lived in cities. By 1920, at the end of the last great pandemic, that was 50%. And today, it's 80%.

People are social creatures who ultimately want to live and work in close proximity to one another, in cities and in markets where entertainment options are plentiful, where jobs are plentiful and importantly, we don't see that trend changing.

It's not just the United States that applies to, the world itself is getting more urban as well. Between 1990 and 2018, the number of cities in the world with five million or more people in them increased from 31 to 81, and it's expected to be 109 by the end of this decade. Today, 55% of the world's population lives in urban environments, and that's expected to increase to 68% by the year 2050.

Importantly, we do think there will be changes in how offices are operated and what tenants are looking for in them. We've been through a tremendous period of change. And ultimately, we were able to see what Peter Drucker predicted in 1990 would happen, which is all of us telecommuting to work every day for a brief period of time.

Six months on, I think we can all look back at it and say that while we were able to manage through this period of time, working from home or living at work, as some of us have come to call it, really doesn't work. We've managed to stay in contact with one another, managed to get things done and get through this using productivity tools like Zoom, like Microsoft Teams, et cetera. But you can't build a culture. You can't develop young talent through Zoom. Those informal ad hoc interactions that take place when people are in close proximity together are what leads to innovation. And a lot of companies are realizing that today.

And so we think rather than it meaning the end of office or some fundamental change in the way that we work, much like 9/11, we just think the way that offices will be utilized or looked at in the future will change as a result of this.

And for those of you who haven't had a chance to read it yet, we actually published a paper recently on the future of office. It's available for download from our website. But increasingly, we think, in addition to changing how tenants will use their space, there is going to be a bifurcation as well in the types of space and the locations that tenants will be looking for. New, modern, efficient floor plans with lots of space for social distancing and the upgraded air handling systems, et cetera, that I referred to earlier, will increasingly be in demand by tenants. While older office product that is unable to be retrofit into those will become increasingly obsolete.

A lot of this that I'm describing today is informed by our discussions with our tenants. We have tremendous tenant relationships around the world. We are providing critical infrastructure for their businesses, and they give us a lot of insight into what's happening in the office.

Similarly, in our retail business, those relationships that we have with retailers gives us a tremendous insight into what's happening with their businesses as well. And so as I mentioned earlier, Meredith Darnall has recorded some of those insights for you to hear about now.

Meredith Darnall, SVP, Business Intelligence & Strategy, Brookfield Property Partners

My name is Meredith Darnall, and I lead the business intelligence and strategy team for the retail portfolio at Brookfield Properties. Simply, we study how consumers spend time and money and how these behaviors impact retail strategy and our tenants' operation of their store fleet.

We share our learnings across the teams at Brookfield so that we may apply them in the operating and managing of our retail centers across the United States. I'm very excited to be here with you today to share some of our insights.

For the last several years, there has been much discussion in the media concerning the relevance of brick-and-mortar stores across the retail landscape. With the onset of the pandemic, some have even speculated that this may be the moment in which consumers just stop shopping in stores altogether and convert their buying exclusively online. However, this is not the case.

In fact, our retail is here to stay. And how the game is being played is changing. Despite the attention that has been given to the growth in digital sales, physical stores still comprise the vast majority of U.S. retail sales, representing 80% of total volume in 2019.

Equally as important, retail sales across the United States are growing, both online and in-store. Brick-and-mortar stores have experienced a 2% sales growth each year since 2016. It is notable that during this same time period, retail sales across Brookfield Properties' high-quality centers, grew at a rate of 3%, higher than the U.S. average.

In April, physical stores began to close due to the onset of the pandemic. Naturally, we saw a surge in visitation to e-commerce sites. And this makes sense, given consumers had very few options to fulfill their shopping needs. Despite this increase in visitation, the digital sales generated were not enough to offset the \$44.3 billion in lost volume due to store closures.

As you can see on the graph in front of you, retail sales began to rebound once stores started opening across the country. Even during the pandemic, brick-and-mortar stores remained 75% of total U.S. retail sales.

In addition to muted sales growth, the shift to digital platforms brought new challenges to retailers. Many retail brands experienced constrained margins due to exorbitant fulfillment and customer acquisition costs. This demonstrates that a digital-only retail strategy simply isn't profitable and stores are important in driving success.

In May, stores across the United States began to reopen and saw a surge in sales, regaining 50% to 100% of previous year's levels. As Richard Johnson, CEO of Foot Locker shared, this surge in sales could be attributed to higher conversion rates and larger-than-average basket sizes.

Foot Locker was not the only retailer to benefit from this pent-up consumer demand. In June, lululemon shared that the store reopening had generated a return of 75% to, in some cases, 100% of their store sales. Both Abercrombie & Fitch and American Eagle Outfitters, upon reopening their stores, reclaimed 80% to 95% of their sales productivity. And finally, H&M shared they have recovered 75% of their store productivity. And this occurred even with a portion of their store fleet still closed.

The pandemic has magnified the importance of physical stores and driving successful retail businesses, allowing tenants to leverage 1 channel capabilities. For this reason, how the retailers will continue to open new locations. Since 2019, national retailers have opened nearly 8,000 stores across the United States. Year-to-date, we've also seen 3,000 new locations open, representing a 5% increase over the count at this time last year.

Our portfolio of premium positioning enables Brookfield Properties to capture a disproportionate share of these new stores. For example, since 2019, and we have opened 20% of the new stores of lululemon and UNTUCKit. As we have noted, healthy retailers are realizing that physical stores deliver multiple salient benefits beyond just in-store transactions.

Stores serve as a platform to engage customers and allow them to have an authentic experience with the brand, allowing brand building and customer acquisition. Stores also play a vital role in fulfillment, serving as a distribution, pickup and return center. It is this role that has grown in importance in the last several months.

Our retailers have been investing in a one channel capabilities for several years, but we've seen this movement accelerate thanks to the pandemic.

Retailers have moved stand up one channel capabilities, including buy online, pick up in store, commonly called BOPIS, curbside pickup and same-day delivery. Buy online pickup in-store has proven to be a great benefit, in particular, to our retail brands.

BOPIS delivers the best margin for retailers and is the fastest path for growth in revenue. Encouragingly, among shoppers who have used BOPUS for the first time during the pandemic, 62%, said they would continue to use this service. Both BOPUS and curbside pickup have proven results. For example, DICK'S Sporting Goods rolled out BOPUS and curbside pickup across their entire store fleet earlier this year.

They shared that these services helped drive a 40% increase in digital sales during the first quarter and contribute an identical profitability to that which could have been generated in stores had their stores been open to the public. Also expanded curbside pickup to 75% of their store fleet. Based on the consumers who use this service spent 3x more than shoppers who use the online function only. Due to rising shipping costs across the United States, we expect more retailers will invest and implement 1 channel capabilities to deliver cost-effective and efficient fulfillment solutions.

The evolution of retail has real implications for real estate. By partnering with our tenants to optimize their store operations and create centralized hubs of discovery, fulfillment and returns, high-quality retail centers, like those owned by Brookfield, properties, will win. High-quality retail centers comprise 36% of GLA across the United States.

Yet these centers generate 58% of retail sales. For this reason, retailers prioritize locations in high-quality centers due to their capacity to engage the best retail consumers and successfully leverage 1 channel strategies. Brookfield Properties is well positioned in this environment, owning 19% of high-quality retail real estate.

The size and scale of our portfolio offers a distinct benefit to our retailers. 64% of the U.S. population lives within a 1-hour drive time of a Brookfield Center. By partnering with Brookfield, retailers can quickly serve the largest number of consumers across the United States.

Moving beyond 2020, we believe our strategy to transform our retail centers into hubs of daily life and commerce is more relevant than ever. Yet, it will progress in concert with changing consumer and tenant needs.

Long before the pandemic, Brookfield Properties evolved our curation strategy to transform our centers and move beyond shopping in order to create destinations that cater to consumers' daily needs. This means balancing traditional specialty retail with desired new uses, including dining, entertainment, fitness, medical and education.

We believe retail venues that deliver engaging places for consumers to connect, discover and explore, while having their needs met, will be successful.

Across our retail portfolio, we are creating the marketplaces of the future where communities will live, work and play. We will continue to curate the best brands, striking a balance between globally sought after popular retailers and local businesses that reflect the values of their community. We believe this combination will create the most compelling experience for our consumers. We will also continue to reinvest and redevelop our centers to design mini cities that will be able to meet changing consumer demand and benefit the surrounding sectors of retail. For these reasons, we believe Brookfield Properties is positioned to be a leader in the transformation of retail and have great confidence in the long-term success of our portfolio. Now back to New York.

Bryan Davis, Chief Financial Officer, Brookfield Property Partners

To finish off our presentation over the next section, I just want to touch on three key things. The first is the quality of our balance sheet. The second is going to be some of our key business and financial priorities. And the last thing is really going to be to talk about our current share price and our approach to distributions.

Since launch of BPY back in 2013, we've really been focusing our message on scale. We operate a very large core business. We have over 256 office, retail and multifamily properties that span the globe. The scale gives us tremendous insight, influence and advantages in the markets and the sectors that we operate in. But what gets lost in the sheer size of our business is that most of the value is concentrated in a smaller subset of those properties.

Take, for instance, our office business. We have \$13.5 billion invested in that business. But in recent years, we have either invested in or developed 15 office and mixed-use complexes. These include Brookfield places that are across the globe, Canary Wharf, Manhattan West, Bay Adelaide Center, Potsdamer Platts, amongst others. These are located in top markets: New York, Toronto, London, Berlin, Perth. These properties are 94% occupied with credit quality tenants and have an average 10-year lease life.

And alone, these properties comprise \$21 billion in asset value, which is about 70% of the total of our entire office business. They're conservatively capitalized at 50% LTV on average and as a result, comprise \$10 billion of equity value. Similarly, in retail, where we have 122 properties and \$13 billion invested. If you look at only our top 25 properties in that portfolio as measured by sales performance. These include Ala Moana, Oak Brook Center, Tysons Galleria and the Fashion Show, amongst others.

All of which regularly achieve sales per square foot in excess of \$1,000. It's not surprising they are 97% occupied and consistently outperform in terms of occupancy and leasing spreads and NOI growth. Alone, these properties account for \$15 billion of total asset value or about 45% of the total of our entire retail portfolio. They are conservatively levered at 36% on average, and as a result, comprise \$10 billion of equity value.

So although there's no magic to these subsets that I just mentioned, they do illustrate 1 key point: That the largest exposures within our business are to a subset of conservatively capitalized investments in some of the highest quality properties that exist in the world.

Now that's not to say that all 256 of our core properties are not important to us. They absolutely are. They're well-located within the markets or the submarkets that they operate in. And they're operated with our high standard of care. And as a result, they have a history of stable operating metrics.

Across our entire core portfolio, if you look back for the last 10 years, occupancy has averaged 94%. Only slight swings between the peak and trough during that period as well. And similarly, if you look back 10 years, average in-place rents in our portfolio have only increased over that period.

