

BBU – Q2 2020 Results Conference Call & Webcast

August 6, 2020

Corporate Speakers:

- Alan Fleming; Brookfield Business Partners L.P.; VP of Investor Relations
- Cyrus Madon; Brookfield Business Partners L.P.; CEO
- Denis Turcotte; Brookfield Business Partners L.P.; COO
- Jaspreet Dehl; Brookfield Business Partners L.P.; Managing Partner & CFO

Participants:

- Devin Dodge; BMO Capital Markets; Analyst
- Geoffrey Kwan; RBC Capital Markets; Analyst
- Andrew M. Kuske; Credit Suisse AG; Analyst
- Rupert M. Merer; National Bank Financial, Inc.; Analyst

PRESENTATION

Operator: Welcome to Brookfield Business Partners' Second Quarter 2020 Results Conference Call and Webcast.

As a reminder, all participants are in a listen-only mode, and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. (Operator Instructions).

Now I would like to turn the conference over to Alan Fleming, Vice President of Investor Relations. Please go ahead, Mr. Fleming.

Alan Fleming: Thank you. Good afternoon, everyone. Welcome to Brookfield Business Partners' 2020 Second Quarter Conference Call.

Before we begin, I'd like to remind you that in responding to questions and talking about our growth initiatives and our financial performance and our 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 would encourage you to review our filings with the securities regulators in Canada and the U.S., which are available on our website.

On the call with me today is Cyrus Madon, Chief Executive Officer; Denis Turcotte, Chief Operating Officer; and Jaspreet Dehl, Chief Financial Officer. I will pass the call over to Cyrus to provide you with an update on our business, and Denis will then provide additional insight on the actions we are taking to position our portfolio of companies during this time. Finally, Jaspreet will review our second quarter financial results. We will then be available to take your questions.

I'll now pass the call over to Cyrus.

Cyrus Madon: Thanks very much, Alan. Good morning, everyone, and thanks for joining us today. Despite the unprecedented challenges in the second quarter caused by the global shutdown, our business fared reasonably well. We managed through this period by taking strong action to reposition our operations, manage liquidity, and implement measures to protect employees. We also continue to pursue and execute on new investments.

To give you some perspective on how the economic shutdown impacted our operations, comparable revenue during the quarter declined 30% from the prior year, with the greatest impact being in April. And since then, economic activity has gradually improved. By the end of the quarter, virtually all of our operations were experiencing increased activity. And to give you a little further insight as to what we're seeing today, our overall revenue in July recovered to about 85% of comparable prior year levels, with some of our businesses approaching levels similar to last year, which really reflects the essential nature of the products and services our companies provide.

Although we continue to plan for an uncertain business environment throughout this year and a slow economic recovery thereafter, we're very well positioned to face this environment. Our businesses are of exceptional quality, and we're in a really strong liquidity position. Subsequent to the quarter, we further enhanced our liquidity by increasing the capacity of our credit facilities that are available to us to support our ongoing investment activity.

We've often told you that a key advantage of our investment approach is that we have flexibility to invest across industries and in different forms, which means that in addition to acquiring control positions and businesses, we may also acquire debt or equity securities or provide financing to companies to support their growth or capitalization.

And as we discussed with you last quarter, the significant correction in the price of public securities early in the quarter created an opportunity for us to acquire equity in high-quality businesses at very meaningful discounts to our view of intrinsic value. With the recent recovery in public markets, as of today, the trading price of these securities has increased by 80%, which has generated a total gain to BBU of about \$165 million.

In addition, in June, we subscribed for \$260 million in preferred shares of Superior Plus. Superior is the leading propane distributor in North America, and our investment will help to accelerate its growth objectives to consolidate the U.S. propane distribution market. Our preferred shares pay a 7.25% minimum coupon, which provides us with some downside protection and are convertible into a 15% common equity stake of the company, providing attractive potential returns for BBU. BBU's share of this investment is \$45 million. We expect as capital markets normalize with less support from governments, there may be more opportunities like this to support the growth of businesses. We also expect to see some large-scale recapitalization opportunities as businesses that have weakened balance sheets and high costs struggle to raise capital, and that could create some very attractive opportunities for us.

