

TRANSCRIPT: Q4 2023 CONFERENCE CALL / WEBCAST

February 8, 2024 at 10.00 am (ET)

Corporate Speakers:

Bruce Flatt, *Chief Executive Officer*

Nick Goodman, *President*

Angela Yulo, *Vice President*

PRESENTATION

Operator

Hello, and welcome to the Brookfield Corporation Fourth Quarter 2023 Conference Call and Webcast. (Operator Instructions)

I would now like to hand the conference call over to our first speaker, Ms. Angela Yulo, Vice President. Please go ahead.

Angela Yulo, *Vice President*

Thank you, Operator. And good morning. Welcome to Brookfield Corporation's Fourth Quarter and Full Year 2023 Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer; and Nick Goodman, President of Brookfield Corporation.

Bruce will start off by giving a business update, followed by Nick, who will discuss our financial and operating results for the quarter and the year.

After our formal comments, we'll turn the call over to the operator and take analyst questions. In order to accommodate all those who want to ask questions, we ask that you refrain from asking more than two questions.

I would like to remind you that in today's comments, including in responding to questions and in discussing new initiatives in our financial and operating performance, we may make forward-looking statements, including forward-looking statements within the meaning of applicable Canadian and U.S. securities laws. These statements reflect predictions of future events and trends and do not relate to historic events. They are subject to known and unknown risks, and future events and results may differ materially from such statements. For further information on these risks and their potential 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 turn the call over to Bruce.

Bruce Flatt, *Chief Executive Officer*

Thank you, Angela, and welcome, everyone, on the call. We had an excellent year in 2023 with each of our businesses delivering strong financial results. In total, distributable earnings before realizations were \$4.2 billion. This was a 12% increase per share year-over-year on a comparable basis, and we delivered net income of \$5.1 billion. Our manager had one of its strongest fundraising years ever.

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Our Insurance Solutions business had a transformational year with assets set to shortly be over \$100 billion with annualized earnings over \$1.3 billion, and our operating businesses continue to demonstrate their resilience through a period of economic uncertainty. Turning briefly to the market. Capital was less available in 2023 for many. This resulted in significantly reduced transaction activity more broadly. Despite that backdrop, we differentiated our franchise by maintaining strong access to capital.

We financed approximately \$100 billion of assets and businesses during the year. This, combined with our strong liquidity position, enabled us to also remain very active on the investment front. We invested over \$55 billion, and we expect to reap the benefits of many of these contrarian investments for years to come.

Today, the macro environment feels better. Short-term interest rates have crested globally and are expected to go down. As capital markets regain strength, we anticipate transaction activity to pick up. As a result, it looks like 2024 and 2025 will be good years for our business. We recognize that geopolitics can lead to heightened volatility, but this does seem to have become the new normal.

The most important thing for shareholders to remember is that owning businesses and assets that form the backbone of the global economy, combined with maintaining access to multiple sources of capital, is always a safe place to be. This has proven over many decades, and in our view, this has not changed.

Looking back over the last 20 years, the value of our business has grown at a compound annualized return of 23%. To illustrate, a holder of one share started with a split adjusted value of just over \$2.50 at that time. And over the 20 years, assuming dividend reinvestment, the total value is today \$145 or 57x the return on capital. We think, though, the best is yet to come. The discount of our trading price to our value also presents an excellent opportunity for us to continue to add value to the company through share buybacks.

Accordingly, we plan to accelerate our share repurchases this year and buy an additional \$1 billion shares in the open market over the next number of months, if prices stay reasonable.

Going forward, our investment philosophy, though, remains the same, to build and operate the backbone of global economy. Our experience has demonstrated it is possible to earn very good returns with moderate risk, and doing so for decades has proven that the results can compound in very meaningful wealth. We have stuck with this strategy for a long time but have also continuously evolved in line with how the world has changed over that time. Of more than the \$900 billion of assets that we manage, nearly half are in sectors that did not exist as an investment asset class 20 years ago. The contractual and inflation protected nature of these assets is very similar, but the types of assets we dedicate our capital to today look different from those historically, as the incremental capital needed to build out capacity continuously evolve.

With the global uptick in data demand showing no signs of slowing down, we continue to expand our investments, for example, in this sector, and we are very much aligned with the largest and fastest growing companies in the world. As an example, we have significantly increased our data center operations, and we now own and operate one of the largest global hyperscale data center

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platforms. And this only looks to grow. In addition, the accelerating global trend of digitalization was already driving a step change in data center and electricity needs, but the power intensive nature of AI is amplifying energy demand from renewable power sources.