The same can be said if we took these charts and went back to 2007 and included the full effect of the financial crisis and its impact on the real estate cycle. So it's operating metrics like these that support steady cash flows, which, in turn, support the stabilities of the values within our business.

As Brian mentioned, BPY also has exposure to some of the top-performing real estate asset classes. These include logistics, self-storage, triple net lease, affordable housing, extended stay hotels. And this exposure comes through the unique opportunity that BPY has to invest in Brookfield's real estate funds.

With almost 50% of the investments within these funds located outside of North America and 73% in sectors that are not office or retail, this business not only provides BPY with diversity that is a great

complement to our core retail and office business, but also great returns with projected performance tracking at a net 15% IRR and a 1.8x multiple of your capital.

Importantly, when you take our LP business and our core business, which combined, have about \$31 billion of BPY's capital, it is conservatively funded with over 90% perpetual equity and only 10% corporate debt.

Now it's clear that real estate is a cyclical investment. And the cycles tend to be magnified in the public markets. And since the beginning of this year, as Brian illustrated, the downturn has been quite abrupt. Cap rates for our peers increased from between 200 basis points for office up to over 400 basis points for retail. And at the same time, the 10-year treasury dropped about 130 basis points.

BPY has also been caught up in this negative sentiment. Although our expansion in cap rates has been at the low end of the range, owing to the benefit that we have of diversification, whether it's by asset class or by geography. But like all cycles, this too will come to an end. Panic and depression, we think will be replaced by hope and optimism. And the catalyst will be the return of the private market transactions. As economies open back up for business, which we are starting to see, and investors realize that we are in a lower for longer real estate or interest rate environment.

At this point, we will be well positioned with the quality of our assets and the appropriate amount of leverage that we have. But in the meantime, our business and financial priorities are largely unaffected by what is going on in the short term. One of the key objectives, which impacts all of our business is the continued advancement of our ESG program. One of the key initiatives was to understand what we measure within our businesses.

So earlier this year, we completed extensive surveys across every one of our investments. We track water use, waste output, certifications, emissions, employee training, amongst other things. The next phase that we're going into is how we can improve. In addition to that, we continue to raise capital focused on funding our green initiatives, whether they're developments or redevelopments, including our most recent issue earlier this month, which was 2x oversubscribed.

Recently, we have been very focused on supporting our communities, particularly in dealing with the pandemic. Through the use of our space, whether they're the parking lots in our malls or the hotel rooms in our hotels to support relief efforts. We have been providing donations of cash and supplies, and we've been encouraging our employees to get involved.

And lastly, we've been focusing on some broader initiatives, including becoming a signatory to the United Nation's supported principal for responsible investing and also adopting the recommendations of the task force on climate-related financial disclosure. Specific to our core business, our priorities remain focused on achieving stabilized occupancy in all of our properties. And recycling capital out of those stabilized properties, either through refinancings or sale. The capital that we raise from those initiatives will be used for two key things: The first is reducing overall debt levels, particularly in our retail business; and the second is growth, through advancing our redevelopment opportunities across the portfolio, through completing our active development pipeline and for positioning future development projects, so they are ready to launch when the timing is right.

As Brian mentioned, we had a very busy year in our development business. Since Investor Day last year, we completed almost 4 million square feet of office developments. These include One Bank Street at Canary Wharf, 100 Bishop's Gate in London and One Manhattan West in New York. These properties in aggregate are already 92% leased, well on their way to stabilization. And we are now focused on finishing our other office development projects, including ICD Brookfield Place in Dubai, Bay Adelaide North, in Toronto, 1 The Esplanade in Perth and 2 Manhattan West in New York. These active developments are 50% pre-let, well in advance of their completion dates.

Our developments are built to a yield on cost of between 6% and 8%. And when stabilized, they will generate \$400 million of NOI, as you see in this chart. These projects create significant value for BPY. Two recent examples of this include, in the first quarter of this year, we pre-sold on a completed basis, a 50% interest in 1 The Esplanade in Perth. Not only did we achieve a record cap rate in that market and even though this project will take until 2023 to complete, we received 100% of the equity proceeds from that sale upfront, which funds our share of the development. And just last month at One Manhattan West, we executed a seven-year, 2.95% financing that raised over \$1.8 billion on a tower that was built for only \$1.9 billion.

As it relates to our LP investments, our focus remain on the same two priorities: monitoring performance of our invested capital and matching future capital calls with cash return from earlier generation funds. Performance is in line with our expectations. And based on this projected performance, we expect to generate a lot of liquidity over the next five years. In fact, \$7 billion in cash will be returned to us, which includes \$3 billion of profit as those funds get wound down and those investments get sold.

So before I pass the podium back to Brian for the Q&A session, I did want to end the presentation with two key takeaways. The first off is on our distribution. BPY was spun out of BAM as a yield vehicle. It was designed to have a healthy distribution as part of the total return for you as an investor. And in light of our recent share price, our distribution may seem high, but that's not how we look at it. Our distribution is set based on our long-term outlook for earnings of this business. And our target is to pay out to our unitholders 70% of those earnings. And going back to 2014, we did exactly that, as illustrated in this chart. Some years, we may end up paying more, but those years will be balanced by those that we pay less.

Now the capital in our capital allocation decisions comes from the 30% of earnings that we retain within our business and not distribute to our unitholders. We combine that capital with the capital that we generate through refinancings and through sales and the capital that gets returned to us from our LP investments. And then we allocate that to a combination of maintaining our properties, buying back our shares or growing our business.

So we don't think our yield is too high. We actually think our share price is too low, which leaves me with my last key takeaway. Our share price is too low. So reflecting on everything that we said today, we believe quality office and retail real estate has a bright future. We also believe we have an irreplaceable portfolio of quality real estate that is managed by 1 of the most experienced investors and operators in the world. An investment in BPY provides you with just that. And that investment today can be made at a substantial discount to intrinsic value, 60% if you consider it relative to our IFRS value, or 50% if you consider it relative to consensus NAV.

So going back to the cyclical nature of real estate. When you're at the peak of a cycle, an investment provides low opportunity and high risk. When you're at the trough of the cycle, an investment provides low-risk and high opportunity. And I say for all of these reasons, we see tremendous value in BPY's units today. So with that, I'm going to turn the podium back over to Brian for our Q&A session.

Q&A – BROOKFIELD PROPERTY PARTNERS

Brian Kingston, Chief Executive Officer, Brookfield Property Partners

Thank you, Bryan. So I'm going to take a few questions from the iPad. For those of you in the room, or in any other rooms, there are QR codes or a way to enter them through the website. It's probably easier to do that given we don't have microphones and it'll save me repeating your question after you've asked it, so. And in some cases we're going to try and consolidate a few questions into one if they follow similar

themes. So the first question really is, how is Brookfield's own return to the office experience been across your global headquarters? Any lessons that you're able to share with tenants?

Great question, thank you for asking. Here in Brookfield Place, we have across all of our various businesses, we have about 700 people who call this place home. Today we have about 400 of them coming in every day. That really started in June, when we were allowed to reopen the office here in New York City. And so over that period of time, we've gone through a tremendous amount of learning. That first week in June, we had about 50, and that included Bruce and I. But really over that period of time, we've been slowly bringing people back to the office, and it's really been through a combination of additional procedures we've put in place, listening to our people, trying to better understand what concerns they may have and finding ways to address them. So we have regular testing of all of our people, there's intense cleaning in the office, we've helped make alternate arrangements for people to get to the office, who – some who have longer commutes in, et cetera. And try to be more accommodating in that. That has given us a tremendous amount of learning and in fact we're turning that into a white paper which we will be sharing with all of our tenants, because while we are at 60%, probably heading towards 75% of our people here in New York, in Toronto it's more like 85%, in our office in London, it's 85% or 90% as well. Our tenants have not had the same participation. And we think a lot of it is because they don't know where to start. And so there's a lot we can provide with the experiences that we've had around what was successful in getting people back into the office and it's been done in a very thoughtful way, we have an epidemiologist on staff who has been advising us each step of the way. He likes to tell everyone who will listen to him, that our office is safer than the grocery store, so if you're going to the grocery store, there's no reason you can't come into the office. He's available if any of you need him for your staff meetings as well.

The second question relates to the retail business. There were several recent reports noting a planned scaling down of the retail portfolio. Do you think now is the right time to sell retail? And if so, why?

So there was a report earlier on this week that was really referencing some costs – cost reduction measures that we've made within our retail business, where we've reduced some headcount at the head office as well at some of the property levels, probably not surprisingly, given what's going on in that sector today.

Part of the reason though that – or part of the driver for that is, we do think, over time, our portfolio will become more concentrated. As Bryan said, in those higher-value, larger scale projects around the world. And as a consequence, the number of malls we will have at some point in the future will be fewer than the number of malls we have today. That does not mean that we're running out and trying to sell malls in a market like we see today, where there's a lot of concern around the future of it.

But at some stage, and we've said this really since we took GGP private two years ago, our plan was really to focus on a smaller number of very high-value add development and redevelopment opportunities within that portfolio.

Not surprisingly, retail again. So can you comment on your investment in JCPenney? What was the strategy with that investment?

So importantly, this is an investment being made through our retail revitalization program that we announced back in June. And so I won't comment specifically on that company, given that the process is still working its way through the court, so we don't actually have a deal yet. But just in general, the strategy with this retail revitalization program, was to utilize all of the knowledge and intelligence that Meredith's group has in Chicago about what works with retailers, what doesn't work, who has a strong brand, who has a strong business plan and who's likely to be successful in the future, utilize that along with the tremendous amount of capital that we're able to raise from either our own balance sheet or many of Brookfield's investment partners to make good investments in retailers that we think are going to survive.

Traditionally or historically, the department stores have not really fit into that category. But we do think there is a unique opportunity, given the size and scale of that business to actually revitalize the platform, make some of the changes that Meredith talked about, bring some capital to the table, which all of them are suffering from today, given where their share prices trade, they're unable to make proper investments in systems, in building out a proper online presence and distribution capability, et cetera.

And so if we're able to bring all that together, we actually think this can be a very successful investment program. And as I say, we're sort of playing with a lot of inside information in a good way, with respect to – with what's going on in that sector and understanding it on a day-to-day basis, gives us a lot of intelligence.

So recently, Howard Mark said in an interview with CNBC, he believes today's opportunities lie in out of favor asset classes, namely retail and office real estate. Do you share this thesis? It sounds like a leading question. And will BPY continue to capitalize on opportunities to purchase assets on a value basis?

Obviously, I think having heard our slides earlier, we do subscribe to that. We do think they're out of favor. There's no question. There's some challenges, as I said, in the operating environment for many of our retail tenants. That's going to have a flow on impact to the value of retail, generally. But the types of assets that we own are going to be the survivors and ultimately the beneficiaries of this consolidation that's going on today.

We've said it many times that we think there's too much retail space in the United States, but it's too much low-quality real estate that continues to attract a lot of attention. It's a very different story when you're talking about these well-located shopping centers in densely populated areas where the tenants want to be. And so if you are a tenant and you're looking to shrink your footprint, your physical footprint even, the odds are, it's one of our centers that you're going to concentrate your bets in. And so that will ultimately benefit us. And so we do think there's certainly a period of adjustment here, but there's going to be some really attractive investment opportunities.