In July, we closed our acquisition of a 57% ownership interest in IndoStar, which is an Indian non-bank financial corporation focused on commercial vehicle lending and affordable home finance. The distress of many of IndoStar's competitors is providing the company with potential opportunities to increase the size of its loan book at attractive returns.

In May, we completed the recapitalization of Cardone, a remanufacturer of automotive aftermarket parts in North America. BBU's share of the new equity was \$95 million, and we're working closely with management on turnaround efforts, which are clearly in the early stages. In July, we executed a partial distribution of GrafTech common shares to our institutional partners that reduced the size of Brookfield's control position in the company. The distribution advances our efforts to monetize our investment in GrafTech and increases the liquidity of GrafTech's freely tradable common shares. BBU received 17 million shares as part of the distribution, which we now have the flexibility to sell outside of the BBU consortium, which further increases our liquidity. So the total number of shares we own has not changed, but we have more flexibility as to monetizing our stake in the company.

Robust public markets and ultra-low interest rates are creating some interesting monetization opportunities for certain of our businesses. And if you've been following us for a while, you'll have heard us say on these calls that everything is for sale at the right price. In August, we reached an agreement to sell Healthscope's New Zealand pathology business for \$360 million, which advances our long-term strategy to refocus our business on the core Australian hospital operations. Proceeds from the sale will go toward debt reduction within Healthscope.

We've been successful in the past at exiting our businesses through sales to strategic buyers or financial sponsors as well as through public offerings of securities. All of these options are available to us today, and we may choose to monetize all or a portion of a business over the next year, should conditions remain favorable.

So with that, I want to hand the call over to Denis, who will give you some flavor on how we responded to operational challenges during the quarter.

Denis Turcotte: Thanks, Cyrus, and good morning, everyone. During the quarter, we continued to focus on responding to rapidly changing business conditions by repositioning our operations, managing expenses, preserving liquidity, and safeguarding our employees around the world. The coordination with our global business operations group and our local presence in key regions in which we operate allowed us to respond quickly to the worst of the impacts from the economic shutdown and through the quarter, positioned our businesses to benefit as economic activity continues to recover.

Our response plans focused immediately on maximizing free cash flow by reducing operational and capital expenditures, focusing on net working capital and accelerating cost reduction plans. We continue to work closely with the management teams of all our

businesses to minimize disruption to our operations while following all local health and safety protocols. Where necessary, we idled manufacturing capacity facilities and, in some cases, entire sites.

In certain situations, we were able to take advantage of reduced activity or production time to accelerate select cost improvement initiatives that were already planned or in progress. As activity levels improved in regions around the world, our focus has shifted to safely reopening facilities and bringing our employees back to work. Many of our companies have been designated as essential providers of critical services and continue to operate throughout the quarter.

As the largest service provider to the world's nuclear power fleet, Westinghouse is one such company, and I thought I would provide a little color on the resiliency of that business and how it's performing in the current environment. The nuclear power facilities served by Westinghouse are a resilient part of the world's power infrastructure as our customers' plants produce clean, carbon-free, base load energy. Even in uncertain times, it is critical that Westinghouse continues to deliver its high-specification fuel, maintenance and repair services, engineered components and spare parts to ensure that these plants can operate safely, efficiently, and uninterrupted. Both the nuclear industry and Westinghouse have proven to be remarkably resilient during this time.

More specifically, in the second quarter, Westinghouse shipped and delivered 100% of its nuclear fuel commitments and associated customer-refueling activities on schedule. The company also executed maintenance and repair services in over 30 nuclear plants around the world. While some outages were impacted by partial deferment of scope, all customer refueling outages were executed on plan. We anticipate that deferred maintenance scope will be recovered in future outages. Westinghouse has also provided uninterrupted high-quality engineering services to our new plant customers in the U.S., China and UAE as planned.

