

Brookfield Business Partners – Q1 2023 Results Conference Call & Webcast

May 5, 2023

Corporate Speakers:

- Alan Fleming; Brookfield Business Partners L.P.; Managing Director
- Cyrus Madon; Brookfield Business Partners L.P.; CEO
- Denis Turcotte; Brookfield Business Partners L.P.; COO
- Jaspreet Dehl; Brookfield Business Partners L.P.; CFO
- Mark Wallace; Clarios International Inc.; CEO

Participants:

- Geoff Kwan; RBC Capital Markets, Research Division; Analyst
- Andrew Kuske; Credit Suisse Group AG, Research Division; Analyst
- Devin Dodge; BMO Capital Markets, Equity Research; Analyst
- Gary Ho; Desjardins Securities Inc., Research Division; Analyst
- Jaeme Gloy; National Bank Financial, Inc., Research Division; Analyst

PRESENTATION

Operator^ Welcome to the Brookfield Business Partners First Quarter 2023 Results Conference Call and Webcast. (Operator Instructions) I would now like to turn the conference over to Alan Fleming, Head of Investor Relations. Please go ahead, Mr. Fleming.

Alan Fleming^ Thank you, Operator and good morning. Before we begin, I'd like to remind you that in responding to questions and talking about our growth initiatives and our financial and operating performance, we may make forward-looking statements. These statements are subject to known and unknown risks, and future results may differ materially. For further information on known risk factors, I encourage you to review our filings with the securities regulators in Canada and the U.S., which are available on our website.

Joining me on the call today is Cyrus Madon, our Chief Executive Officer, and Jaspreet Dehl, our Chief Financial Officer. We're also joined today by Mark Wallace, the Chief Executive Officer at Clarios, our advanced energy storage operation. Cyrus will lead off and provide an update on our business, followed by Mark, who will discuss our strategic initiatives and recent developments at Clarios. Jaspreet will finish with a review of our financial results. The team will then be available to take your questions.

With that, I'll pass the call over to Cyrus.

Cyrus Madon^ Thank you, Alan. Good morning, everyone. Thanks very much for joining us on the call today. We've had a great start to the year. Adjusted EBITDA increased over 25% compared to last year and our Adjusted EBITDA margin increased over the year from 17% to 19% – a pretty significant uplift.

It's been an eventful few months in the capital markets, as you know. Fortunately, our business has not been affected by recent U.S. regional banking issues and governments have acted quickly to stabilize confidence in the broader financial system. We're now seeing banks begin to selectively lend for buyout activity again. Bond yields in the U.S. have tightened and European credit markets are also slowly recovering from the fallout.

A flight to quality credit is serving our businesses well. The market price of debt at our largest companies – like Clarios, Scientific Games and CDK Global to name a few – is trading at or near par and we've been able to refinance existing borrowings and issue new debt at good terms.

As an example, just a few weeks ago, Clarios sought to refinance \$1.5 billion of its debt in order to extend its maturities through 2030. Not only was it successful in doing so, but the exceptional demand for its debt enabled us to upsize this offering to \$3.5 billion at an overall cost of about 7%. We achieved this with virtually no increase to the overall cost of borrowings. This is a phenomenal outcome and evidence of financing available for high-quality businesses, like the many that we own today.

Turning to capital recycling, as you know, it often takes several years for us to implement improvements, reposition our operations and build value in our businesses. All else being equal, in the short term, this means the earnings and cash flows of businesses we buy are usually lower than those of the more mature businesses we sell.

To put this in context, we're working to close the sale of Westinghouse, our nuclear technology services provider, for a total enterprise value of about \$8 billion. We used proceeds from Westinghouse to fund the acquisition of three great businesses last year: Scientific Games, CDK Global and La Trobe. Over the next few years, we expect to drive improvements to these businesses which should nearly double the share of free cash flow we are giving up from the sale of Westinghouse.

In the near term, the Westinghouse sale proceeds will repay the financial obligations we assumed to fund our substantial acquisition activity last year, which will support our free cash generation later this year.

All in all, our business fundamentals remain strong, we're making great progress on initiatives to continue building value in our operations, and that's a great segue to pass the call over to Mark, who has joined us today to talk about all the great things we're doing to drive growth at Clarios.

Over to you, Mark.