Similarly, with office, as I mentioned in my comments earlier, we think that the demise of New York City office has been called at least three times in the last 20 years, and it's always been wrong. And it's because this is a dynamic city that people want to live in. Again, there's lots that has to happen for us to get back on track and get through all that. But ultimately, the size and scale of the city can't be replicated elsewhere, and tenants and office users who want to attract young talent need to be in a place like New York City.

Can you comment on the recent substantial issuer bid? Sure. So we launched the substantial issuer bid in June. It was a \$1 billion offer at a premium to the then share price. Given the capital demands within BPY, the way that we actually decided to fund that was through a back-to-back facility with Brookfield Asset Management where it would ultimately be funded. So as opposed to the shares being bought and canceled, it really ended up in no net reduction in the number of shares outstanding. But what it did allow shareholders who wanted to exit a cash offer at a pretty substantial premium to where the stock was trading at the time. And from Brookfield's perspective, it was – as we've said, we think this is a pretty attractive entry point.

Ultimately, I think a lot of our unitholders agreed with that. We were only able to have about half of that \$1 billion offer subscribed for. So there were a number of unitholders who looked to exit. But for the most part, it was unsuccessful. So I do think, in that sense, it was successful in demonstrating that our unitholders do still continue to see value down here.

I think I have time for 1 more question. And it – sorry, that's one I just read. What is the private market appetite for core derisked office assets in some of your larger operating markets? Are you anticipating cap rate expansion or compression?

So again, and this sort of ties into a couple of other questions. I think that we're in here, regarding the pace of capital recycling and how we see that playing out over the next little while. While markets generally are choppy, and there's a lot of concern over valuations, et cetera, there is a tremendous amount of capital that is sitting on the sidelines right now and looking at a lower forever interest rate environment that we may be heading into.

And so for certain assets, like the brand-new office buildings that we're completing in London and in New York and in other places around the world that are leased on a very long-term basis to high-quality credit tenants that provide yield and inflation protection, we do think there's a lot of demand out there for those types of assets. And those are the kind of assets that we recycle, right? So the harder, more opportunistic assets that have leasing challenges, et cetera, those are not the type of assets that we're typically selling anyway.

And so the types of assets that we would be recycling out of, there's a tremendous amount of demand out there. We expect between now and the end of this year, we should have some more to announce on that, but there are a couple of transactions that, notwithstanding the slowdown in economic activity around the world, we actually think there will be an opportunity to get a couple of those done before the year-end. So to be – more to come on that.

So with that, I will thank everyone for either attending here in person or online. And encourage you if you have any other questions to – all of our contact details are, of course, are on the website and encourage you to reach out and ask us. Thank you.

BROOKFIELD BUSINESS PARTNERS L.P.

Cyrus Madon, Chief Executive Officer, Brookfield Business Partners

Good afternoon, everyone. Thank you very much for joining us at our Investor Day for Brookfield Business Partners, or BBU, today.

Now for those of you who attended this event last year, you might recall that we spoke a lot about the resiliency of our businesses and especially our larger businesses. And we did this because we were very long into an economic cycle. We knew at some point that would come to an end, and we would see some sort of slowdown. And we were very confident that our businesses would perform well.

Well, little did we know that it would be a global pandemic that caused that slowdown. But nonetheless, here we are. And the good news is our businesses have performed really well through this situation, and we're going to speak to you about that.

Before I do that, I would like to thank all of our employees, not only in our business, but in all of our operating companies around the world for their incredibly hard work and dedication.

Presenting to me – with me – today is John Barkhouse. And John is a Managing Director in our Business Operations team. He's going to talk to you about just what it is we did specifically at all of our companies to get through this slowdown. And then more specifically, he's going to give you an update on our activities at Clarios, which is our largest business. And also presenting with me today is Jaspreet Dehl. Jaspreet is our Chief Financial Officer. Jaspreet is going to give you a financial overview which will also include an update on our current view of value for BBU.

So our businesses through this downturn have not been immune, but they have proven to be remarkably resilient. And if you look at our overall business, 90 – our operations that generate 95% of our EBITDA were either virtually unaffected or we were able to readily manage through this – the impact of the slowdown and they've now strongly rebounded.

The businesses that were least impacted include Westinghouse, which provides critical services to the nuclear power generation industry, BRK Ambiental, our critical water services supplier supplying water to 15 million Brazilians, and Altera, our service provider to the offshore oil and gas industry, which has contracted revenues. If you take the revenue for this group of companies combined, they suffered a revenue decline in total of less than 5%, so really remarkably stable.

And the revenues at virtually all our other businesses have now bounced back, and the reason is they provide essential products and services, and this is what we spoke to you about last year.

So let me talk about a few of them. At Clarios, even in a lockdown world, cars and trucks need to move, and nothing can be transported without our batteries. In fact, sales volumes at Clarios are now above last year's levels.

At Healthscope, there's a huge backlog of surgeries due to the restrictions that were put on this business at the beginning of the pandemic. Now you can imagine that patients that need treatment or surgeries can defer these for a short period of time but not for very long. And what that means is most of our hospitals today in Australia are operating at levels similar to last year. And as I said, we have a deep backlog of patients there.

At Greenergy, our fuel distributor, volumes bounced back at this business as traffic levels have improved.

And at Genworth, our mortgage insurer, new premium volumes dropped pretty substantially in April but completely rebounded by June and July. And while Genworth has increased its provisions for potential future losses, it has a strong balance sheet and ample liquidity to manage through a downturn.

What this means is that on an overall basis, our revenues, which dropped about 40% in April compared to the prior year, are now down only 15% compared to last year. So we are really pleased with this overall level of performance. And I can tell you, at these levels, our operations generate a lot of cash flow.

And this overall resilience in our business has resulted in continued strong financial performance. You can see here that our company EBITDA continues to increase, and we now have a bigger and stronger business despite the current environment. And even though we issued a number of units last year, our company FFO per unit was only down 6%, arguably during one of the worst downturns in history.

And notwithstanding our investment activity, our ongoing capital recycling initiatives and capital raising means that we have ample liquidity to fund our future growth. Today, we have \$2.3 billion of liquidity at the BBU level, and we have an additional \$5 billion of liquidity within our operations and portfolio companies.

And since we presented to you last year, we further enhanced the scale and the value creation potential of BBU. We invested \$3.6 billion into new businesses. And during the recent stock market correction, we bought about \$600 million of equity securities in businesses that we know and we understand and we would love to own one day. These securities now have a market value of about \$1 billion. So if we don't end up buying – privatizing these companies, we can sell the securities, crystalize a pretty significant gain for BBU and generate more liquidity.

Over the last year, we also invested within our existing operations through a series of add-on acquisitions, including four tuck-in acquisitions at Westinghouse. Now these transactions, they are not large individually, but they expand our product and service offerings as well as the regional reach of our businesses, all of which strengthens the overall value of the companies we own.

We also unlocked value through monetizations. Last month, we signed an agreement to sell our pathology services business. This business is part of Healthscope, and this was always part of our plan to sell this business because we want to focus on the core hospital operations in Australia which have tremendous growth potential. We also completed the sales of North American Palladium and Nova Cold at very strong returns for BBU. Now the interesting thing is we've been selling our smaller businesses until now. And as we start to monetize our larger businesses, the proceeds generated for BBU should be very substantial.

A key advantage of our business is that we have a very broad investment mandate. Sometimes we come across non-control opportunities where we can be a great partner to another business. We recently invested \$260 million in preferred shares of Superior Plus, which is the leading propane distributor in North America. This preferred share investment is convertible into 15% of Superior's common equity. So we'll generate our returns through a combination of dividends and capital appreciation. And we hope to be able to help Superior consolidate a fragmented propane distribution market in the United States.

Looking ahead, well, we think we're in a great position to continue delivering growth for BBU. And a very common question we get asked these days, what's happened to deal flow given the current environment? Has it grounded to a halt? Well, it did ground to a halt. Probably at the end of March and early April, things got very slow, but I can tell you, it's definitely picking up. And as you can see on this page, we are currently reviewing opportunities that total about \$20 billion in equity capital requirements.

Now maybe only one or two of these actually happen, but it gives you a sense of how robust our global deal pipeline is. And what is interesting and reassuring is the pipeline of opportunities is spread across all of our core regions. And because we have boots on the ground in each of our key operating regions, we can evaluate businesses globally, and that would be virtually impossible given the current environment we're in.

And for the most part, these are large-scale opportunities, high-quality businesses, just like the ones we own today. And they come from a variety of different sources, including private – potential privatizations, corporate carve-outs and sponsor exits.

We're also working on more bolt-on opportunities for our existing businesses. For example, our Brazilian fleet management business, Ouro Verde, is well capitalized. There are about 30 potential add-on acquisitions to grow this business. Similarly, our Indian commercial vehicle financing company, IndoStar, is among the best-capitalized NBFCs in the country. NBFC stands for nonbank financial corporation. It also has about the lowest cost of capital today. And today, IndoStar is looking to acquire distressed loan books from its competitors at a time when virtually the entire Indian finance industry is struggling.

I also mentioned Westinghouse's recent acquisitions. We're looking at several more for Westinghouse. And one of two – or one or two of them could be relatively sizable. So in total, these opportunities would be highly accretive to the value of our underlying businesses.

Finally, as you're all well aware, governments around the world have provided markets and businesses with unprecedented stimulus, more than during the Great Depression, World War II and the financial crisis. And this stimulus has made it easier for weak businesses to access credit, and it's resulted in many overleveraged companies. Our view is this will ultimately lead to an acceleration of defaults probably over the next year or two. So we're preparing ourselves for a wave of potential distress opportunities, which could surface as government stimulus dries up around the world. At some point, it's going to be much harder for weaker high-yield and leveraged loan issuers to access credit.

So with that, I'm going to hand it over to John Barkhouse.

John Barkhouse, Managing Director, Brookfield Business Partners

Thanks, Cyrus, and good afternoon, everyone.

In this section, I'm going to build on the theme of resilience, but looking at it through an operational lens, speaking specifically to our response during the pandemic and then shifting towards value creation. A key to our resilience has been our ability to globally coordinate a response, our 30 operating professionals, working hand-in-hand with our operating companies, focused on common approaches to health and safety, cash and cost management, allowing us to quickly defer our attention to market opportunities.

Specifically, we assembled a business continuity team to coordinate across regions, targeting common theme issues that we were experiencing. The best way to share some of those with you is through example.

At Healthscope, we repositioned our private hospitals to provide COVID support. In fact, in Victoria, we repurposed a 34-bed hospital in just four days to provide COVID support for aged patients in the country.

Next, at Altera and Greenergy, there, we were able to reposition our FPSOs to provide incremental oil storage capacity. That allowed us to capitalize on the deteriorating oil price at the time.

And finally, at BrandSafway, the variable workforce in BrandSafway allowed us to quickly respond and flex with – to directly align with demand, but that then allowed us to turn our attention to the work of replanning our customers' deferred shutdowns into future quarters.