In parallel, the company has continued to advance its transformation agenda. The team has delivered organic cost out and business transformation results ahead of plan. Additionally, as we continue to be active in executing opportunistic M&A, the rigor of our transformation programs is serving us well as we implement robust integration plans that drive synergies and capture the value of these strategic actions.

Since executing our first acquisition one year ago, we have closed a total of four tuck-in acquisitions at Westinghouse, each adding incremental capabilities that allow us to broaden our product and service offerings and penetrate new markets to grow revenue and EBITDA. We are working towards closing an additional acquisition and remain active in evaluating other targets. We see Westinghouse as a strategic and resilient platform for growth and look forward to continuing to work with the management team in evaluating and executing these opportunities.

And with that, I'll hand it over to Jaspreet.

Jaspreet Dehl: Thanks, Denis, and good afternoon, everyone. I'm now going to walk you through our financial results for the quarter. Brookfield Business Partners generated company EBITDA for the second quarter of \$286 million. This compares to \$237 million last year. Company FFO, excluding gains and losses from dispositions, was \$173 million or \$1.15 per unit. This compares to \$138 million or \$1.06 per unit in Q2 2019.

Last year, we generated a \$297 million gain on the sale of two of our businesses, and company FFO, including these gains, was \$435 million or \$3.35 per unit. We reported a net loss attributable to unit holders for the second quarter of \$109 million or \$0.73 per unit. The net loss included provisions recorded during the quarter, which were partially offset by mark-to-market gains on financial assets, including gains on public security investments made over the last few months. Net income attributable to unit holders for the second quarter 2019 was \$107 million or \$0.82 per unit.

The \$49 million quarter-over-quarter increase in company EBITDA was due to an increase in our infrastructure segment, supported by acquisitions made over the last year, and this was partially offset by reduced contributions from our industrial segment as a result of the impact of the economic shutdown on operations. I'm now going to briefly talk about each of our segment results.

Our industrial segment generated company EBITDA of \$98 million for the second quarter. Within the industrial segment, one of our largest businesses is Clarios, our global manufacturer of automotive batteries. Clarios contributed company EBITDA of \$59 million for the quarter. EBITDA for the quarter was impacted by a reduction in demand as a result of the economic slowdown as well as additional costs that were incurred related to the closing and safe reopening of manufacturing plants. While OEM demand remains weak, aftermarket battery demand is up sharply from the levels that we saw in April, and it is higher than Q2 last year.

Overall, sales volumes were down only 10% year-over-year. Clarios continues to be in a very strong liquidity position, generating free cash flow as well as freeing up working capital. We also completed a \$500 million offering of senior secured notes at Clarios during the quarter. Proceeds from the offerings were used to pay down existing revolving facilities, which has further enhanced the company's liquidity.

GrafTech, our graphite electrode producer, generated company EBITDA of \$40 million this quarter due to lower volumes and sale prices as the global economic slowdown has impacted demand for graphite electrodes. While the company expects a portion of contracted 2020 volumes to be deferred to future years, given the current disruption in the steel industry, GrafTech continues to generate significant free cash flow. The business is focused on maintaining a strong balance sheet and recently reduced its dividend to focus on debt reduction.

Moving on to BRK Ambiental, our water and wastewater services company in Brazil, BRK has not experienced a material impact to volumes or a reduction in service to date. Pipeline construction and other capex spending has also been relatively unaffected by the

shutdowns in the country. As the rate of new COVID-19 cases increases in Brazil, we're closely monitoring potential impacts on the business and have contingency plans in place to maintain the essential services that BRK provides to millions of Brazilian homes. In June, the Brazilian government approved new rules to improve private sector participation in the sanitation sector, which should provide BRK with increased opportunities to scale its operations.