By building a leading global development platform for data centers, renewable power and combined with our large global real estate business, we are positioned to meet the exponentially growing needs for the largest and fastest-growing companies in the world.

I would note the future will be centered around three trends, decarbonization, deglobalization and digitalization, as well as tilted towards the still emerging markets, which have voracious capital needs. As we constantly evolve our focus, we believe the backbone and the global economy will continue to be an excellent place to invest for a very long time. It always just looks a little different. As we look ahead, we continue to focus on strengthening our franchise, expanding our access to capital, owning and growing high-quality assets and businesses that form the backbone of the global economy and aligning ourselves with global trends with the largest and fastest growing companies. All these position us well to continue to significantly increase the intrinsic value of our business over the long term.

As always, thank you for your continued support and interest in Brookfield. And with that, Nick will take you through our results.

Nick Goodman, *President*

Thank you, Bruce. And good morning, everyone. We delivered very strong financial results in 2023. Distributable earnings, or DE, before realizations were \$4.2 billion or \$2.66 per share for the year. This represents an increase of 12% per share over the prior year after adjusting for the distribution of 25% of our manager in December 2022. Total DE was \$4.8 billion or \$3.03 per share with net income of \$5.1 billion for the year.

The earnings were supported by strong fundraising momentum in our asset management business, growth in our insurance solutions business and the resilient performance of our operating businesses.

And taking each of these businesses in turn. Our asset management business generated distributable earnings of \$2.6 billion or \$1.61 per share for the year. And despite a more challenging fundraising environment, our fundraising strategies continue to attract strong interest from our clients, leading to \$93 billion of capital raised, which, when combined with the approximately \$50 billion anticipated upon the closing of American Equity Life, brings total to \$143 billion. Fee-bearing capital ended the year at \$457 billion, soon to be over \$500 billion, driving growth in fee-related earnings of 6% compared to last year. And our fundraising outlook remains strong heading into 2024, which should contribute to meaningful earnings growth.

And with that momentum, our manager announced a 19% increase in their quarterly dividend to \$0.38 per share, which, for context, is nearly \$300 million of incremental cash annually distributed to us from this business.

Our insurance solutions business had a strong year, generating distributable operating earnings of \$740 million or \$0.47 per share. We continue to scale our asset base and leverage our

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investment capabilities to drive earnings growth. Our insurance assets increased to approximately \$60 billion at year-end with the close of the Argo Group in November and the origination of \$8 billion of annuity sales during the year. In 2023, we deployed approximately \$5 billion of assets and an average investment yield in excess of 9%.

Today our average investment portfolio yield on our insurance assets is roughly 5.5%, which is approximately 2% higher than the average cost of capital.

At the end of 2023, annualized earnings in this business were \$940 million. That's up \$290 million compared to a year ago. And with the shortly anticipated closing of AEL, our insurance solutions business is poised to grow to over \$100 billion of assets and annualized earnings will increase to approximately \$1.3 billion. We continue to see a credible path to increasing the run rate of annualized earnings to approximately \$2 billion over time as the investment portfolio is optimized. This \$2 billion will all be available to be distributed to us bolstering our operating cash flows.

And as you know, this business was only started three years ago and is tracking in line with plans.

Through our retail wealth and insurance solutions platforms, we now raised approximately \$800 million a month from retail products for high net worth and mid-market clients, of which approximately \$300 million is through our wealth solutions platform and approximately \$500 million is from the origination of annuities within our insurance solutions business. We remain on track to increase this source of capital to \$1.5 billion a month in 2024 or close to \$20 billion annually.

Our operating businesses continued to deliver resilient cash flows, generating distributable earnings in total of nearly \$3 billion, \$1.5 billion our share or \$0.92 per share for the year. Cash distributions were supported by the strong growth in earnings of our underlying businesses. Operating funds from operations within our renewable, power and transition and infrastructure businesses increased by 7% over the prior year, and adjusted EBITDA in our private equity business was 11% higher compared to last year.