Mark Wallace^ Thank you, Cyrus. Good morning, everyone. As a reminder, Clarios is the world leader in low-voltage batteries, powering one in three vehicles globally. With unmatched scale and geographic reach, we are five to six times larger than any of our nearest competitors and the only true global player. We have the number one market position in the Americas and Europe and are currently number three in Asia.

To put this in context, we ship over 150 million batteries per year and when the business was acquired by Brookfield, EBITDA was approximately \$1.6 billion. We set a record year of earnings in fiscal 2021, and we continue to make strong progress in fiscal 2023 and plan to exceed \$2 billion of EBITDA over the next few years – and depending on how much we reinvest into growth, the business should generate at least \$500 million or more of free cash flow each year.

Approximately 80% of the volume is driven by the high-margin, resilient aftermarket demand. We're also the go-to partner for virtually every automaker in the world, and in many cases have majority share, bringing the right levels of technology to solve for their challenges of today and the future.

An important point to remember is that every single car, whether a full battery electric, hybrid, start/stop or internal combustion engine, requires a low-voltage battery like the ones we sell. The demand placed on these low-voltage batteries continues to increase with a shift toward electrified vehicles. Clarios is the leader in enabling technologies for electric and autonomous vehicles with a full portfolio designed to support our customers' growing needs. We are now partnering on over 130 electric vehicle platforms globally, including over 80 new full battery electric platform launches during the last 12 months. This puts us more than halfway toward our goal of winning over 200 full battery electric vehicle platforms within the next five years.

The automotive industry is rapidly transforming to help the world achieve its carbon reduction targets. We believe that by 2030, nearly 90% of all new vehicle production will represent some form of new energy vehicle from start/stop, hybrid or full battery electric vehicles. Even more important, we estimate that nearly 1.6 billion cars in the parc by 2030, over half will offer new energy features to reduce

greenhouse gas emissions, leading to an increased power demand on the low-voltage system and driving double-digit growth of advanced low-voltage batteries to serve these expanding needs.

This shift in technology represents a significant tailwind for our business today and long into the future as these new energy vehicles enter the aftermarket for multiple battery replacements. In fiscal 2022, 24% of our total units sold represent advanced batteries, which is up more than two times from only 10% in 2015 and we expect this growth trend to continue. By 2027, we expect 35% of our total battery volume will be advanced.

This tailwind will continue to be a source of revenue margin expansion for years to come as advanced batteries drive 50% to 80% higher revenue and double the profitability dollars of a standard low-voltage battery.

We continue to invest in capacity to serve these growing advanced battery needs. To date, Clarios has deployed more than 50% of the world's capacity for AGM advanced batteries and we're adding more as we speak, investing over \$500 million in North America and Europe through 2025 in addition to leveraging the start-up of our new, state of the art plant in China.

We're also expanding our portfolio to meet the growing requirements of new vehicle platforms, including full battery electric vehicles, where we have recently launched our first fully branded product strategy, Clarios xEV. Clarios' xEV batteries which are tailored to each automaker's electric vehicle load requirements will work hand-in-hand with the high-voltage traction battery to provide the right power as well as the right levels of functional safety. This portfolio supports batteries for automakers now, but also positions us to prepare our aftermarket customers for the future.

As part of this portfolio, there are some automakers looking for low-voltage lithium-ion solutions. Today, we are a leader in this space with an application for a global automaker on multiple platforms, leveraging our global capabilities as well as our 15 years of lithium-ion software and systems expertise, and actively working with OEM customers to develop their future requirements.

We've also developed a brand new technology called Smart AGM. There is nothing like it in the world. Smart AGM is designed to reduce internal failure, provide continued power supply and monitor the powertrain battery performance in real time. Smart AGM also allows for predictive maintenance in the aftermarket. One of the most interesting applications, where we are seeing significant customer interest, is in truck fleets where battery failures is a top cause for truck downtime.

In addition to our advancements in new technologies, we are growing our presence in new markets, including China. China is already the largest auto production market in the world and more importantly, the largest EV market, representing more than two-thirds of the global battery electric vehicle production in 2022. With the full launch of our third Chinese plant, we will represent more than half of the installed AGM capacity in the country and expect to double the volume of our China platform in the medium term.

Our global market-leading position and value-added customer relationships have enabled us to implement significant pricing actions and offset the unprecedented levels of inflation. In addition, we continue our focus on driving margin expansion through operational excellence and cost reduction discipline. To date, our team has achieved approximately 60% of the targeted \$400 million of operational improvements in the business on a gross basis.