Moving on to our Business Services segment. We generated company EBITDA of \$64 million in the Business Services segment this quarter. Multiplex, our Construction Services business reported improved company EBITDA compared to last quarter Q1 2020 of \$9 million, led by stronger performance in its Australian operations. In the U.K., construction activity on all projects has restarted, but project productivity continues to be impacted by government guidelines. Multiplex has implemented measures to mitigate losses and preserve cash and did not require any cash funding from BBU this quarter. We do expect that the business will require support to manage through the second half of the year given the fluid operating environment in the U.K.

Genworth Canada, which is the other large business in the segment, reported company EBITDA of \$25 million. Underwriting activity slowed sharply in April but has since recovered. Canadian home sales have rebounded with the easing of lockdown measures that coincided with the traditionally strong spring housing season. The loss ratio increased in the business from 15% in the prior year period to 27%. This was largely driven by provisions related to expected losses, once mortgage deferral programs expire. The business remains well capitalized to manage through the current environment.

At Healthscope, results in the quarter were materially impacted by the suspension of noncritical elective surgeries by the Australian government, which started in April. Healthscope received monthly payments during the quarter from state governments to cover its net operating costs in return for making its hospital network available to the public, and this helped overall results of the business.

Moving on to our infrastructure Services segment, we generated company EBITDA of \$148 million.

Westinghouse reported company EBITDA of \$65 million and has proven to be extremely resilient, as Denis has already discussed. Westinghouse remains well capitalized with significant available liquidity and is expected to generate strong EBITDA and free cash flow for the full year.

BrandSafway, our scaffolding solutions provider, reported company EBITDA of \$20 million this quarter. Activity was materially impacted in the quarter by shutdowns and restrictions at customer sites. This was partially offset by the benefit of cost curtailment initiatives in the business. BrandSafway's revenues are largely derived from the essential maintenance work provided by its customers and activity levels are starting to recover.

Altera Infrastructure's results continue to be supported by the contractual nature of its revenue and cash flows have remained largely unaffected. During the second quarter, utilization in the towage segment was weak, offset by the commencement of contracts and overall higher utilization in the shuttle tanker business.

I'm now going to spend a few minutes to talk about liquidity. As Cyrus mentioned, we increased our credit facilities by \$500 million to an aggregate capacity of \$2.6 billion. Our total proforma liquidity, including funding for known and committed transactions is approximately \$2.3 billion. This includes cash, marketable securities and undrawn capacity on our credit facility.

Our companies have an additional approximately \$5 billion of liquidity, which is comprised of cash and access to credit facilities that all of the operating businesses have. With the exception of Multiplex, as I touched on earlier, we expect each of our larger businesses to be self-funding. As a reminder, we continue to have several levers to generate additional liquidity at the corporate level to fund our activities, including the sale or monetization of our more mature businesses, which Cyrus has already talked to, as well as ongoing distributions from our operating businesses. We remain confident that the resilience of cash flows from our larger businesses will support distributions to BBU. In addition, our strong corporate liquidity ensures we are positioned to fund our growth activities.

Before opening the call to your questions, I wanted to take a minute to touch on leverage as we've had some investors ask about interest coverage and debt in the business. So just as a reminder, we ended the quarter with \$6.6 billion of proportionate borrowings net of cash within our operating businesses. The \$6.6 billion represents BBU's share of net debt within each of our operating companies, and none of the debt has any recourse back to BBU. And for the trailing 12 months ended June 30, 2020, BBU generated EBITDA of \$1.3 billion. If you take into account recent acquisitions and dispositions and normalize for the economic shutdowns that we've seen this quarter, our run rate EBITDA is even higher. And it's important to note that even in this severely challenged environment, all of our large-scale businesses, where the majority of the debt resides, have generated more than sufficient cash flow to service their debt.

