

# Letter to Unitholders

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## Overview

Our business had a good start to the year. We generated solid financial results and are pleased with the progress achieved on our value creation and capital recycling initiatives. First quarter Adjusted EBITDA was \$544 million and our Adjusted EBITDA margin increased to over 20% supported by the ongoing performance of our largest operations. Owning high-quality businesses continues to be a key differentiator of our earnings quality across all market cycles.

Apart from our strong business fundamentals, we generated approximately \$300 million from our capital recycling initiatives since the beginning of the year, including agreements to sell two smaller operations over the last few months. Since creating Brookfield Business Partners, we have now monetized 20 businesses and generated approximately \$6 billion of proceeds at our share, realizing a 3x multiple on our investment and a composite IRR of approximately 30%.

More broadly, our ability to access capital continues to be favorable. Last month, for example, our work access services operation completed the repricing of a \$1.3 billion term loan. Strong demand enabled an upsize of \$150 million and a reduction of the interest rate spread on the debt by 100 basis points. In other cases, the higher earnings of our operations are enabling us to prudently upfinance their borrowings to fund distributions.

## The Rapid Rise of AI Could be Significant

There have been few technological advancements in history that have measurably improved productivity. Even the mobile phone, which altered all our lives, arguably did not demonstrably increase the effectiveness of our work. The last innovation which truly revolutionized the workplace was the personal computer (PC) in the early 1990s. Imagine joining a company today without being given a computer to do our jobs.

The question becomes, is artificial intelligence (AI) the next mobile phone or the PC? We think it is the latter.

We often overestimate the impact of new technologies in the short term and underestimate them in the longer term. For instance, despite the dot-com bust of the early 2000s, it is impossible to visualize a world today without the Internet. In a similar fashion, we anticipate AI will transform how we work and become integrated into all our business processes and functions to enhance productivity and throughput, just like the PC is today.

Over the last few years, we have been exploring where machine learning based technologies can benefit our business, experimenting with ideas and building capabilities. To make the most of these efforts, we recently created an AI Value Creation Office comprising leaders across the organization, functional experts and thought leaders. The purpose of this group is to leverage the best ideas and scale of the Brookfield ecosystem to build tangible value in our business. This ensures we are evaluating the latest trends and systematically assessing the costs, benefits and risks of implementing AI based technologies in our business.

While there is a long road ahead, the number of ways we have already been using AI across our operations is growing. The vast amount of data that our market leading operating companies generate and have access to provides the critical resource for AI to be effective. This enables us to take a targeted approach, focusing on opportunities to enhance customer service levels, increase efficiency and gain better insight to augment our decision making.

To put this in context, our dealer software and technology services operation recently launched an AI virtual assistant software tool which utilizes machine learning, natural language processing and generative AI to automate certain tasks aimed at improving the productivity of its auto dealer customers. This tool can speak over 50 languages, respond to customer inquiries and book appointments with limited human interaction. Our lottery services operation is looking to automate the drafting of responses to new customer proposals which has the potential to meaningfully enhance the overall efficiency of its sales and marketing processes. Our technology enabled business outsourcing operation is utilizing AI and language processing tools that listen to live calls and feed its agents auto-generated content from a knowledge management system which is aimed at improving both the quality and speed of service.

In other cases, our operations are finding opportunities to use machine learning and enhanced predictive analytics to manage risk and reduce costs. For example, our residential mortgage insurer is developing predictive models which leverage decades of proprietary housing data to enhance how it assesses emerging economic risks and adjusts its underwriting criteria in response to expected impacts on home values, probability of borrower default and forecasted risk of losses.

We also have opportunities to enhance the efficiency of our own processes including how we manage our business operations and source and diligence new investment opportunities. Data scraping tools, for example, have the potential to meaningfully improve our efficiency by reducing hours spent combing through documents in virtual data rooms and allowing our professionals to focus on higher value-add analysis to support better insights and decision making. We are selectively exploring the use of other business intelligence tools that help synthesize larger sets of macro data to screen for new investment ideas, analyze contracts and query data sets to improve knowledge sharing and reduce redundancy.

The extraordinary pace of change being driven by AI today is also giving rise to new risks. Certain businesses and sectors are more likely to be impacted by AI than others. Some of these, such as technology services, software development or healthcare seem obvious today, but it will take time to fully understand the impacts in other areas. Our primary goal is to ensure that we are prudently factoring the risk of disruption into everything we do, including our future investments and our value creation initiatives.

Over time, the integration of AI as a productivity tool is likely to augment virtually every aspect of our business. While it may result in the reduction of certain jobs, it will also likely involve the creation of others as the composition of the overall workforce evolves. However, what AI is unlikely to do is replace the human judgment that underpins our investment philosophy.

## **Balance Sheet and Liquidity**

After accounting for the impact of our known funding commitments and proceeds from recent monetizations, corporate liquidity is approximately \$1.6 billion. In addition, we have approximately \$7 billion of available liquidity within our operations, providing us flexibility to support our operations and growth.