This year, we are tracking to achieve an additional \$50 million in cost savings driven largely by the enhancements of our U.S. operations as we realize the benefit of investments in automation and the optimization of transportation, supply chain and overhead costs to drive performance and productivity.

Overall, it's an exciting time for Clarios. The rapid transformation to new energy vehicles creates a significant tailwind for our business. As we invest for the future, our earnings and cash flow will

continue to grow. We are primed for sustained and profitable growth through our advanced technology portfolio, durable cash flow generation position and a leading global market position.

With that, I'll hand the call over to Jaspreet, and I'll be available to answer questions during the Q&A session.

Jaspreet Dehl^ Thanks, Mark, and good morning, everyone. We generated strong first quarter financial performance. Adjusted EBITDA increased to \$622 million compared to \$486 million in the prior year. Adjusted EFO of \$381 million included \$130 million of net gains related to the sale of public securities and our residential property management operation.

Taking a look at segment performance, our Industrials segment generated first quarter Adjusted EBITDA of \$219 million. This compares to \$217 million last year. Adjusted EFO increased to \$162 million and included \$64 million of net gains on disposition.

Performance at our advanced energy storage operation was strong, generating increased Adjusted EBITDA of \$129 million for the first quarter. Higher overall battery volumes, ongoing pricing initiatives and continued operational improvement are contributing to results.

Engineered components manufacturing contributed \$44 million to Adjusted EBITDA this quarter. The business is performing well despite reduced volumes in North America and Europe. We are supporting the business' commercial and cost optimization initiatives which continue to support improved margin performance.

Moving to Infrastructure Services, Adjusted EBITDA for the first quarter was \$225 million compared to \$208 million last year, and Adjusted EFO was \$86 million for this quarter.

Our lottery services operation is performing well, generating \$34 million of Adjusted EBITDA. Lottery fundamentals have remained extremely resilient with U.S. instant ticket lottery sales continuing to grow at low single-digit rates to start the year. Input cost pressures are starting to ease and results benefited from continued progress on commercial strategy and supply chain optimization.

Modular building leasing services contributed \$37 million to Adjusted EBITDA, supported by strong demand for higher-margin value-added products and services as well as resilient utilization rates in Asia Pacific.

Finally, our Business Services segment generated first quarter Adjusted EBITDA of \$212 million, an increase compared to \$94 million last year. Adjusted EFO increased to \$213 million and included a net gain of \$67 million.

Our residential mortgage insurer generated \$47 million of Adjusted EBITDA and is performing in line with expectations given a more normalized Canadian housing market. While higher mortgage rates have led to reduced housing affordability and lower sales activity, unemployment levels across Canada continue to remain near historically low levels. Home prices are still more than 30% above pre-pandemic levels even after falling 15% from peak levels in early 2022. These two factors have contributed to overall mortgage delinquencies remaining low. Our business can readily manage an expected increase in losses on claims and still generate positive cash flows.

Our dealer software and technology services business generated Adjusted EBITDA of \$49 million. Performance during the quarter benefited from recent optimization initiatives and continued growth of the business' subscription-based revenue.

Turning now to our balance sheet. We ended the quarter with approximately \$2.7 billion of pro forma corporate liquidity after accounting for the planned syndication of our recently closed acquisitions and expected proceeds from the sale of Westinghouse.

With that, I'd like to close out our comments and turn the call back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Geoff Kwan with RBC Capital Markets.

Geoff Kwan^ Good morning. My first question, I know it's a BAM issue, but is there any color you can give on the fundraising at BCP VI? Also, can you comment on BBU's commitment to that fund in dollars or percentage or however you look at it?

Jaspreet Dehl^ It's Jaspreet, I could start and then Cyrus can add. We don't really comment on BAM's fundraising activities but I think from the last discussion that BAM had with regards to the latest private equity fund, which is Brookfield Capital Partners Fund VI (BCP VI), we're over \$8 billion in capital raised. We're still in fundraising and expect to raise additional commitments from that \$8 billion that Brookfield has talked about. In terms of BBU's commitment, we're typically about one third of the fund and we don't expect that BCP VI will be any different.

Geoff Kwan^ Okay. My other question was I think you've got a preference of returning to being debt free at the corporate level but is it also fair to characterize it that you would likely prioritize deploying capital in the current environment given this would seem to be an attractive time to be making acquisitions? But also if monetization markets don't materially improve, we could see your corporate debt and/or preferred shares total levels increase from where they are today?