In our real estate business, our core portfolio continues to outperform the broader market with occupancy levels at 96% and growth in same-store net operating income of 7% compared to the prior year. Our core retail portfolio is performing above 2019 levels with tenant sales exceeding \$1,150 per square foot, 21% higher than 2019. In our office portfolio, we continue to capture tenant demand with over 15 million square feet of leases completed in 2023 at average net rents 19% higher than those expiring. This includes nearly 1 million square feet leased in New York, over 850,000 square feet in Toronto and Calgary and 1 million square feet in Washington, D.C.

Our track record is proving that owning the best assets allows for the compounding of capital over the long term and enables resiliency through cycles. In a tougher market environment, we have seen a pronounced flight to quality on the part of both tenants and lenders. For instance, in New York, more than 75% of new leasing activity in Midtown Manhattan occurred in Class A assets. Over the past three years, the number of transactions with rents above \$200 per square foot in New York exceeded all previous years combined. The market for premium real estate globally remains very robust, and we are seeing the same across our leasing activity in our portfolio.

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Also important for our real estate business is that our strong relationships and reputation as a responsible borrower has enabled us to maintain strong access to capital. In 2023, we successfully refinanced all of our debt maturities with no material impact to liquidity, and we expect the same in 2024. We maintain our conviction in our portfolio. And as interest rates come down and as our underlying cash flows continue to grow and compound, we are confident we will start to see a tailwind in our real estate business and its earnings.

Shifting now to monetization activity. We continue to see strong demand for the high-quality, cash-generative businesses and assets we own.

During the year, we monetized over \$30 billion of assets at strong values. Most importantly, substantially all of these sales were transacted at values higher than our IFRS carrying values, validating the carrying values of our investments. A few examples of recently closed monetizations include the sale of Westinghouse at an implied enterprise value of approximately \$8 billion, returning a 6x multiple of capital and an IRR of approximately 60%.

We sold an office asset in Brazil for approximately \$300 million at a 6.3% cap rate, generating an IRR of 17% and a 3.4x multiple of capital in local currency. We also monetized a landmark mixed-use asset in Paris and a manufactured housing portfolio in the U.S., both at very strong returns.

The sales completed over the year generated strong returns, which resulted in \$570 million of net realized carried interest being recognized into income in 2023.

During the year, we also generated \$1.8 billion of unrealized carried interest, increasing our total accumulated unrealized carried interest to \$10.2 billion, of which \$8.9 billion is directly owned by the Corporation. And with the pool of carry eligible capital growing larger every year, we expect carried interest to contribute significant cash flows going forward.

Turning to our balance sheet and liquidity. Our business is underpinned by our conservatively capitalized balance sheet, high levels of liquidity with over \$120 billion of deployable capital and our continued strong access to capital markets. These attributes put us in a strong position to withstand market cycles and to focus on growth during periods of excellent investment opportunities. Specifically, we have a large perpetual capital base, supported by a strong credit rating of the Corporation. And in December, we received a credit rating upgrade from DBRS on our senior unsecured debt to A, reflecting the strength of our franchise and our continued growth in earnings.

We have significant headroom in our current credit ratings, enabling us to access the debt markets, which we do from time to time to issue term paper.

Moving on to capital allocation. Over the year, we reinvested excess cash flow back into the business and returned \$1.1 billion to shareholders through regular dividends and share buybacks with over \$600 million of shares repurchased in the open market. This added roughly \$900 million of value to the company or \$0.50 of value to each remaining share. And as Bruce mentioned, we intend to increase the pace of share repurchases, setting aside \$1 billion over the next few months. If fully completed, this will add another approximately \$1 billion of value, roughly \$0.75 of value to each remaining share.

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Bringing it all together, the significant growth levers embedded in the business, combined with our vast liquidity and access to multiple sources of capital, position us well to deliver strong financial results heading into 2024 and to achieve our targeted 15%+ per share returns for our shareholders over the long term. And lastly, I'm pleased to confirm that our Board of Directors has declared a 14% increase to the quarterly dividend, taking it to \$0.08 per share payable at the end of March to shareholders of record at the close of business on March 13, 2024.

Thank you for your time. I'll now hand the call back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

[Operator Instructions] Our first question comes from the line of Cherilyn Radbourne with TD Cowen.

Cherilyn Radbourne, Analyst, TD Securities

Wanted to start with a question on carried interest. You realized close to \$600 million in 2023 in the context of very low transaction velocity in general. Can you give us some indication of what you expect to be able to realize in 2024 and comment on whether it's still your intention to direct a lot of realized carried interest to share repurchases over time?

