

# Letter to Unitholders

## Overview

Our operations achieved strong second quarter results. Adjusted EBITDA increased to \$606 million driven by improved margin performance, reasonable business fundamentals and the benefit of recent acquisitions that are contributing to both increased and higher-quality earnings.

We also made good progress on many value creation initiatives, advanced sales processes and reached an agreement to acquire Network International, a market-leading business in the payments industry.

Global capital markets are stabilizing as the impact of increased interest rates works its way through the financial system. Inflationary pressures are curtailng, volatility in the public equity markets is subsiding and credit markets are opening for higher-quality issuers. This is a significant benefit to most of our businesses and recently has enabled us to refinance existing borrowings within our operations at reasonable costs.

## Technology and the Evolution of our Playbook

Our objective is to generate long-term growth in intrinsic value per unit. Our value creation has been achieved by acquiring high-quality industrial and services businesses at reasonable prices and improving their operating performance and underlying cash flows.

Most of our businesses are industry leaders and critical to the success of their customers. They cannot be readily replaced or disrupted which means they have durable competitive advantages. These businesses have strong pricing power during periods of inflation, maintain resilient earnings and are cash generative. Sometimes we can generate outsized returns by meaningfully improving their operating performance.

This is the same strategy we are executing today in technology, targeting market-leading, high-quality and mature software and technology services businesses which provide products and services that are required in any environment.

Our initial focus on smaller-scale technology operations to build capabilities and grow our sector presence has served us well. Just over two years ago we acquired Everise, a business process outsourcing operation, and in a short period of time we have built considerable value by scaling its servicing capabilities, growing its addressable market and increasing its margins by shifting a significant portion of delivery capabilities to lower cost locations. These improvements have almost tripled EBITDA under our ownership, while positioning the business for continued growth. We have received inbound interest from potential buyers for the business and believe an eventual sale is likely to generate multiples of our purchase price.

We are now applying our playbook to larger-scale, mature software and technology businesses. As you know, last year we acquired CDK Global, our dealer software and technology services operation. We have since made excellent progress on our value creation plans. In just one year, we have increased margins by 10% resulting in an annualized increase to EBITDA of more than \$200 million, or 30% on total EBITDA.

In June we reached an agreement to acquire Network International, the market-leading digital payment processor in the Middle East for approximately \$3 billion. The business has a strong track record of growth supported by an

integrated technology-enabled platform covering the entire payments value chain and a diversified customer base, servicing more than 150,000 merchants.

Magnati, the second largest payment processor in the United Arab Emirates, is a business we acquired last year in partnership with First Abu Dhabi Bank, a longstanding relationship of ours, one of the largest financial institutions in the Middle East and a best-in-class financial organization. We intend to combine Magnati with Network International to generate meaningful synergies and create a platform with scale that will benefit from secular trends underpinning the fast-growing payment processing industry.

We expect to invest approximately \$150 million for our share to acquire Network International, with the balance funded by institutional partners.

## **Building Long-Term Value**

Last year, we completed the acquisition of Scientific Games, the market-leading provider of technology and services to government sponsored lotteries. Lotteries are a critical source of funding for governments globally, with over \$100 billion of proceeds annually earmarked to fund important social initiatives including healthcare, infrastructure development, education and senior and veteran services. We expect these funding sources to become increasingly important given the fiscal challenges faced by governments around the world.

At its core, Scientific Games is a mission-critical government service provider. It generates a majority of its profitability from its Instant Products segment, where it is the market-leading provider of scratch card lottery products and services including marketing, data analytics, logistics and printing. In addition, the business provides the essential technology and hardware systems that are the backbone for operating many of the world's largest draw-based lottery programs and has a full-suite of digital capabilities to support the development and operation of government sponsored iLottery programs. The stability of its earnings is underpinned by an industry which has grown consistently across economic cycles over the past 30 years.