At BBU, we focus on and monitor leverage at each of our businesses individually. Each business is financed with a sustainable level of debt without any recourse to BBU or across to other businesses. We have some businesses where we keep the leverage levels low or in some cases, close to zero. And then there are other businesses which provide essential services and products that have a stable long-term cash flow profile and can both service and sustain higher levels of leverage.

In all cases, we have ensured that each of our businesses are positioned to comfortably service and sustain the leverage levels across any economic cycle. This has served us well over time, and it's now allowing each of our businesses to successfully navigate one of the most challenging periods in history.

With that, I'd like to close 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 Devin Dodge with BMO Capital Markets.

Devin Dodge: Just to maybe start with BRK Ambiental and Jaspreet touched on this, but I think there was some legislation passed in Brazil recently that was looking to leverage private capital to develop infrastructure, that would be including water and wastewater. Just can you give us a sense as to how that organic capital backlog at BRK looks now? And when do you expect to see a rise in RFPs for new concessions?

Jaspreet Dehl: So maybe I'll start and then Cyrus can chime in. Devin, it's Jaspreet. So just in terms of the legislation, you're exactly right. There was legislation being passed through the Senate, which to oversimplify things, makes it a lot easier for the private sector to participate and bid on concessions that come up in Brazil. And there's a more organized and defined process on how the RFPs work and when concessions come up for bidding. So we think this really expands the opportunity set.

So this legislation has been approved by the Brazilian government. It went up to the President for approval, and it will take a little bit of time to get through that process. But all in all, it's a very positive outcome for BRK, and it should help kind of expand the opportunities and the potential to bid on new projects.

Cyrus Madon: And then look, organically, there's a four to five year backlog of capital projects in this business. And when we invest in the business, we were aware of that, that this was very much a development play. So none of that has changed, Devin.

Devin Dodge: Maybe just switching gears to BrandSafway. Look, I think this is a business that was believed to be less cyclical than a lot of traditional construction firms. Now, clearly, this downturn has been different but just can you give us some thoughts around how this business is holding up in the current environment? With that EBITDA improvement, like how much can you -- do you think you can achieve and how that tuck-in M&A deal pipeline looks right now?

Cyrus Madon: And maybe I'll ask Denis to answer that.

Denis Turcotte: Sure, Cyrus. Yes, there is - can you hear me?

Cyrus Madon: Yes, I can hear you.

Denis Turcotte: Yes. The business, there's no question it's a resilient business. I hope everybody appreciates during fat tail events like we're experiencing, I think nobody

escapes the impact. But we've just seen as quickly as customers have put maintenance on hold, the minute there was return to work in the U.S., there was rapid response to get us back in there, and doing the work originally planned through the early parts of the year.

Now, as COVID has resurged in certain sectors, that's dampened again. But I think we're very encouraged by how quickly things responded. And at the end of the day, having run many plants in my life, you can defer maintenance, but you can't stop doing it. So whatever we get deferred now will just simply be orders that will come down the road.

Devin Dodge: Are you able to provide a sense for where you see the EBITDA potential of the business?

Denis Turcotte: Well, I'm not sure we provide guidance on a company-by-company basis. But I'll say, we're probably off plan by about 30%, but see that springing back here in the back half of the year.

Devin Dodge: And maybe just one more for me. Just can you walk us through what you're seeing from a new investment perspective, how that pipeline looks in terms of geographies and sectors? And if you're starting to see some of those large cover opportunities come forward?

Denis Turcotte: We're still with Brand? Okay. Sorry. Go ahead, Cyrus.

Cyrus Madon: Sorry, are you talking broadly or Brand?

Devin Dodge: More broadly.

Cyrus Madon: More broadly. Okay. So look, clearly, things had slowed down in Q2. And I'd say they're definitely picking up. Activity levels have picked up. Companies are talking to us again. And it's across -- it's in all the regions we operate in, Latin America, North America, Europe, India, Australia. We are seeing mid-size and in some cases, very large-scale opportunities. So again, no guarantees, anything will happen with them, but our deal teams are very active today.