Nick Goodman, President

Cherilyn, yes, you're right. We were successful in monetization this year, and we do expect transaction activity to pick up this year, which will mean monetizations during the year. The output of carried interest is a product of where we're selling assets and from which funds. So we would expect a decent year for carried interest and, if we achieve our plans, maybe in that \$400 million to \$500 million range, consistent with this year on a net basis. And it's really building back up again to meaningful over the next few years and about \$12 billion over the next five years, \$26 billion over the next 10 next to the corporation, and we maintain conviction in those numbers.

And timing is just dependent on the actual monetizations themselves. And yes, I think Bruce highlighted, I highlighted, if we continue to see the share price disconnect between price and value, then we will continue to allocate a meaningful amount of our free cash flow to share repurchases.

Cherilyn Radbourne, Analyst, TD Securities

And then on the insurance business, you've got it to what I think is a going-in run rate of \$1.3 billion pro forma AEL. And I'm curious what the timeline is to scale the business from \$8 billion of annuities originated in 2023 to the targeted run rate of \$15 billion to \$20 billion?

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Nick Goodman, *President*

Cherilyn. So I think through the course of this year, we will be scaling it up, and it's going to be a product of the returns we can earn in the market. We're seeing the depth of the market and the demand for the product still being really strong. So we still have conviction we can get to those numbers and maintain our return. And I think you'll see it ramp up through the course of this year and hopefully be at run rate towards the end of the year and into next year.

Operator

Our next question comes from the line of Mario Saric with Scotiabank.

Mario Saric, *Analyst, Scotiabank*

My first one is just on capital allocation. On the target \$1 billion of share repurchases, how did you come to that figure? It looks like BN's trading at about a 50% discount or 50%-plus discount to your planned value per share. That was up 12% quarter-over-quarter. So within the context of your capital uses for '24, like outside the \$1 billion for the repurchases and \$500 million for dividend payments?

Can you just talk about where you expect to deploy capital in '24 and how you rightsized the \$1 billion?

Nick Goodman, *President*

Yes, Mario, the \$1 billion is really a product of the significant liquidity we have available and our view of performance and earnings growth over the year. And we think now is just the right time to allocate the capital to the repurchases. So it's nothing more than that. We'll continue to reinvest in the business, support growth consistent with this year. But our earnings power is growing, and therefore, our available liquidity is getting larger.

And we think this is a good use of the capital.

Mario Saric, *Analyst, Scotiabank*

Got it. And I think, Nick, you also -- just as a follow-up, I think you mentioned there's room in your credit rating to issue additional debt. Would you consider doing sort of fund incremental repurchases in excess of the \$1 billion if the share's price kind of stays where it is through the year?

Nick Goodman, *President*

Listen, like -- we have lots of sources of cash coming in. With the way we think about issuing debt, Mario, as the business grows, we've got a track record of increasing the amount of debt we have, consistent with the growth in the business, so maintaining our credit ratings. And that's still our focus. But obviously, the business is scaling, so just the available resources are getting bigger. And as we grow, we'll have more cash available.

And if there's a good investment, then that's where it'll be allocated.

Mario Saric, Analyst, Scotiabank

Okay. And then my second question is just more of a, I guess, a higher-level theoretical question. I really appreciate the continuous disclosure on Brookfield share price performance relative to the S&P and relative to intrinsic value per share growth. The relative returns versus the S&P have been very good over the past 20 and 30 years, but more in line over the past 10 and despite intrinsic value per share growth outperforming both the BN share price and the S&P. So essentially implies a widening disconnect between price and the value over an extended period of time.

And I think this question gets asked in different ways every quarter, but I'm just curious about how you think about that. Why do you see disconnect between price and value over an extended period of time? Internally, what you see as the biggest levers that can narrow that gap going forward and how you assess Brookfield's capability to do so?

Bruce Flatt, Chief Executive Officer

So I'll start off and just say that if you trade at a discount, it is an unbelievably good opportunity for the company to continue to add value to the business without too much work. So I guess, our biggest focus internally is, our job is to run the business and make money for shareholders. And if the price doesn't trade at the value of the business, it's an excellent opportunity to continue to repurchase shares and add money to the bottom line every day. So that's, I'd say, the biggest focus we have.

The only other observation I'd have for you is over the last 30 years, our observation has been that sometimes the company trades in favor and sometimes it doesn't. And discount narrows and widens over time, but the value keeps growing, as you can observe from the numbers. And I think it's just that stocks go in and out of favor, and this one will be in (inaudible) some point in time.