Cyrus Madon^ Cyrus here. Geoff, it's a complicated question but as always, we will consider all the opportunities in front of us – all the things we have slated that will likely be sold, the cost of capital and sources of capital will all be taken into consideration. I'll start with that but yes, if we found something that we thought was highly additive to BBU, I'm quite confident we would raise the capital for that on reasonably attractive terms.

Geoff Kwan^ Okay. Actually, maybe if I can ask one last question. You talked about doing debt refinancing at a number of your companies - when you take a look at the portfolio today, how much more do you think you might either have to do or where you think there's a window to opportunistically extend terms at a reasonable cost?

Jaspreet Dehl^ We are constantly watching the market and we like to be opportunistic where we can, but just in terms of our overall debt profile, the weighted average maturity on the debt today is 5.5 years. Mark touched on the recent refinancing that we did at Clarios that actually extends our maturities now to 5.8 years and in the next 12 months, we've got 5% of debt maturing of our overall debt. There's not a whole lot that's very imminent for us, but we will be opportunistic wherever we can and take advantage of market windows if we can do things at reasonable costs and extend out the maturity on any of our debt. Given the quality of a lot of the businesses that we own and with the right market conditions, we could get outcomes similar to Clarios where we were able to upsize and refinance at virtually the same cost which I believe was an approximate 25 basis points difference.

Operator^ Our next question comes from the line of Andrew Kuske with Credit Suisse.

Andrew Kuske^ Good morning. Apologies if I missed this but could you give us some context on where Clarios is today versus your initial underwriting? Obviously, there's some messiness around that because we went through a pandemic but I guess the question is really to what extent is the transition from lead acid batteries to batteries more involved in EVs tracking ahead of your initial expectations?

Cyrus Madon^ It's Cyrus here and then I'm going to turn it over to Mark to give you a little bit of color. I don't have the numbers in front of me specifically but I can tell you Clarios is performing really

well and more or less what we expected. I think the short answer is that the upside opportunity here from transitioning into a higher specification battery is pretty interesting for us.

Mark Wallace^ Andrew, it's Mark Wallace. A couple of things – we went through COVID, high inflationary environments and all the macro challenges but the one thing is the business continues building out and improving its profit per unit or EBITDA per unit and that continues to make progress since the acquisition. Given the fact that we had a lot of inflation to catch up to that happened in our fiscal 2022, we think that will be a continuing tailwind for us in our fiscal 2023. We're actually in a very good spot with how the performance is shaping up in the company today. As I mentioned in my prepared remarks as well, we're going to get a pretty significant revenue and margin expansion due to AGM batteries being sold into the aftermarket. That's going to be a significant part of the next decade story of the company. While at the same time, we have a target to win 200 new battery electric vehicle platforms and of that, we've won 130. In every case, those are all our conventional battery technologies. Though we do have a lithium-ion offering in the market today, the vast majority of our customers at this stage are continuing to choose our conventional battery technology, like AGM.

Andrew Kuske^ Okay. That's very helpful and then maybe just a follow-on question. If you think about, there's obviously a bunch of inflationary impacts that have happened, normalized margins into the future on a per unit basis, where do you think that lands versus maybe a few years ago in the traditional product lines?

Mark Wallace^ On the revenue and margin percentages, the one thing to be mindful of is that with things like our input raw material costs, such as lead, those flow through the top line but have no impact in the actual cost line. Ultimately, in a higher inflationary environment, you could see some margin deterioration just due to that math but ultimately how we look at the business is EBITDA per unit. Over the course of time, that has continued to improve. We expect, given our ability to price the market, the growth of AGM batteries in the aftermarket and our continued operational improvements, that will continue expanding through the next five years as well.

Operator^ Our next question comes from the line of Gary Ho with Desjardins Capital Markets.

Gary Ho^ Good morning. Mark, thanks for sharing some time with us. Maybe to carry on the last question, just on pricing actions that you've put through and I want to hone in on a little bit on the labor side given that's still a pretty tight labor market out there, particularly in the U.S., just wondering if you can provide a bit more color in terms of expectations on further price increases to maintain those margins and what you're seeing on the labor side? You touched on automation a little bit and wondering if you can elaborate on that as well?