Now nowhere was the global impact of the pandemic felt more apparently than at Clarios. Now this is a business I have unique insights in. Having engaged during diligence, I led the carve-out and stand up with our team, chaired the Board and structured the Board for the company and served as its CEO until May of this year.

So a quick refresher on Clarios. Clarios is the leading producer of advanced battery technologies. And for context, one in three cars globally on the road today have a Clarios battery in them. Last year alone, our 16,000 employees delivered 153 million batteries from 56 global facilities.

Now something that differentiates us and something that we're incredibly proud of is our recycling program. Today, we recycle approximately 8,000 batteries an hour, making our recycling program the greatest example of a circular economy, more so than glass, paper and cardboard.

The pandemic unfolded differently in Clarios mainly in the time horizons. We experienced it first in China, then Europe and ultimately in the Americas. What was consistent, though, was how the markets responded. Specifically, we saw a meaningful reduction in new car production. Essentially, it stopped. In the aftermarket, we saw a decline mainly during the period of time when stay-at-home orders were in place. But the aftermarket was deemed an essential service, which provided a key conduit for how our recovery unfolds. At the worst period of time, our volumes were off on a year-over-year basis between 40% to 65%.

So how did we respond? Well, first, we assembled a business continuity team to coordinate across regions. And we had the benefit, based on our geographic presence in China, to get a head start. So we assembled that team back in January, and that allowed us to then replicate what we had learned into other regions rapidly. So of course, we started by safeguarding our employees and rolling out consistent processes to protect their safety.

The second important thing was protecting our right to operate. As I mentioned, the aftermarket retailers and distributors were deemed essential services. It was important for us to also have that same designation. So we worked globally to establish that for the business, and were successful in doing so.

As you can imagine, we quickly moved to flex our variable costs in line with that demand, but the pandemic actually afforded us an opportunity. With volume in the channel, we were able to actually pull forward some of our fixed cost opportunities from 2021 into 2020. An example of that was the closure of our Middletown facility, creating about \$20 million in annual fixed cost savings.

And then finally, optimizing liquidity. We took the approach of creating a global cash management team, so we could focus very, very much on end-to-end cash management, optimizing AP and AR, capital and other elements of the cash-to-cash cycle. And finally, we raised \$500 million of secured notes. This, coupled with our cash management program, left us at the end of the quarter with approximately \$1.6 billion in liquidity.

What happens next is truly remarkable. Since April, we've seen an incredibly strong recovery. This is predicated on this being an aftermarket business, with approximately 75% of our volumes going into the aftermarket. The two graphs on the right tell the tale. So when we look at aftermarket performance, April was the low spot clearly. But since April, on a year-over-year basis, volumes have exceeded 2019 levels.

In the original equipment sector, which represents only a quarter of our volume, we've seen an increasing trend but a slower recovery as new car sales have continued to lag.

So let's shift gears all together. Let's move away from the pandemic and the resilience of this business during the pandemic and talk about value creation. Last year, we shared with you our value creation plan, targeting \$300 million of EBITDA enhancements in the near to mid-term. This was predominantly focused on our North American operations and a transformation in manufacturing and recycling, optimization of transportation and logistics and strategic sourcing.

As we fast-forward this year, I'm happy to report we remain clearly on track, anticipating approximately \$100 million in annualized savings by year-end. So let me give you a little bit of insight as to how we achieve that.

So in our Toledo battery facility, which is representative of most of our assembly plants in North America, we were able to achieve a 12% increase in production. We focused on two main themes: one, debottlenecking the process, so eliminating some of the bottlenecks that were causing reductions in throughput; and two, improving scrap. We applied a very similar technique to our Florence recycling center. There, we achieved a 30% increase in recycling efficiency. The way we did that was to attack the bottleneck. The bottleneck in the case of our recycling center was the method in which we were feeding material into our smelting furnaces. By redesigning our feed system, we were able to increase the utilization of those furnaces. The net result, 14,000 metric ton improvement on a year-over-year basis.

And finally, in transportation, which is a very big piece of our business. When you think about the 153 million batteries we deliver every year, there's at least another 153 million batteries that we recover and recycle, making it an extremely complex logistics and transportation business. We were successful in reducing our core freight costs this year by approximately 30% in North America driven mainly by route optimization, increasing the number of batteries we fit on a given truck and optimizing our freight contracts.

So in the mid-term, I have a lot of confidence in our ability to achieve those objectives. But what really excites me about this business is the long-term potential. So why am I excited about the long-term potential? Well, there are several positive market trends that will influence the full potential of Clarios. Not one, but several.

So the car parc continues to grow. That one is fairly obvious. But environmental regulations continue to tighten. We're seeing an increase in electrification of vehicles, and we're seeing an evolution away from internal combustion engines towards battery electric vehicles. Now it's probably not intuitively obvious how all of these things are positive market trends for Clarios, so I'm going to take you a little bit deeper.

By 2035, we anticipate the car parc will grow by an incremental 700 million units. And at the same time, in the same period, we are going to see a shift from internal combustion engines towards more advanced powertrains, hybrid and battery electric vehicles. And the colors in the graphs kind of tell that story, that there will be this shift in this migration.

So how does that translate into batteries? Well, an incremental 700 million units in the car parc translates on a replacement cycle to approximately 200 million units of incremental battery demand annually in 2035. So, if you do our one in three vehicles on the road map, you kind of quickly come to that 65 million units of potential opportunity. But there's a more important point, and that important point is shown here on the graph in the description between the change from conventional to advanced batteries. As the car parc migrates more towards these sophisticated powertrain platforms, the battery moves to a more advanced battery. The good news with more advanced batteries, higher margins, first and foremost. But perhaps even more important, we have more than 50% of the installed global capacity to produce advanced batteries.

Let's talk a little bit about the powertrain. It's hard to pick up a newspaper today without seeing an article about lithium-ion-powered vehicles and the evolution towards EVs. This isn't a threat to us. This is truly an opportunity. What this graphic depicts is, moving from left to right, we're moving from conventional internal combustion engine-powered vehicles through start/stop; through hybrid technology; through battery electric vehicles. What's important is the need for a low-voltage Clarios-type battery doesn't change. What changes is how it's used, the role it plays. So every platform requires this low-voltage battery. What it does is different.

So if I take an internal combustion engine, what does the battery do in the low-voltage system there? It starts your vehicle, it turns on the lights and the radio, and it makes the ignition system work. Now when you get all the way to a full battery electric vehicle, the role changes. So what does the low-voltage system do in the modern EV world? Well, it controls your traction battery, first and foremost, so it does still

perform the function of starting the vehicle. But it does so much more that may not be obvious. All of the subsystems around you are run on 12-volt. So when you walk up to your car and the door opens, a feature that a lot of people really like, that's the low-voltage Clarios-type battery performing. All of the infotainment and all of the features inside the vehicle are driven off of that low-voltage system. So as I mentioned earlier, the shift from conventional to more advanced technology, which follows the powertrain evolution, is a favorable tailwind.

Shifting yet again to electrification. This word is often confused with electric vehicles. It actually isn't. It doesn't mean electric vehicles. What electrification means is the movement towards more and more features in our vehicles that require electricity to operate them. In the next five years, we're going to see a doubling, not only of the features, but also the power consumption that those features draw upon, meaning the low-voltage system that powers all of that becomes more sophisticated and becomes more important.

And so the types of features I'm talking about, all of your creature comforts, your heated and cooled seats, but also all your safety critical features, like your blind spot detection, your advanced crash detection systems, all of those run on our low-voltage system.

And as you project one step further into the world of autonomous vehicles, the need for functional safety and having redundant systems in the vehicle will be a requirement to – for us to make a full autonomous leap.

Lastly, I'll leave you with a point that I'm extremely proud of. We have continued to position the company as the partner of choice on the next generation of vehicle platforms, moving away from being just a battery provider, to actually being a systems architect and system adviser, working hand-in-hand with the global original equipment manufacturers. This has allowed us, with one of the OEs listed on this page, to implement the first multi-battery system, so the breaking down of the car's electrical system into smaller subsystems, each requiring a unique Clarios-type battery. We've designed a new battery to do that, and that vehicle will be coming to production in the next 12 months or so.

Our next-generation product development, a lot of work with General Motors, we feature heavily in their electric vehicles, appearing today in the Buick Velite 7, the Cadillac CT6, a plug-in hybrid electric vehicle, and the Chevy Bolt, but also in their future generation EV platform due to come out in the '23 and '24 time frame. In addition, we're piloting a new battery with them that allows a bridging strategy around hybrids.

So it's the combination of our strong aftermarket presence that gives us this great resilient business and this migration and building on the tailwinds and our strengths and capabilities that give me a lot of confidence and excites me about the future of the company.

With that, I'll turn it over to Jaspreet. Thank you.

Jaspreet Dehl, Chief Financial Officer, Brookfield Business Partners

Thank you, John, and good afternoon, everyone. I'm going to spend the next 10 minutes or so talking about financial performance at BBU.

Cyrus highlighted how resilient our operations have been over the last few months, navigating through the global economic shutdowns. We've been very mindful and deliberate about building BBU into a business that can successfully navigate all market cycles. We've deliberately invested capital into larger-scale investments with businesses that are more resilient and for the most part, providers of essential goods and services.

Since BBU was established in 2016, we've monetized or fully exited eight businesses. These have generally been smaller businesses, in some cases, commodity-driven, more cyclical in nature. We generated about \$3 billion of proceeds from these monetizations. We took that capital and reinvested it. The reinvestments that we made were into larger-scale businesses.

Today, BBU is much more global. It's of a significantly larger size and scale. While the number of businesses that we own hasn't changed materially, the profile of these businesses is quite different.

If you look at this chart, you'll see, a couple of years ago, our five largest businesses on average generated \$150 million of EBITDA. Fast-forward to today, our five largest businesses generate \$750 million on average. So this really speaks to the change in the underlying quality of the businesses that we own.

Cyrus touched on this during his speaking points. But if you think about these larger-scale businesses in the context of future monetizations, when we start to monetize these large-scale businesses, it has the potential to generate a lot of free cash flow for BBU, and that in itself gives us a high level of confidence around BBU being able to self-fund future growth.

We thought we would use Westinghouse just to walk through that point. If you think about Westinghouse, Westinghouse is one of our larger businesses. It's extremely stable. As we've navigated through the current crisis, revenues and EBITDA at this business have been virtually unaffected. The business continues to generate a lot of cash flow and based on the current projection of cash flow generation for the year, barring any M&A activity, we feel quite confident that we could continue to have distributions from Westinghouse coming up to BBU.

And just as a reminder, we've owned this business about two years, a little bit over two years. And over that period, we've gotten back 60% of the capital that we invested in Westinghouse. As we look forward and think about monetizing this business, there's a couple of things to keep in mind. The first is that the business has made significant progress towards enhancing its operations, and the business continues to do that. And we feel quite confident that we will be able to achieve our targeted EBITDA of \$700 million to \$800 million.