Operator

Our next question comes from the line of Ken Worthington with JPMorgan.

Ken Worthington, Analyst, JPMorgan

Okay. In terms of, I guess, cash flow and liquidity. How does the outlook for uses of cash flow in asset management and insurance look in '24 compared with '23? So if I look at the slide on, I think, page 8, talks about \$5 billion being invested in the two last year. But I think we recognized that a lot of your seeding requirements were satisfied last year even as the insurance business continues to grow this year. So how does that uses look in those two areas for '24?

Nick Goodman, President

Ken, it's Nick. I think broadly consistent. I think with the growth that the insurance business has and the potential for the returns it can earn, it's realistic to assume that it retains its distributable operating earnings and reinvest it back into the business for growth, assuming it can maintain those kind of ROEs. And then a similar amount to last year will be invested back into various strategies that we were investing into things managed by the asset manager. So I think it'll be broadly consistent with last year.

Ken Worthington, Analyst, JPMorgan

And then in terms of real estate, I think the longer-term plan was just hold some real estate, sell some real estate and migrate some of the real estate to the insurance portfolio over time. As we think about 2024, what are your thoughts on the potential for greater deal activity and the potential for more monetizations in the real estate, in your real estate portfolio?

And then we're seeing, I don't know, pockets of stress or more stress in the U.S. markets. How do you see the health of the U.S. commercial real estate markets? And how does this impact what you see as the pace of deployment over, I don't know, pick your timeframe, let's say, a year or so?

Bruce Flatt, Chief Executive Officer

It's Bruce. I'll just give you a general comment on real estate and then maybe Nick can follow up just on our strategy related to our balance sheet.

But I would say the story of today is not what you just mentioned. The past story was that real estate in the United States was under stress. The new story will become soon that there are major tailwinds behind real estate because fundamentals are good and interest rates are coming down by 200 basis points. And as that occurs, real assets and real estate, in particular, are going to have major tailwinds to both the net income and cash flows because the fundamental revenues are still going, are flat to going up and interest costs are coming down dramatically. And secondly, that will spun realistic cap rates, and therefore, transaction activity will come back.

So I think the next 24 months in real estate, you're going to see a much different story play out than what you imagined. And those stories that people are still talking about are stories from 24 months ago, not the next 24 months. That's the general comment I'd make on real estate.

Nick Goodman, President

Yes. And Ken, the only thing I'd add about transaction activity is the other tailwind is the improving liquidity in the financing markets for real estate. And we've seen the start of this year, liquidity really step up for CMBS across most sectors of real estate, and that should be very supportive of transaction activity as well.

Operator

Our next question comes from the line of Dean Wilkinson with CIBC.

Dean Wilkinson, Analyst, CIBC

Nick, just like to talk on the reinsurance business. That 200 basis point spread over the 3.5% cost of capital, has that number, in terms of the cost of capital, come in a bit in, say, the last six or so months? And where do you expect that to go, both with the rate environment and the closing of the AEL transaction?

Nick Goodman, President

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Dean, yes, listen, as rates have gone up, obviously, the rate that the annuitants are securing has gone up. But in the last few months, we have started to see that come back consistent with the outlook for interest rates. So I'd say it moves broadly with expectations on broader interest rates. And even as this market moves, we think of that as our cost of capital or our cost of liabilities. And we've stayed disciplined in the rates that we're offering, and it all comes back to what return do we think we can earn and can we earn our hurdle ROE.

So I suspect as rates come down, you'll see that crediting rate come down in the broad market, but we will still be focused on achieving that roughly 2% spread as we write new business. And I don't expect it to change significantly with the closing of AEL.

Dean Wilkinson, *Analyst, CIBC*

Great. And I guess that sort of dovetails kind of back into Ken's question, just around assets coming -- or real estate assets coming into the fold there. Could I interpret from that then that the required cap rate you would need to see transactions come across be something around a 5% or better, given the strength of that same-property NOI number? And would that continue?

Nick Goodman, *President*

Well, I don't know if I think of it exactly that way, Dean. We think about the return real estate can generate over the long term as opposed to just the day one cap rate or valuations. But I'd say that with the income-generating profile that we have on the high-quality assets that are attractive to insurance, we've been successful in doing some transactions in 2023, and we expect this is the market where the returns that they're generating and with the balanced portfolio we are building on the insurance side, that current valuations we think the assets are worth are a level that works for the insurance balance sheet.