Mark Wallace^ Yes Gary, a few things. In general, as we think about pricing in the aftermarket, we do expect to price in excess of inflation. We do expect that pricing less inflation will be accretive to our margin expansion in the business. The reason behind that is one, not only do we have a complete portfolio of technologies that we offer to our customers, we also offer many additional services that go along with that to include intellectual property that we're supporting our aftermarket retail customers with. With that, it gives us a unique ability to put more pricing in the market than you would say that general competition could do because we offer so many more services with our battery offerings. When it comes to labor, one of the aspects that we're focused on in the U.S. operations is continuing to deploy automation because that reduces the dependency on labor and also makes us more efficient. I mentioned in my prepared remarks that the U.S. will deliver about \$50 million of year-over-year actual cost reduction, improving our bottom line performance. We expect, going forward, 1.5% to 2% of net conversion cost savings in the U.S. from the efforts we have around transportation, automation, reduction of scrap, rework, etc. and that's why we're convinced we'll be able to deliver \$300 million of net cost savings for the business in the next few years as well.

Gary Ho^ Okay perfect thanks for that. Second question for Cyrus or Jaspreet - we're hopefully a few months away from closing the Westinghouse transaction. Of the \$1.5 billion in proceeds, have you had

discussions with Brookfield in terms of their intentions on how much of the proceeds will be used to repay their preferred securities? And maybe can you just quickly remind me the financing cost difference between the preferred securities and the corporate borrowings.

Jaspreet Dehl^ Yes, it's Jaspreet, I can take that. We haven't had any conversations yet. As you're aware, with any asset monetization, Brookfield does have the ability to ask for repayment on those preferred securities. As we get closer and more clarity on exactly the closing on Westinghouse, we'll have that conversation. I can't really give you a definitive answer on that today. In terms of the cost of borrowings, it's virtually the same – the preferred securities are at 6% and the corporate borrowings are a tad higher just with the rates increase but it's not significantly different.

Gary Ho^ Okay. Last question for Cyrus. I just want to talk about the refinancings angle a little bit. There's probably a bunch of assets out there in the market that might be challenged somewhat given the higher refinancing costs whether that's higher amounts of leverage that you have on the books or the refinancing costs have jumped dramatically versus a few years ago. Are you seeing more opportunities as a result and how is that playing into valuations? More generally, on your deployment pipeline, do you see more opportunities of new investments or bolt-ons to existing assets like the Unidas investment that you've done?

Cyrus Madon^ Yes. For the first time in a long time, we are seeing a bifurcation of investors' view of companies between high-quality companies and credits and lower-quality companies and credits, including highly leveraged companies which have pretty good assets. For the first time in a long time, there are 'haves' and 'have-nots' which is the way it used to be. The 'haves' have access to capital, like at Clarios which has tremendous access to capital, and the 'have-nots' are struggling where we're seeing bond yields and debt yields for those companies at levels I haven't seen in many, many years. The short answer is yes – there are definitely going to be some really interesting opportunities coming out of this. We are seeing larger, multi-asset companies that have elevated levels of debt which are starting to contemplate selling some pretty good businesses and I think that's an opportunity. We're seeing companies that simply need to deleverage, so there might be some recapitalization opportunities for us too.

Operator^ Our next question comes from the line of Devin Dodge with BMO Capital Markets.

Devin Dodge^ Good morning. I want to start with a question on DexKo – we saw profitability stepped up pretty materially from what we saw in the back half of last year and I think there's been some M&A activity that may distort the picture of it. Is there much seasonality in this business? Or is the Q1 performance a reasonable proxy for baseline earnings going forward?

Cyrus Madon^ We'll let Denis answer that one.

Denis Turcotte^ Denis Turcotte here. Yes, I think it's a reasonable proxy given the dynamic we've just been through, i.e. inflation rolling through the business, but the management team there is a very strong team and they've done a lot to get costs down, maintain and even expand margins. I think it's a good proxy. Having said that, there is a little bit of seasonality but it's really more around certain segments as you can imagine, as interest rates go up and people in general are getting a little more nervous on the retail side, RV sales for example, have come off. There's some of that which is more I think in anticipation of recessionary actions moving forward.

Devin Dodge^ Okay. Maybe switching over to CDK, we saw the sale of that heavy equipment dealer business and I'm just trying to understand if that was a meaningful contributor to earnings to the overall business? Can you help us understand the rationale for monetizing it and if there are other parts of the business that you would want to trim going forward?

Cyrus Madon^ Yes, there are a few non-core smaller businesses within CDK, which in the longer term probably don't fit the business. The one that was sold was very small, less than 5% of EBITDA. We sold

it for around 20 times EBITDA and we thought for the business and our investment, it was a pretty accretive transaction and that's why we did it.