Second, given the resilience that this business has shown, we believe that this business could garner a significantly higher multiple in the future. But just if we did some simple math, if we're able to achieve \$750 million of EBITDA, which is the midpoint of our targeted range, and we're able to sell the business at a 10x multiple, which we do think is quite conservative, this business will generate \$2 billion of cash for BBU, and we can take that cash and reinvest it into other opportunities.

Just as we're talking about buying larger businesses, we also wanted to highlight that we've been mindful about how we've been financing these businesses. We're always prudent to make sure that we've got an appropriate level of debt in each of our businesses. So what do I mean by the word "appropriate"? Essentially, that a business on a stand-alone basis can service, as well as sustain, the financing that's in place in that business. This approach not only enhances overall equity value, but it also ensures that all of our operations can navigate all economic cycles.

As you can see here, we've got \$7.2 billion of proportionate debt at BBU. Just to be clear, all of this debt is within our operating companies. There's no recourse back up to BBU, and we don't guarantee any of this debt. It's just our economic share of the debt in the underlying businesses. Less than 5% of this debt is in businesses that felt a material impact from the current economic crisis. And given the overall size and scale of our business today, this has been very readily manageable.

We've also been very proactive in this historically low interest rate environment to continue to enhance the financial strength of our business. If you look back a couple of years, about 40% of our debt was on a fixed rate basis, and the weighted average cost of debt was about 6.5%. Again, fast-forward to today, about 70% of our debt is on a fixed rate basis, and the weighted average rate is 4.8%.

So what does this 170-basis point differential or decrease really mean? It means there's \$400 million of additional cash within our operating businesses. So the businesses can take this cash. They can pay down debt. They can use it for growth purposes. Or what I like to see is they could distribute it back up to us to redeploy. So at our share, we would get about \$100 million of that saving.

We also thought we would touch on acquisition financing and using Clarios as an example. Just as a reminder, we bought Clarios a little bit over a year ago. It was a \$13 billion acquisition that we financed with \$10 billion of debt and \$3 billion of equity. And we picked on Clarios because this is a significant part of our business. It's our largest investment, and it also represents about 40% of our proportionate debt.

So just in terms of our approach to leverage. When we acquire a business or refinance existing debt, we don't think about leverage at the total level. We're focused on leverage within our operating business. And what we want to ensure is that under all circumstances, that the operating business can sustain and service the debt that we've got in place. The debt has to be nonrecourse to BBU. We don't provide any guarantees on the operating company debt. It has to be sustainable. And we focus on ensuring that it's long term, that it's in the currency of the operations and that it's covenant-light as much as we can.

So Clarios was no different. We thought about all of these things when we financed the business. And we were able to do that at very favorable terms. So we were able to get long-dated debt. The average maturity of the debt at Clarios is about seven years or was when we made the acquisition. We have no financial maintenance covenants. And this is critically important to us because we never want to be in a position where we have to repay debt at a time that's not appropriate for the business. And finally, we did it at a cost of capital that was readily serviceable for the business.

So just on the whole concept of serviceable, I thought I would walk through some simple math. On a trendline basis, Clarios generates \$1.6 billion of EBITDA. You take the \$10 billion of debt at 6%, that's about \$600 million of interest costs. Take off taxes, take off CapEx, and you've got \$550 million of free cash flow that this business generates on an annual basis. And just as a reminder, we put in \$3 billion of equity capital.

And then if you think about that, that's a lot of headroom that's available for the business to manage through economic shocks like we saw over the last few months. John spoke to this a little bit. But in Q2, despite the shocks that we saw within the business, the business was able to generate sufficient EBITDA to service its debt, accrue for its taxes, pay maintenance CapEx and still have positive cash flow generation.

So with that, I'm going to switch gears and move to our view of value. Just as a reminder, similar to last year, this is our view of liquidation value for BBU. It doesn't take into account any embedded growth in our portfolio nor does it take into account recycling activities, which are a fundamental part of our business.

So our view of value for BBU today is in the range of \$6 billion to \$6.6 billion, which translates to \$40 to \$44 per unit. As you can see here, we've provided a breakdown by segment, focusing on our larger businesses. And this aligns with the quarterly disclosure that we provide, which focuses on EBITDA and FFO for our larger operations.

We thought we would spend a few minutes and just walk the changes from last year to this year. As you can see here, our NAV, or the unit value, has decreased from last year. And there's a few factors driving that. Our investment in GrafTech has contributed less this year to our NAV than last year. The depreciation is a result of two factors. The first is we sold down some of our position in GrafTech, and we did that at the end of last year. And second, we value GrafTech within our NAV at the market price, and the market price is lower this year than it was last year.

And then the two businesses that have been significantly impacted by the global economic shutdown, Multiplex and Cardone, also contributed to a decrease in overall value. We reduced our value of Multiplex,

our construction business, based on the near-term impacts that we're seeing from the pandemic. This business has been impacted quite significantly, specifically in the U.K. operations, where productivity is quite a bit lower today due to government-imposed restrictions.

At Cardone, our U.S.-based manufacturer of automotive aftermarket parts, we recently, earlier this year, recapitalized this business. Within our NAV, we've included the value of the additional equity capital that we provided to the business. So we haven't put any value on the debt capital that we had provided prior to the recapitalization and are valuing the business today based on the new equity capital. We strongly believe that as economic activity accelerates and restrictions are lifted, these businesses will recover, but we've brought them down in our NAV for today's purposes.

Offsetting these decreases are a few increases, the most significant of which is Westinghouse. The increase in the value of Westinghouse is purely a function of an enhancement of the operational performance of the business. We haven't increased the multiple in the business. We've just based it on the trailing 12-month EBITDA, which has been higher. As well, some of our other businesses continue to accrete value for our unitholders, and this is a function of continuing to progress operational enhancement initiatives that we have in place.

As we look forward, we continue to be really confident in the potential for BBU to continue to generate strong returns. There is a potentially added value within our units of over \$60, and this comes from the operations that we own today. It doesn't take into account buying new businesses or any of the recycling activities. The \$60 upside is largely driven by Westinghouse and Clarios, and both of these take into account reaching our targeted returns, so the \$700 million to \$800 million for Westinghouse and the \$1.9 billion for Clarios that John talked to, as well as us continuing to progress our operational enhancements at our other businesses and hitting our targeted returns within those businesses.

So today, if you step back, our units are trading at a significant discount to our view of spot NAV, which is \$40 to \$44. And we do believe it's a compelling buying opportunity for BBU units.

Thanks, and I'll open up to questions.

Q&A – BROOKFIELD BUSINESS PARTNERS L.P.

Cyrus Madon, Chief Executive Officer, Brookfield Business Partners

So I'm taking questions that are being sent through on the iPad, and I'll just read them out as I see them.

The first question is, "A few years ago, you talked about technology and health care sector opportunities for BBU. Are they still appealing to you? And why haven't we seen you make a bigger acquisition at this stage"?

Well, look, and they are both important sectors for us. Increasingly, they're too large for us to ignore. I think you heard Bruce's comments earlier today talking about our aspirations in technology. We're very pleased that, recently, we bought Healthscope, large – second largest hospital operator in Australia. And through that investment, we're starting to see more and more things in the health care space.

We have reviewed several things – several opportunities in what I would refer to as technology services. Haven't quite found the right one yet. But I can tell you, we are continuing to add people with some specialized knowledge in each of technology and health care. And I do anticipate we – you will see more from us in those areas.

"How much of your team's time has been focused inwardly on existing holdings versus sourcing and diligencing new opportunities in 2020"?

Well, clearly, in – during the bottom of the downturn, we were spending 80% of our time – 75% of our time on tending to our existing businesses, and we're glad we did because we were able to reposition them quickly. And I would say that is now coming much more back into a normal balance, where we have a dedicated operations team and – including John Barkhouse, who spoke earlier today, who's solely focused on our operations, and the rest of the organization is more or less focused on new opportunities.

"Has your view of leverage at the corporate level changed with the increased scale of the business today? Are you at a point where you can self-fund growth without issuing new equity"?

So as far as corporate leverage, our view and our philosophy hasn't changed. I think Jaspreet did a nice job of explaining what we're trying to achieve. But we want nonrecourse debt. Nothing's cross-collateralized. So if we have a problem in one business, it can't impact and won't impact the rest of the organization.

And at the corporate level, given the growth of the business and the scale we have now, we're increasingly comfortable with bridging acquisitions with a short- to medium-term level of debt and in large part because we are so much larger today, but also because, as I said, when we start selling companies, the proceeds we generate will be very substantial. And for that reason, we believe we are self-funding today and we will be into the future.

"How do you think about the opportunity cost to buy back your own units compared to making new acquisitions? Are there options you can explore to be more aggressive repurchasing units where they're trading today"?

So the trading level is disappointing, especially given where we think the underlying spot NAV of the business is. As Jaspreet said, we're probably trading at the biggest discount to NAV we ever have today. We are buying units back as quickly as we are allowed to under securities laws. At these levels, we're buying more. At higher prices, we'll buy less. And if we could find bigger blocks to buy, we certainly would. So that's the short answer. But that does not have any impact on our new acquisitions. We have ample liquidity to do both.

So it's – we don't – we're never choosing, do we buy back units today or buy this great company? We have not come across that as an issue in our business. And again, we have a lot of liquidity. We have the ability, if we see something compelling, to sell businesses or interest in businesses, so that is not – that trade-off is not part of the calculus.

"How are you thinking about monetizations today? Are there opportunities, given the ultra-low interest rate environment and strong recovery in public markets, to potentially accelerate monetizations of businesses in the portfolio"?

So look, we – we're in a very low interest rate environment. Some of our companies, as you heard today, remained very stable through the downturn. And for that reason, we think a few of them should garner higher multiples than they – what they would have or might have before this pandemic. So we will think long and hard about when the right time to possibly monetize those are. We still have lots of work to do in some situations, where we see lots of additional upside. So we're always trying to balance the upside available within our existing businesses versus what we can buy something else for and the value creation opportunity there.

Look, that's it. That's all I have. So thank you very much for joining us today.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

Sam Pollock, Chief Executive Officer, Brookfield Infrastructure Partners

Good afternoon, and welcome to Brookfield Infrastructure's 2020 Investor Day Presentation. My name is Sam Pollock, and I'm the Chief Executive Officer of Brookfield Infrastructure.

I'll begin today's presentation, as I have in other years, by doing a quick recap of the year so far. After that, I'm going to ask Bahir Manios, our Chief Financial Officer, to come up and explain why our businesses have been so resilient this year. After Bahir, I'm pleased to have Jenine Krause, the CEO of Enercare, come up and talk about how her team works with our asset management group to create value at Enercare. We think it's a great case study on how all our businesses work for our asset management group to create value. And then finally, I'll come back up and talk a bit about our capital allocation strategy for the next couple of years.

We came into the year with tremendous momentum. But unfortunately, we were forced to deal with a number of circumstances that arose as a result of the government shutdowns that were meant to deal with the pandemic. Nonetheless, it's been a successful year so far, and it's allowed us to demonstrate the resiliency of our business, as well as the financial strength of the company. We also didn't slow down our execution of our investment strategy. And in fact, we have a number of completed transactions already done so far this year. We also attracted new shareholders of Brookfield Infrastructure with the spinout of BIPC.