We are continuing to take a balanced approach to capital allocation. Our near-term focus is to reduce the borrowings on our corporate credit facility which we have drawn as a bridge to fund a portion of our recent acquisition activity. Ongoing distributions and future sales of businesses, several of which could be meaningful, will reduce these borrowings over time.

We have no significant debt maturities coming due over the next twelve months. This provides us with flexibility as we continue to opportunistically manage our maturities over the next few years.

## **Operating Results**

Adjusted EBITDA for the quarter was \$544 million and in line with prior year on a same store basis, after adjusting for the impact of recent dispositions.

## **Business Services**

Our Business Services segment generated first quarter Adjusted EBITDA of \$205 million. Results benefited from strong performance at our residential mortgage insurer and dealer software and technology services operation.

Our residential mortgage insurer continues to perform well. Canadian home prices have been resilient and unemployment levels continue to trend near historic lows; both of which have contributed to relatively low levels of mortgage delinquencies and therefore any losses in our business. While borrowers continue to adjust to the impact of higher mortgage rates, new insurance premiums written during the quarter increased compared to last year and the sales-to-new listing ratio, a key indicator of housing market supply and demand, is trending toward a seller's market. The business should continue to generate \$400 to \$500 million (or \$150 to \$200 million at our share) of cash distributions annually on a through cycle basis, positioning it well to manage the impact of higher expected losses over time.

The annualized run-rate EBITDA of our dealer software and technology services operation has increased by over 40% in less than two years, driven by the substantial progress we have achieved on our operational improvement plans since our acquisition. The business recently launched a suite of packaged software applications which is gaining traction with customers and supporting higher levels of new bookings.

We are progressing plans to address the continued underperformance of our healthcare services operation in Australia. High labor and consumable costs, a changing mix of patient activity at our hospitals and capped reimbursement rates are industry wide challenges impacting both our operations as well as the broader Australian private hospital sector. We are in the early stages of engaging with key stakeholders to address these challenges with the goal of strengthening the long-term positioning of the business.

## **Industrials**

Our Industrials segment generated first quarter Adjusted EBITDA of \$228 million highlighted by strong performance at our advanced energy storage operation.

Our advanced energy storage operation is performing exceptionally well driven by growing demand for higher margin advanced batteries, global commercial actions and cost optimization initiatives. Given the continued growth in EBITDA and debt paydown, the business is on track to end the year with a net debt to EBITDA ratio of less than 4x. This rapid deleveraging and cash generation within the business provides us with various options from which we can generate proceeds in addition to a regular way IPO of the business.

We are exploring similar options at our Brazilian water and wastewater operation. Performance is benefiting from the ongoing growth of its service network and higher billing rates while the business nears the end of another round of cost and commercial optimization initiatives aimed at enhancing margins and cash flows. Interest rates in Brazil have declined 300 basis points from peak levels last year and are expected to end the year lower. This should create a more constructive capital market environment and support increased transaction and IPO activity.

Our engineered components manufacturer is progressing initiatives to offset the impact of reduced volumes, primarily in its North American operations. Performance is benefiting from the business' variable cost structure and diversified end market exposure given volumes outside of North America have been more resilient. The business has sufficient liquidity to repay debt or support its add-on acquisition strategy.

## **Infrastructure Services**

Our Infrastructure Services segment generated first quarter Adjusted EBITDA of \$143 million. Results reflect the impact of the sale of our nuclear technology services operation which closed late last year.

We are continuing to make good progress at our lottery services operation. Inflationary pressures impacting performance have subsided and both cost and supply chain optimization initiatives are supporting performance.

During the quarter, the business rolled out a new digital lottery service offering in the U.K. and is progressing other key commercial opportunities focused on new contract wins as well as expanding the services it provides to existing customers.

Year over year EBITDA at our work access services operation has improved by more than 45% from trough levels during the pandemic in late 2020 driven by recovering activity levels and ongoing cost and commercial optimization initiatives. The business continues to focus on securing new commercial wins and pursuing opportunities to increase its presence in faster growing market segments.

## Closing

The primary objective of our business continues to be to generate long-term growth in intrinsic value per unit and share. Most of our value creation has been achieved by acquiring high-quality operations at reasonable prices and improving their underlying operating performance and cash flows. This was our objective when we created our business and remains so today, demonstrated through the strong realized returns generated on the sale of 20 businesses over this time.

Thank you for your continued interest in our business and your ongoing support. Please contact any one of us should you have questions, ideas or comments you wish to share as partners in our business.

Sincerely,



Anuj Ranjan  
Chief Executive Officer



Cyrus Madon  
Executive Chairman

May 3, 2024

### **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. 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; 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; the possible impact of international conflicts, wars and related developments including 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 those set forth in the “Risk Factors” section in our annual report for the year ended December 31, 2023 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 substitute 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 letter to unitholders will be available in our Management’s Discussion and Analysis of Financial Condition and Results of Operations in our interim report for the first quarter ended March 31, 2024 furnished on Form 6-K.*