Devin Dodge^ Okay. Do you expect to dividend that up to corporate or will you keep that in the business to maybe deleverage?

Cyrus Madon^ We'll keep it in the business.

Operator^ Our next question comes from the line of Jaeme Gloyn with National Bank Financial.

Jaeme Gloyn^ Thanks. A question for Clarios, just maybe a little bit of a clarification question. The target date to exceed the \$2 billion in EBITDA, what year would that be in or time frame? And linked with that, given the \$500 million of free cash flow each year, what would you expect leverage to be once you hit that \$2 billion target?

Mark Wallace^ It's Mark Wallace. We don't have any specific date to give out on the \$2 billion. As I mentioned in the prepared remarks, we're on a very good trajectory up from our 2021 record year and over the next few years, we would expect to cross the \$2 billion mark. I think it's probably a pretty easy math calculation. If you look at our leverage, we ended last year was at 5.4 times and if you think about the levered free cash flow around the \$500 million paying back, you can probably extrapolate in the next few years how it would look relative to a \$2 billion EBITDA of our business.

Jaeme Gloyn^ Okay and you would expect to use the bulk of that \$500 million to repay debt or would it be more like 50% debt and 50% organic growth opportunities, other capital expenditures and stuff like that? How are you thinking about that?

Mark Wallace^ Yes so when we give out that number, we're talking about our levered free cash flow. We've considered running our business and whatever growth capital we would need and we would see that kind of number for deleveraging the company as priority number one for us.

Jaeme Gloyn^ Okay perfect thank you. On Unidas, obviously it was broken out in this quarter's disclosures, is there something in that business that you can give us a little bit more color in terms of your growth expectations on the Brazilian fleet market, where you're seeing that business' trajectory over the next several quarters to a couple of years?

Cyrus Madon^ Cyrus here. Why don't I start and others will chime in. We closed on the acquisition which was a merger of equals about six months ago and that transition is going well. The business is performing, despite a very tight credit environment, quite well and we expect it to continue performing well this year. Fleet management is benefiting from a rent versus buy decision, a tighter credit environment and from medium-term contracts it has in place. Rent-a-Car has slowed down a little bit because of the economic slowdown in Brazil but used car sales have been quite high and in fact are capturing more demand that's migrating from new car sales just given the economic environment. To answer your question a little more directly, we expect the business to perform quite well this year.

Jaeme Gloyn^ Okay. Last one for me. With some of the term out of debt and refinancings, are you able to update some of the data points from Investor Day around the weighted average cost of borrowing, how much is fixed or hedged and the sensitivity to changes in interest rates at this point?

Jaspreet Dehl^ Sure. I can do that. We ended this quarter with a weighted average interest rate of about 7.9%. The weighted average term on the debt was 5.5 years and if you factor in the Clarios refinancing that happened after quarter-end, it's approximately 5.8 years, so closer to 6 years. For fixed versus float, we took advantage of some of the volatility that we saw this quarter just with some of the banking issues in the broader environment and put on a few more interest rate hedges within the business. We're now 50% hedged compared to approximately 40% last quarter. I think I may have touched on this last quarter but there's some debt within the business that we don't think it's appropriate to hedge like our debt in

Brazil which is just uneconomical and the revolvers that we have within the businesses. If you factor that in, we're about 80% hedged on the debt that we want to be hedged on. We're quite happy with the overall fixed versus float ratio today. In terms of sensitivity, we had talked about this at Investor Day, and it really hasn't changed much, but a 75-basis point increase in rates is about \$60-\$65 million impact on the business' Adjusted Free Cash Flow.

Jaeme Gloyn^ Okay and I may have misheard the weighted average interest rate. Could you just repeat that because I feel like I heard 7.9%?

Jaspreet Dehl^ Yes, that's right.

Jaeme Gloyn^ And it was 4.9% at the Investor Day?

Jaspreet Dehl^ Yes, it was approximately 5%.

Jaeme Gloyn^ Okay and now it is almost 8%, am I getting that apples to apples?

Jaspreet Dehl^ Yes.

Operator^ With that, I'll hand the call back over to the CEO, Cyrus Madon, for any closing remarks.

Cyrus Madon^ Thank you very much for joining us this quarter and we look forward to speaking to you next quarter. Thank you.

Operator^ Ladies and gentlemen, this concludes today's conference call. Thank you for participating and you may now disconnect.