So let me explain how the global shutdown highlighted the strength of our business. First of all, all our businesses were deemed essential and as a result, they've largely provided uninterrupted services to our customers throughout the government shutdowns. In addition, our businesses are supported by strong, regulated and contractual frameworks and as a result, we didn't have any counterparty issues because of the strength of our counterparties. Due to these strong investment attributes, modest volume and commodity price exposures, our results for the first half of the year were impacted by less than 5%. In addition to that, we are projecting that for the full year, we should finish ahead of last year by a small margin.

Now let's look at our financial position. In spite of the volatility in the capital markets, we've been operating with some of the highest levels of liquidity that we've ever had. Today, we have approximately \$3.5 billion of total liquidity. In addition to that, we have no significant debt maturities in the next five years and our credit ratings have remained strong at BBB+.

I think it's also important to mention that we continue to finance our business largely on a non-recourse basis and today, 85% of our debt is non-recourse to the parent company. Also, due to the quality of our businesses, we have interest coverage at the corporate level that's greater than 20x.

Often during times like these, business strategies can change. Our full-cycle investment strategy, however, has not. We continue to look for great assets to acquire for value. Once we own them, our strategy is to take an active approach to driving growth and returns in those businesses. Once we have de-risked the businesses and optimized the cash flows, then we look to sell the business to a lower cost of capital buyer. And then we start all over again. We like to say we buy, enhance, sell and then repeat.

We started the year with a number of asset sales underway and a plan to recycle a significant amount of capital. I'm pleased to say that none of those efforts were derailed by the economic conditions and that we have generated \$500 million to-date and generated attractive returns on the sales that we made. Given the strong appetite for de-risked, high-quality infrastructure assets, we have several initiatives underway, and we expect to generate over \$700 million of proceeds in the next three to six months.

And the proceeds that we are generating, we are redeploying those back into high-earning opportunities. So far in 2020, we've committed over \$1 billion to three exciting transactions. The first investment we made was into a U.K. telecom business. This is a business whose cash flows are anchored by 2,000 well-located towers in the United Kingdom. The real excitement for the business, however, is the fact that we're looking to deploy small cell technology as well as wireless in-building solutions to a number of properties, as well as other similar assets that are looking to improve receptivity.

We recently closed our highly anticipated Indian telecom tower transaction, where we're acquiring 135,000 towers from Reliance Jio. This transaction is exciting, not only because of the scale of the deal, but because of the significant growth in that market, as well as the high-quality counterparty that underpins the cash flows.

And then more recently, we signed a deal to acquire a sizable stake in the largest LNG facility in the United States, Sabine Pass. Again, this is a transaction that's not only exciting because of the scale, but also because of the contracts that are underlying the business.

The last thing I want to mention as far as what's gone on so far this year is the fact that we're pleased with the spin-out of BIPC. You may recall that at last year's Investor Day, I came up and spoke about how we wanted to introduce Brookfield Infrastructure to investors who couldn't hold partnership units. Well, at the end of this year, we completed that reorganization and completed the spin-off of BIPC via a unit split. One of the rationales for spinning out BIPC was the fact that Brookfield Infrastructure Partners wasn't eligible for a number of indices. Well, we're pleased to note that BIPC has been included in some of those indices, and one of them was the Russell 2000 Index.

We also look to spin out BIPC in order to generate interest and broaden our investor base. And we think we've achieved that given the significant trading in the stock, which now represents about one-third of the total traded volume of the Brookfield Infrastructure units, and the performance of these shares have been exceptional as well. So all in all, we think it's worked out very, very well.

So with that, I'm going to ask Bahir to come up and talk about why our businesses have been so resilient.

Bahir Manios, Chief Financial officer, Brookfield Infrastructure Partners

So thanks, Sam, and good afternoon, everyone. Last year at this event, we introduced, or coined, a new term: grow-tility. We started using this term to describe Brookfield Infrastructure's unique combination of utility-like characteristics, in addition to its high-growth profile. In past sessions and in a lot of our materials, we spent a lot of time going through our growth profile. That profile still remains intact today, and Sam will come up later on to talk a lot more about this.

So, I wanted to spend my time this year focusing more on our utility-like characteristics, just given everything that's going on in the macro backdrop that we're operating within currently. During my presentation last year, you might recall, I spoke at length about how BIP would perform during a recession. All in theoretical terms, of course. Since then, boy, a lot has happened. And while no one could have predicted the events that actually transpired this year, it did certainly put our thesis to the test.

In what will hopefully be an anomaly of a year, our business performed well, and our financial results were virtually unimpacted. And that really comes down to the fact that we have the following attributes that we lay out here in the slides, and these attributes, especially when combined, effectively put a floor on our results.

To truly appreciate the resiliency of our performance this year, I'll spend a few minutes to just take you through the nature of the underlying cash flows for each one of our segments. Our business today

generates about 70% of its FFO from our utilities, data and energy segments. These three businesses, although different, all performed well, given that they all share many of the same utility-like attributes. To highlight this, here's a comparison of our results for the first half of 2020, compared to the first half of 2019. As you can see, our results in these businesses were 8% higher compared to the prior year period. Solid organic growth in these three businesses demonstrated the strong underlying fundamentals in these three segments. This growth, coupled with the benefits of our asset rotation strategy, more than offset the impact of weaker emerging market currencies, in addition to the very small impact we incurred that's related to the global shutdown.

To get into a bit more detail on how our businesses were able to cope with this challenging macro backdrop, I'll highlight a few characteristics that are consistent across our different segments. Starting with our utilities business, and this segment today contributes about 35% of our total FFO, over 95% of the segment's cash flows are either contracted or regulated. The cash flows we generate in this segment are also very highly diversified. We operate businesses in five different countries with five different regulatory frameworks and with five different well-established regulators. Our operating margins and cash conversion ratios for this segment also improved in 2020.

Margins across our utility business currently stand at 75% on average. And due to the relatively low maintenance capital requirements we have in this segment, our cash-on-cash conversion ratios are now over 95%. And that all led to solid results for this segment, as you would expect. Our results grew in local currency terms, compared to the prior year, driven by inflation indexation in addition to a growing rate base where we typically earn very strong risk-adjusted returns.

Moving on to our energy business. Today, this segment spans three distinct asset classes, operates in three countries. And within these asset classes, we're running businesses that generate very stable cash flows underpinned by long-term contracts.

To expand on this a bit further, I thought I'd highlight a few facts for you. First, 85% of our cash flows in this segment are secured by thousands of contracts. Second, within the midstream operating group, our contracts have an average duration of 11 years and over 80% of those contracts are with investment-grade-rated counterparties. And lastly, there are only three individual counterparties that comprise even 1% of our total revenues. This overall diversification by asset class, region and counterparty, in addition to contribution from growth capital investments we've been doing in the last 12 years that recently came online, led to very strong results for this segment, with FFO being 13% higher this year, compared to the prior year.

Then we come to our data business. Since 2015, we've built a very large business that today, contributes about 15% of our total FFO. Data has been the fastest-growing commodity of the last decade, and we're now one of the few managers around the world that have investments that span the entire connectivity value chain. Our data business is composed of one of the largest tower portfolios in the world that has a contracted base of almost 180,000 sites in six countries, a global data center business that has approximately 50 sites in 14 countries and an extensive fixed and wireless network that serves over 2.5 million residential and enterprise customers.

Across these businesses, 95% of our total revenues are underpinned by contracts that are not dependent on volumes or usage. The average duration of these contracts we have in this segment is approximately 15 years, and that's spread across predominantly investment-grade counterparties.

So this brings me to our transport segment, which currently accounts for just under 30% of our total FFO. This is where we saw the majority of the impact of the global shutdown, given the nature of the businesses here that have volume exposure that is associated with them. That being said, we're quite pleased with how our transport business performed, all things considered. The reason our results were mostly unimpacted, and this in a segment that many would have expected would be significantly hit, was due to

the fact that, first, over 40% of our total FFO in this segment is underpinned by long-term take-or-pay contracts. In addition to that, we own networks that are critical to the overall basic functioning of the day-to-day economy.

I'll take you through some of the specifics on the various segments, or operating groups, within the segment in a minute. But as you can see from the bar chart here, the overall impact to our transport cash flows have been very minimal in the grand scheme of things. In fact, in total, only 3% of our FFO is impacted, and we expect to be made whole for a large portion of this in the near future, as I'll explain later on.

I'll start off by taking you through our rail business, which makes up about 50% of our FFO in this segment. We now have significant scale in this operating group. We operate businesses in Australia, North America, Brazil and the U.K. A critical element of why we're generally attracted to rail businesses is that a large portion of their revenues tend to be highly contracted. In fact, almost 50% of the businesses we own have cash flows that are underpinned by minimum volume guarantees. And that sets a really nice floor on our volumes and provides us with great downside protection.

Additionally, our rail business is very well-diversified, not only by region, but also by the types of goods, as you can see in the slide, that are traveling across our networks and through the many customers that we have exposure to, or we service. So, all of that to say, this has all led to results in 2020 for this operating group that were higher than the previous year. And that's due to the resiliency of the many commodity groups I noted, which we have exposure to. In addition, I'll particularly note the agricultural segment, which extremely outperformed this year.

On to our toll roads and as a background here, we now own networks in four countries, being Brazil, Chile, India, and Peru. Our Brazilian toll road business is by far the largest contributor here, making up almost 75% of our overall toll road cash flows. Traffic levels in Brazil were not as impacted, as they were less sensitive to the macro backdrop. That's due to two key reasons. Firstly, the business predominantly serves heavy vehicle traffic across the country's largest domestic industries, and these include basic necessities such as food products. Furthermore, there's a significant reliance in the country on moving goods by road versus by rail, just because the country's rail infrastructure is less developed than in many other markets such as North America or Europe.

As it relates to our commuter roads that represent almost 35% of our toll road volumes, we saw a much steeper drop in volumes on those roads, as folks had the shelter-in-place for a long period of time. The good news, though, is on those roads, traffic is now back up to 85% of pre-shutdown levels. And in addition to that, regulators in those countries have already publicly acknowledged that these government-mandated shutdowns qualified as a force majeure event under our existing contracts and as such, we expect to be compensated for the majority of the lost revenues that we incurred.

Lastly, we've included some information on this slide to showcase how diversified our ports business is, again, not only by geography but also by revenue stream. On an overall basis, our ports business FFO declined by approximately 15%. The impact on our overall results though for BIP were fairly negligible as our ports business currently represents less than 5% of BIP's overall FFO.

So finally, I thought I'd leave you with a few comments on our outlook for the balance of 2020 and heading into 2021. Hopefully, the main takeaway from my presentation today for you has been that our business has strong downside protection, but our upside potential is by no means capped. First, I would note, and Sam touched on this earlier in his remarks, I would note that our actual FFO per unit for 2020 is expected to be higher than 2019. All things considered, we're very happy to be in this position, given everything that's gone on.