Operator

Our next question comes from the line of Sohrab Movahedi with BMO Capital Markets.

Sohrab Movahedi, *Analyst, BMO Capital Markets*

A broader capital allocation question. What do you have to see maybe to reduce your ownership stake in Brookfield, the Asset Manager, from 75% to something lower and maybe redeploy that into Corporation's buyback activity?

Nick Goodman, *President*

Sohrab, it's Nick. Listen, we obviously own 75% of that business. As you know, that will go down to 73% when we complete the American Equity transaction. And so it's been a really strong success this transaction. If you just look over the last 12 months, the value of our ownership of BAM is up \$14 billion next to BN.

So it's a very valuable company and performance has been exceptional, and that's a valuable currency for us. But the growth that business is generating is contributing to our returns and our growth and our cash flow, and it's a really fantastic investment for us. So it would have to be something strategic. And right now, we're just thinking about how we can help that business grow.

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But if something came along strategic, like AEL, it's just another tool or currency we have available to us, and that really was the intention of the spin.

So it's worked really well.

Sohrab Movahedi, Analyst, BMO Capital Markets

Okay. And then so Nick, just for crystal clarity, you don't see any relative value benefits to Brookfield Corporation to maybe lighten the load a little bit on BAM and buy back BN?

Nick Goodman, President

Listen, there is a relative value there, Sohrab, but I think we want the BAM currency to perform well. And so I'm not sure that we would see just doing a secondary into the market. But it's a valuable currency that, on a relative basis, – and definitely makes more sense than using BN shares for anything we look to acquire.

Operator

Our next question comes from the line of Mike Brown with KBW.

Mike Brown, Analyst, KBW

I appreciate all the commentary on the insurance business. I just wanted to maybe dive in a little bit deeper there. As we approach a kind of easing environment from central banks globally, what is the floating rate exposure? I mean, if you have that pro-forma with AEL, I'd be interested to hear where that is today, where it could go over the next six months.

And then clearly, the annuity flows have been very strong, 2023, a record, 4Q, a record. What's your take on the tailwinds in the environment for that to continue even in a declining rate environment? And how well do you believe you're positioned just given this market continues to be very competitive? And how do you feel that you're positioned for that?

Nick Goodman, President

Mike, thanks for the questions. I don't have the specific floating rate component of the portfolio, but we do proactively manage interest rate risk within the portfolio. So we do hedge. But at the same time, I would also caution that the way we think about the portfolio is managing it to our return on equity within the insurance business, but it also acts as a very nice hedge against the broader BN balance sheet and income profile. So we've been running a little bit short in the investment portfolio.

With that specific thought in mind, that were rates to come down, maybe you missed out on a few basis points on the insurance side but you more than make up for it in the broader business and has definitely played out the way over the last 12 months as FFO in other parts of the business were maybe impacted by higher rates. We almost more than made up for it in the returns we generated in our insurance assets. So it's a really nice hedge for the broader business.

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On the ability to write new policy. Listen, there's obviously competition. There's competition in everything that we do. But to date, we have not seen that impact our ability to write new policies. We're going to stay disciplined.

We're going to focus on our hurdle ROEs, but nothing right now gives us concern about our ability to achieve our targets.

Mike Brown, Analyst, KBW

Okay. Great. And then maybe just one clarification question on the real estate business. Just looking at the FFO in the core piece of the real estate there. It looks like it rose to \$285 million this quarter.

I know that was up pretty meaningfully quarter-over-quarter and, in the rate environment, continues to be a challenge. So just curious about what would've driven that change and maybe some of your thoughts on the near term there?

Nick Goodman, President

Yes. So there was a one-time revenue item this quarter, which was associated with a lease extension and amendment of one of our assets. And if you back that out and actually look at the FFO performance year-over-year, it's up about 11%. And so the FFO performance of the business is getting better, and that's driven by the NOI growth, which we focus on every quarter. So the NOI continues to grow.

FFO feels like a trough from the rate impact. It's now climbing its way back with the NOI impact. And as rates come down, that will be a tailwind for FFO going forward.

Operator

I would now like to turn the call back to Ms. Angela Yulo for closing remarks.

Angela Yulo, Vice President

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

Operator

This concludes today's conference call. Thank you for participating and you may now disconnect.