We have been working closely with management to carve out the operations from its former parent, drive operational improvements and position the business for growth. In the last 12 months we secured new contracts to provide products, services and technology to global lottery operators, including the U.K., Vietnam and Brazil. Each of these are strategically important wins for the business that strengthen its global competitive position and grow its customer base. Once fully ramped, these contracts should increase annual EBITDA by 10%.

We are also targeting meaningful growth from the adoption of government run iLottery programs. In simple terms, iLottery is the digital equivalent to physical lotteries, providing consumers with access to lotteries on their smartphones, tablets and computers. While still in its infancy with only 11 iLotteries active in the U.S. today, over time we expect most U.S. states to adopt iLottery programs which have proven to be incremental to the growth of existing lotteries. To put this in context, this year the business' current flagship Pennsylvania iLottery account is projected to generate \$1 billion in retail sales in only its fifth year of existence. Over this same period, annual sales of the state's physical lottery program have increased 20% to approximately \$5 billion.

The business is already the primary technology provider to three of the top iLotteries globally in addition to being the leading incumbent service and technology provider for many of the largest existing physical lottery programs. This positions us strongly to benefit from future iLottery growth opportunities as they arise.

## **Balance Sheet and Liquidity**

We ended the quarter with \$1.5 billion of liquidity at the corporate level and over \$7 billion of available liquidity within our operations. This affords us the flexibility to be prepared for opportunities that will inevitably arise in this environment.

We have a disciplined approach to financing our business, which over a long period of time and through market cycles, has ensured we can sustain and service the debt we have in place at our operations. Nearly all our larger operations are financed with long-dated maturities that have limited or no financial maintenance covenants, and no recourse to our business or other operations. This provides options to manage maturities and refinancings.

To put this in context, today we have approximately \$13 billion of proportionate net non-recourse borrowings in place across our operations. Approximately 5% of our borrowings mature within the next 12 months. Approximately 80% of these borrowings are at eight of our best performing and largest operations which have very resilient earnings and durable cash flows.

With the recent improvement in capital markets, we refinanced approximately \$5 billion of borrowings at four of our operations.

## **Operating Results**

Adjusted EBITDA increased approximately 15% over the prior year and Adjusted EBITDA margin increased to 19% for the quarter. While inflationary pressures remain, energy and material prices have stabilized, supply chain issues are mostly behind us and most of our largest operations are performing well.

### **Industrials**

Our Industrials segment generated second quarter Adjusted EBITDA of \$196 million. Strong performance at our advanced energy storage operation was offset by softer contribution from our natural gas producer and graphite electrode operations.

In order to keep pace with the global demand for advanced batteries – the low voltage battery of choice by electric vehicle manufacturers – our advanced energy storage operation will nearly double existing advanced battery capacity in the Americas and further expand its capacity in Europe and Asia. With more than 50% of today's installed advanced battery capacity globally, this expansion will continue to strengthen our leadership position to meet the needs of customers as electric vehicle adoption accelerates. Despite this expansion, as the business is very cash-generative, it continues to deleverage through EBITDA growth and debt paydown.

Our engineered components manufacturing operation is performing well. While volumes have softened, margin performance of the business continues to improve driven by ongoing cost saving and commercial optimization initiatives.

In July we merged a majority of our automotive aftermarket parts remanufacturing operation with a larger competitor in return for a royalty interest. This business was severely impacted by the pandemic as it was subscale in a competitive industry. As a result, we made the decision to sell the business to a larger competitor and take a royalty interest back with this outcome being the best way forward with a tough investment.

### **Infrastructure Services**

Our Infrastructure Services segment generated second quarter Adjusted EBITDA of \$216 million. Results benefited from improved performance at our work access services operation and higher contribution from our lottery services operation.

Our work access services operation has generated meaningful improvement in business performance since the pandemic. Annual trailing EBITDA has increased for the last five quarters, and with an outlook of continued improvement it executed a refinancing of its existing borrowings. Along with our partner, we provided the business with additional capital, of which our share was approximately \$195 million, to support a deleveraging of its balance sheet. Our additional investment will ensure the business has flexibility to continue executing its value creation plans, and in particular, consider opportunities to expand at a time when smaller scale competitors are struggling.