That being said, though, there were three items that reduced our results by 15%. These are all impacts that we think will be reversed into 2021 and should act more as a tailwind to our results if all goes well. First, there are about \$20 million or so of shutdown-related cash flows that we expect to get back into our results next year. Second, we do expect a bounce back in the Brazilian real from its current lows. And lastly, we experienced an eight-month delay in closing our Indian telecom transaction that Sam touched on earlier. Now that we've closed on this investment, receiving a full annual contribution from this business will be very accretive to our bottom line because this investment will provide us with very strong cash-on-cash yields right from the get-go.

In addition, the engine is running very well. Our outlook on organic growth heading into next year is fairly positive thus far. And momentum on the M&A front is quite strong, as you'll hear more in a second from Sam. So, the net result of all of what I just laid out, leads us to believe that 2021 is shaping up to be a fairly strong year.

And so with that, I thank you for your time this afternoon, and I will turn it over to Jenine.

Jenine Krause, Chief Executive Officer, Enercare

Thank you, Bahir. Hello, everyone. I'm Jenine Krause, and I am the CEO of Enercare. I was the Chief Operating Officer and part of the executive team when Enercare was a publicly traded company, and I led the Canadian operation as we took the company private. Two years ago, when Brookfield acquired Enercare, I had the opportunity to lead the team, and they put me in the CEO role.

Enercare is a case study that Sam and Bahir wanted to showcase today to explain how an operating company works in tandem with Brookfield to grow the business and to grow the shareholder returns. Let me start by telling you a little bit about us. We are the number one home and commercial services business in North America, with operations in both Canada and the U.S. We provide essential services in your home, such as hot water, heating and cooling systems that every household needs. We are supported by a team of 5,000 employees spread across 100 centers. And that's important because we lease the equipment to homeowners and bundle the value of the equipment together with the value of the service, because as a homeowner, you don't need to own your air conditioner. You just always want to have cool air. So with our model, homeowners don't have to worry about the burden of ownership. If we think your equipment needs to be updated or replaced or it needs a part, that's all on us. We take care of all of that for you and homeowners just pay a simple monthly fee.

Essentially, we are a utility business, but in your home. We have a rate base with steady reoccurring revenues. We just operate the rate base in your home and in the homes of one million customers in Canada, and over 100,000 customers in the U.S. and growing. And it's growing because since Brookfield acquired us, we have been aggressively expanding our rate base, especially in the U.S. market, as well as expanding our products and expanding our geographic presence.

As I mentioned, before Brookfield, we were a public company. And as a public company, we did not have a balance sheet that was financed on an efficient basis. With Brookfield's support, we now have a new capital structure backed by our strong underlying cash flows and a very healthy business. And it was also built in a way that allows us to access capital as we grow. And I'll tell you more about this later in my presentation.

What is special about our business is that we have four key characteristics that make it very attractive: first, predictable, reoccurring cash flows from long-term rental contracts on a range of essential services; second, we have a solid market position, a very strong Enercare brand in Canada and scale in the U.S. as the second largest player in a fragmented market; third, we have a stable customer base with low attrition,

and that results in high margins. And we benefit from low attrition because we offer essential products, combined with a very diligent focus on delivering great service; and lastly, with 1% market share in the U.S. and access to capital, we have a tremendous opportunity for further growth.

So let me tell you how I fit into the world of Brookfield. As CEO, I report to a portfolio company Board, who is supported by the Brookfield team that's comprised of the investment management team. This would be Sam Pollock and the investment officers from around the world and the Asset Management team led by Ben Vaughan. This team combined creates collective power and expertise to really guide the strategic direction of Enercare while the Enercare executive team focuses heavily on the day-to-day operations and delivery of the business.

Our Board is comprised of a number of the Brookfield team members that worked on the original deal plus members of the asset management team under Ben. We do have quarterly Board meetings, but I will tell you that the Board stays very, very close to this business. I would usually talk to the various Board members once a week or every two weeks at least. If I need advice or the team needs advice, we have access to the Board, we have access to the broader team of Brookfield. And that leadership was really important early in this year as we have to navigate the uncertainty of the pandemic. As a portfolio CEO, I really feel quite supported and part of the broader team of Brookfield, as I have access to the entire team of professionals.

My day job is to lead the operational execution of this business. And as I mentioned, we view this business as a critical utility in people's homes. The rate base largely consists of hot water tanks, air conditioning units, furnaces. Day in and day out, my job and our team's job is to grow and maintain the rate base, just like any utility. Win new customers, manage existing contracts and operate within the regulatory environment that governs the technical and safety standards of our industry.

We have a network of technicians that we have to get to the right place at the right time. They must be engaged and motivated so they can do their best work for our customers. Our customers trust our technicians and give them access to their homes. And once we're in the home and we're delivering service, we get strong ratings and strong customer referrals, which allows us to continue to grow the rate base.

I also work side-by-side with the Brookfield team to lead the strategic elements of this business. Together, we focus on building efficient organizational structures and building a strong management team that can deliver on the strategy and the growth ambitions we have. We spent time strategizing on how to maximize the margins and extend and increase our cash flows. And together, we have built a path for growth that is transformational, not just transformational for our business, but also for our industry because we have a rental product in the market that is unique. And we have a solid plan to open new channels in the U.S. that will help us accelerate the growth of that rate base.

The value we've created together is tremendous, and I have lots of examples, but I'm going to touch on four specific examples that really bring this to life. The first example is the efficient capital structure, which I already touched on. We worked with Brookfield to transition to the new capital structure that is a low-cost financing vehicle that allows us to borrow as we grow. What actually happened is Brookfield assessed our capital structure and based on what they saw across their portfolio of companies, they recommended a new structure, and we worked together to get this done.

But it was not a simple financing transaction, so Brookfield seconded a number of capable finance executives that came to our offices, worked side-by-side with our team and helped us negotiate the complex reworking of our balance sheet and provided the guidance and support we really needed to get this done. In fact, this new capital structure is a bit of a game changer for our business. It gives us more options to compete and compete differently while still generating high returns.

The second example is refining our strategy for growth. Our U.S. business is in the midst of a significant transformation, moving the core business from a transactional model to an annuity model. Brookfield suggested we apply the learnings from the last mile connections business in the U.K. to help accelerate the transformation, but more importantly, find new channels for growth. As many of you know, the last mile connections business has been an outstanding performer in the Brookfield portfolio for years. We use their approach to build out a dealer channel where we sign up dealers to sell our rental products to their customer base. The dealers win because they gain a service annuity, and we win because we get an incremental rental product. Through this model, we are converting more customers to our rental products and leveraging a larger footprint without the cost of acquisitions.

The third example is the sharing of resources. There are two ways that Brookfield helps shore up our team. First, we have Brookfield executives working as part of the Enercare executive leadership team in two areas: business development and finance. And these were critical gaps in the business. Because of Brookfield, we were able to access really high-caliber growth-oriented executives much faster than if we had gone to market. And secondly, provide advice on guidance on critical projects. And I'll use IT as an example. At the time Brookfield bought us, we were just starting a very large project to modernize our IT systems, and it was risky. Brookfield brought in executives that have done this many times, and they helped us think through how to de-risk the project and find another approach. Our new approach is modular. It gets us to the end results a lot faster with less risk. And the project is now underway and progressing well.

The fourth area where we have created value together is access to the Brookfield economy. Brookfield owns several businesses that are complementary to Enercare, and we've had some early success with Brookfield Residential and our rental products, and we are actively talking to Brookfield Properties and Multifamily about our submetering products.

They have also introduced us to TXU, which is a retail electricity provider in the U.S., and we are about to jointly launch a fall campaign that bundles our home services together with TXU electricity products. This is a mass marketing campaign, so if you're in the Texas area in November, you will see our joint campaign on television or hear it on the radio. Obviously, our objective is to convert the very large customer base of TXU to our rental products over time. But more importantly, our learnings and experience with TXU allow us to rethink an offering that we can take to other utility partners.

In the two years since Brookfield acquired Enercare, our report card has been incredible. We've added over 110,000 new customers on annuity products. Over 50% of customers are now choosing to rent their equipment. When Brookfield acquired us, it was trending at 10%. Dealer adoption is starting to gain momentum, and we've added to our U.S. rental products with the launch of rental water heaters. Our reoccurring gross margin has grown by 23% and is now 10x what it was two years ago in the U.S.

So, what does this mean from a returns perspective? If we ran this business as a stand-alone entity, we would have executed a business plan that would have delivered great base returns of around 12%. And given the risk profile of this business, we feel those are very compelling returns. But through the collaboration with Brookfield, the new capital structure, accelerating our rental penetration, the U.S. dealer model and accretive tuck-ins we will be working on, we really do see a path to delivering returns to shareholders of at least 20%. And that is why we're excited about the future with Brookfield.

Thank you, Sam, for inviting me to join you today, and I'll turn it back over to you.

Sam Pollock, Chief Executive Officer, Brookfield Infrastructure Partners

Thank you, Jenine. We're now in the home stretch. I know you must all be tired.

So, the last part of our presentation today is going to be focused on our capital allocation strategy. The strategy is composed of two pillars, namely, capital deployment and capital raising. I'm going to begin with capital deployment.

In order to set the table for where we're going, I thought I'd start with where we've been deploying capital for the last several years. Our first type of capital is that we invest in growth opportunities within our business, which we typically refer to as organic growth. Organic growth is usually stable year-over-year, and this is as a result of approximately \$2 billion to \$2.5 billion capital backlog that we have in place and that we replenish year-over-year. This translates into us investing approximately \$800 million to \$1 billion per year on a gross basis. After we apply some leverage, that usually works out to investing about \$400 million.

The biggest component of our capital deployment relates to new investments. We've assembled a large investment team that entails approximately 80 investment professionals situated on five continents. As we've continued to grow our team, so has our ability to deploy capital. And in 2019, we invested \$1.7 billion.

Now, looking at where we've invested during that three-year period, almost 65% of our capital went to North America and Europe with the balance being invested in South America, Australia, and India. Similarly, if we look at where we invested from a sector perspective, approximately 55% went into energy and utilities and 20% to 25% into data and transportation, respectively.

Now let's look at 2020. From a total dollar perspective, you can see that the equity invested into our growth projects has remained fairly constant at around \$400 million. Also, despite this disruption to private equity activity for a few months during the meat of the shutdowns, we've still been able to deploy about \$1.3 billion so far this year. And we believe we're on track for another banner year, in fact. This year, from a sector and geographic perspective, Asia Pacific is a little higher than what you saw for that three-year period and that data infrastructure investments is also a little on the higher side, and that just is owing to the very unusual large-scale transaction we did in India with Reliance Jio.

Now, as we look forward for the next several years, we can't help but believe that the secular trends for the infrastructure sector have never been better and, in fact, we may be pointing towards the beginning of what we're describing an infrastructure investment super-cycle. There's a lot of debate about how the economic shutdowns around the world are going to change the way we work, travel and spend money. But what is not up for debate is the fact that there will have been an enormous amount of indebtedness incurred by governments and many corporations to get through this period. Consequently, virtually all governments and most companies are going to have to find creative ways and new sources of capital in order to repay that debt and invest in their businesses.

