

# Brookfield

## TRANSCRIPT: Brookfield Investor Day

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### CORPORATE PARTICIPANTS

#### Brookfield Business Partners LP

- Cyrus Madon – Chief Executive Officer
- John Barkhouse – Managing Director
- Jaspreet Dehl – Chief Financial Officer
- Suzanne Fleming – Managing Partner of Communications & Branding

#### *Suzanne Fleming, Managing Partner of Communications & Branding*

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

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

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

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

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

## **BROOKFIELD BUSINESS PARTNERS L.P.**

### ***Cyrus Madon, Chief Executive Officer, Brookfield Business Partners***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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***John Barkhouse, Managing Director, Brookfield Business Partners***

Thanks, Cyrus, and good afternoon, everyone.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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***Jaspreet Dehl, Chief Financial Officer, Brookfield Business Partners***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Thanks, and I'll open up to questions.

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## **Q&A – BROOKFIELD BUSINESS PARTNERS L.P.**

### ***Cyrus Madon, Chief Executive Officer, Brookfield Business Partners***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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