Strong demand for higher margin value-added products and services is supporting performance at our modular building leasing services operation. Utilization of our units is mixed – the U.K. continues to be soft given a downturn in broader construction activity, while Germany, France and Asia Pacific have remained resilient.

## Business Services

Our Business Services segment generated second quarter Adjusted EBITDA of \$223 million driven by the contribution of our dealer software and technology services operation.

Results at our residential mortgage insurer are normalizing compared to exceptionally strong levels last year given the impact of higher mortgage rates on borrowers. Continued low national unemployment levels have contributed to mortgage delinquencies remaining well below long-term historical averages. We expect loss ratios to revert to long-term average levels over time and believe the business is well capitalized for the long term.

Our Australian healthcare services operation continues to operate in a challenging environment. While performance at most of our hospitals has improved, the impact of higher labor and medical and surgical supply costs is continuing to affect overall results.

Our road fuels distribution operation reached an agreement to sell its North American retail gas station and convenience store assets for total consideration of approximately \$460 million. The sale will deleverage this business and allow the remaining European road fuels operations to focus on the development of renewable fuels.

## Outlook

We have a long history of investing in periods of market volatility and while we believe the risk of materially higher interest rates is abating, the effects of the 500-basis points increase are only now being felt in many businesses. As a result, opportunities are emerging to acquire high-quality businesses from owners who do not have access to capital at this time.

Thank you for your continued interest in Brookfield Business Partners and your ongoing support. Please do not hesitate to reach out to any of us should you have suggestions, ideas or comments you wish to share as partners in our business. We look forward to speaking with you all at our annual Investor Day in September.

Sincerely,



Cyrus Madon  
Chief Executive Officer



Anuj Ranjan  
President

August 4, 2023

### **Cautionary Statement Regarding Forward-looking Statements and Information**

*Note: This letter to unitholders contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of applicable Canadian and U.S. securities laws, including the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Brookfield Business Partners, as well as regarding recently completed and proposed acquisitions, dispositions and other transactions, and the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts,” “views,” “potential,” “likely” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could.”*

*Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, investors and other readers should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of Brookfield Business Partners to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information.*

*Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: general economic conditions and risks relating to the economy, including unfavorable changes in interest rates, foreign exchange rates, inflation and volatility in the financial markets; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including our ability to complete dispositions and achieve the anticipated benefits therefrom, including the anticipated sale of Westinghouse; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes and pandemics/epidemics including COVID-19; the possible impact of international conflicts, wars and related developments including Russia’s invasion of Ukraine, terrorist acts and cyber terrorism; and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States including in the “Risk Factors” section in our annual report for the year ended December 31, 2022 filed on Form 20-F.*

*Statements relating to “reserves” are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described herein can be profitably produced in the future. We qualify any and all of our forward-looking statements by these cautionary factors.*

*We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements and information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.*

### **Cautionary Statement Regarding the Use of Non-IFRS Measures**

*This letter to unitholders contains references to Non-IFRS measures. Adjusted EBITDA and Adjusted EBITDA margin are not generally accepted accounting measures under IFRS and therefore may differ from definitions used by other entities. We believe these are useful supplemental measures that may assist investors in assessing the financial performance of Brookfield Business Partners and its subsidiaries. However, Adjusted EBITDA and Adjusted EBITDA margin should not be considered in isolation from, or as substitutes for, analysis of our financial statements prepared in accordance with IFRS.*

*References to Brookfield Business Partners are to Brookfield Business Partners L.P. together with its subsidiaries, controlled affiliates and operating entities. Unitholders’ results include limited partnership units, redemption-exchange units, general partnership units, BBUC exchangeable shares and special limited partnership units. More detailed information on certain references made in this news release will be available in our Management’s Discussion and Analysis of Financial Condition and Results of Operations in our interim report for the second quarter ended June 30, 2023 furnished on Form 6-K.*