In addition to that, there are significant trends underway in the data, midstream and transportation sector that we think will drive significant investment opportunities and are well-suited for well-capitalized investors like ourselves. I'll come back to that in a second.

First, I want to get into some specifics about expectations for the next several years. We believe that with the scale of our organization, we can consistently originate and invest over \$2 billion per annum on capital projects and acquisitions that meet our investment hurdles. From a geographic perspective, our focus will remain on developed economies, where we expect to invest approximately 70% to 75% of our capital.

We will still look for good value opportunities in emerging markets where we see lots of growth potential. From a sector perspective, we see the biggest opportunities in the data and energy midstream sectors.

We are also very intrigued about the opportunity to acquire high-quality transportation assets, particularly airports, due to the negative sentiment towards those businesses. From a portfolio composition perspective, probably the biggest change will be the fact that data infrastructure will represent a more significant portion of our capital deployment going forward. And we expect it to be about 35%.

As I've mentioned a few times in the past, data infrastructure, or data in particular, has been the fastest-growing commodity. And we expect the rapid growth to continue for the foreseeable future, due to the increased video content that people are consuming, the advent of 5G and as well as new uses for AI and Internet of Things. With the replacement of obsolescent copper and the investment into fiber optics and new satellite systems, we are clearly in a unique 100-year data investment upgrade. We believe that upgrades to the global telecom sector and networks will require over \$1 trillion in the next five years alone. We are targeting investments that offer attractive investment attributes, but also those that don't have risks such as technology obsolescence or cybersecurity risk.

To better explain this dynamic, I thought we'd profile our recent Indian telecom tower transaction. Our counterparty is Reliance Jio, which is the largest mobile network operator in India and part of the Reliance industry group. Over the past several years, Reliance Jio has invested \$50 billion to build out its tower and fiber networks. In addition to that, they also are spending tens of billions of dollars to build out their e-commerce business, which is the future of the company. As a result, they needed to recycle out of their infrastructure assets so that they can reinvest those proceeds back into their core operations. Many large telecom companies face these exact same circumstances.

Now, we already had a great relationship with Reliance. That goes back to the gas pipeline carve-out transaction that we did with them back in 2019. The rationale for working with us again was that we are a trusted, long-term investor and one that they were very confident that could establish a management team to take the assets and operate them responsibly for them. Our significant scale and local presence also provided transaction certainty for them, and we are flexible enough to structure a deal that met their particular needs.

The end result is a win-win for both parties. Jio receives significant upfront capital that they can reinvest back into their business, and we acquire a high-quality portfolio of newly constructed towers with an amazing counterparty and the ability to invest more capital into the business on an accretive basis.

The next major theme of focus that I want to touch on is the natural gas midstream opportunities. The energy sector, in general, is out of favor. This is because of volatile energy prices; the fact that with the pandemic, there's a current low demand for fossil fuels; and probably more importantly, the MLP structure is very out of favor in the United States. With few available alternatives to source capital, oil majors are selling their assets to private investors and infrastructure investors to redeploy capital back into their core businesses and into new verticals like renewables. We like midstream assets because they have significant scarcity value, they typically are a highly contracted revenue basis, and they usually involve large capital outlays, which plays to our strengths.

To illustrate this, I thought, again, we'd go to a case study, and we'll profile our recent investment in Cheniere Energy Partners. With this investment, we gained exposure to Sabine Pass, which, as I mentioned earlier, is the largest LNG facility in the United States. It's a premier asset with 85% of its EBITDA contracted in U.S. dollars and underpinned by 18-year weighted average contract life. The counterparties are solid with a globally diversified investment-grade group of counterparties. And probably the most important thing is we believe that LNG is a critical bridge fuel for deep decarbonization efforts in emerging markets. And we believe these efforts will only continue to gather momentum in the next number of years.

I think everyone is aware that Asia currently generates the vast majority of its energy needs through power plants driven by coal. As it's happened in North America, the transition away from coal will be supported both by renewables, as well as LNG. We were able to secure a 20% stake in the business because of our reputation as a good partner and the fact that we were able to move very quickly on the opportunity.

I mentioned earlier that we believe that there could be contrarian opportunities related to the transportation sector. There are no shortage of newspaper stories or academic papers that are speculating on the demise of international travel as well as international trade. We pride ourselves on our ability to take a long-term perspective and buy out-of-favor assets at good value. One of the most impacted infrastructure asset classes from the government shutdowns has been the airport sector. Air traffic, as you can see from the slide here, has dropped over 90% at many international hubs and the recovery for passenger travel, and this is just our most recent guess, is very long from now.

Many airports have raised capital in the short run to support their businesses and keep themselves going but with pending airline bankruptcies, and very uncertain futures, our expectation is that they'll need to raise capital from long-term investors like ourselves. We don't think there's a rush to get in here. But as the recovery for these businesses will take some time, but we definitely think this is a sector worth monitoring.

So now let's turn to capital raising. BIP raises capital from three sources. The first is operating cash flows that we retain in our business. This typically represents around 15% of FFO, which is about \$200 million per annum. The second form of capital is the common equity, preferred shares and medium-term notes that we raised in the public capital markets. And then the third form of capital is generated from our capital recycling activities. And in the last two years, 60% of our capital raising has come through capital recycling. The current backdrop for capital recycling is very favorable.

In the past 12 months, we've sold four businesses at good values and achieved returns in excess of 15%. In a low interest rate environment, where investors are looking for secure, low-volatility returns, de-risked infrastructure assets will remain highly sought after. As a result, capital recycling is going to remain a very important part of our capital raising activities. In the next two years, we have a pipeline of sell mandates, where we expect to generate somewhere between \$3 billion to \$4 billion of proceeds from capital recycling. In the next five years, that could be \$7.5 billion.

I do want to make one point, though. Don't be mistaken that capital recycling is the only way we're going to raise capital. We will continue to look for low-cost capital in the capital markets. For instance, just a week or two ago, we raised \$200 million of perpetual preferred shares in the U.S. market at 5.125%. We will continue to look for those opportunities.

So now we're heading to the conclusion. I'll pull it all together, and I want to answer one question. Why invest in BIP? So first, BIP has utility-like cash flows that Bahir described for you. In addition to that, we have a strong track record of creating value through active management of our companies, which Jenine hopefully made that come to life. And then the third component is the fact that we believe there's strong secular tailwinds for M&A growth. And as I mentioned, we're looking to accretively invest \$2 billion of capital into our businesses to buy assets, enhance them and sell de-risked businesses to other investors.

So I'm going to take a little risk here and be a little cheesy. For investors looking to compound wealth over time in a low interest rate world and one with tremendous uncertainty, BIP is your grow-tility. Thank you very much.

Q&A – BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

Sam Pollock, Chief Executive Officer, Brookfield Infrastructure Partners

So, we'll take a few questions here. So, the first question is, how do you marry being a long-term investor with your strategy to recycle stabilized assets?

Well, I guess, first, I'd say long term is in the eye of the beholder. When we make investments, we typically come up with a business plan for how we can generate value in the business. Sometimes, that can take a very long time. In other cases, the business strategy can be executed relatively quickly. And if we believe that there's an opportunity to get paid for a lot of future growth in the short run, then as stewards of capital, we'll consider that and sell assets even though it might be a great business that we'd love to hold forever.

Most of our businesses that we do acquire, we buy with partners. And so as a result of that, there typically is a finite length to how long we can own an asset. I think the most important thing to mention, though, is the mentality we have when we buy an asset. We don't just try and take steps to goose results in the short run. We take a very long-term perspective in how we look at the business and how we want the business to appear in the future. And so it's that long-term mentality that's probably the most important factor, not necessarily how long we hold the asset.

Okay. The next question here, I'm just going in order here. What piece of the digital infrastructure chain are you most excited about and how will you take advantage of that? Where does fiber fit into your portfolio thoughts?

Okay. So, I like many parts of the data infrastructure sector. As far as reliability and consistent returns and optionality around the assets, the tower sector is clearly very interesting. One of the challenges is valuation today. Obviously, people are competing aggressively for those type of assets, but those are great assets.

I also like our hyperscale data center business. That has a lot of the same attributes as almost an industrial warehouse development company. We have very solid customers and they're looking for our expertise to deliver a product to them very quickly. And so we've had great success in building that business out. And it's one, I think, there's going to be lots of growth potential in the future.

As it relates to fiber, fiber is an interesting asset class. One of the challenges you have with it is, in many cases, it does not come with a long-term contract. And so really what you're dependent upon is to make sure that there are significant barriers of entry when you have that type of business so that you cannot lose customers very easily and see your rates decline dramatically. So on the fiber side, we like businesses such as what we have in France, what we have in the U.K. where effectively, either it's a concession and the government has given us a monopoly over a particular region, or in the case of our U.K. business, we've been given the right to install the fiber to a customer's home and as a result, once it's in the ground, the cost of someone coming along to compete against us is very low. So, for new investments, we'll look to replicate those sorts of barriers to entry so that we feel comfortable with the long-term sustainability of the revenue stream.

You noted transport opportunities and particularly airports due to negative sentiment. Is this view driven purely by valuation? And what has changed, positive or negative, to your thesis approach for airports as you've not made airport investments in the past?

Yes. Short answer is yes. It has to do with the valuation. In the past, the airport sector has always attracted a lot of low-cost capital. It is an excellent investment class because of the barriers to entry and in many cases, very favorable regulatory environment. Today, with a significant uncertainty around future air travel, valuations have come down. Now I'll caveat that with the fact that there hasn't really been a recent

trade in the airport sector so time will tell if people will take the same view that we do. But our expectation is that there will be a number of groups who have maybe had too much exposure to the sector, looking to reduce that exposure, and that could create an opportunity for us to step in.

So I'm afraid no more questions I'm being told here. We're going to take a pause briefly, and I understand that Bruce will conclude the presentation from New York. Thank you very much.

CONCLUDING REMARKS

Bruce Flatt, Chief Executive Officer, Brookfield Asset Management

So I'm going to conclude the presentation, and I'll take five minutes or less. I had 15, but Sam Pollock took 10 of my 15. So I will end with five minutes of concluding remarks. And for those of you that have been here for 6 hours, thank you for joining. For those of you that joined during the presentation, we really appreciate all of your interest in Brookfield.

I hope you all learned something today out of the presentations and got a sense of the dedication and excitement that we have within the company. I know that even I learned a few things today. I won't repeat the comments on the day, although I'll make four small concluding points.

And the four points are, that I hope we leave you with: firstly, is that we have substantial liquidity within the business; second, that the business is very strong and very resilient; third, that there are a lot of opportunities within the broad businesses we have and things that we're adding to the franchise, and that's extremely exciting; and lastly, that despite the conditions we've had over the past six months, we think the franchise will come out of this more consolidated and stronger than ever before.

So I'll end with just saying thank you for your support of our businesses. We truly appreciate it. Thank you for joining again today for the long march. Enjoy the rest of your day. Next year, we look forward to seeing all of you in person. So thank you for joining, and enjoy the rest of the day.