As for the comments on recapitalizations, our posture is just to be cautious because it's possible but nobody really knows what's going to happen when this stimulus comes to an end. And it can't continue forever. It will come to an end. And it's quite possible that those companies that are more leveraged are going to have a capital deficiency and need a large-scale recapitalization. So we're going to take a more cautious approach and be a little bit patient, and there very well may be some large-scale distressed opportunities coming. We don't see anything imminently, but down the road, it's quite possible.

Operator: Our next question comes from the line of Geoff Kwan with RBC Capital Markets.

Geoffrey Kwan: Just was wondering on Multiplex, I know you kind of talked about the second half in liquidity there. But thinking about it from the company EBITDA perspective, is that going to have implications from company EBITDA versus what we saw in Q2? And then the second part on Multiplex would be, obviously, it's hard to say for sure. but if we go under a scenario where there's kind of gradual improvements in terms of the industry environment for Multiplex, like how long do you think it takes to get back to a run rate company EBITDA that you would consider a normalized level?

Cyrus Madon: So the funding of the business and EBITDA are separate items, Geoff. So the fact that we may well put some capital in here is not going to impact EBITDA going forward. That answers question number one. Jaspreet, did you want to add anything to that?

Jaspreet Dehl: No. All I was going to add is just from a run rate EBITDA perspective, Geoff, I think we've talked about this in the past. We've held Multiplex within the Brookfield environment for a number of years. And over the past 10, 12 years, that business has generated \$80 million to \$100 million of FFO on average. It is the construction industry, and there is volatility year-over-year. Over the last few years, you've heard us talk about shrinking the size of the Middle East business, which we've been working towards and doing over the last couple of years. So that brings our overall kind of run rate expectations from the business a bit lower. And this year, just with the economic shutdown and the specific impact to the business in the U.K., that definitely had a significant impact on EBITDA for the year. And the ramp-up is really dependent on the lifting of government restrictions and our ability to get our projects up to -- back up to pre-COVID productivity levels in a safe manner. So it will take time to kind of ramp that back up, and that will impact how long it takes the EBITDA to come back to a more normalized level.

Geoffrey Kwan: I know you've talked about buying back the units. Just wondering how you're thinking about the relative investment return potential regarding buying back the units relative to outlaying cash for new investments?

Cyrus Madon: Look, we consider this every day. We are limited in how much we can buy back under our NCIB program. And obviously, at current levels, we'd be very happy to buy back our units in very large size. If we can, and at higher price levels, we may scale back the activity a little bit. But we have ample capacity to buy back our units and fund new acquisition activity as we see it.

Jaspreet Dehl: So I was just going to say, just in terms of specifics, we've -- this year, we've bought back over half a million units, about 560,000 units in the market under our NCIB program.

Geoffrey Kwan: Yes. And I'm just kind of thinking like with where the unit price is right now, and you talked about with your data limits and whatnot, whether or not something like a substantial issuer bid would make sense at all to be thinking about?

Cyrus Madon: Possibly.

Geoffrey Kwan: And maybe if I can ask one last question. I mean, obviously, it's a very dynamic environment that we're in right now. And maybe just focusing on your larger investments. The impact that COVID-19 has had on the investment thesis for these large investments, are there any of them that you'd say have kind of changed how you think about how you're going to be able to realize value from the investments? Or is it maybe more a little bit a matter of it's going to take time to recover and get profitability to call it back to normal? And therefore, because of that incremental extra timing, the return that you get off that investment might be marginally lower or slightly lower?

Cyrus Madon: Yes. Well, look, it's a good question, Geoff. So on the one hand, we clearly lost a bunch of cash flow when you think of late Q1, Q2, revenues are down, EBITDA is down, cash flow is down. So some of that is just permanently lost. That said, things have rebounded really strongly. And as I said, we're looking at July, as if it's any indicator, we're 85% back across the board where we were last year. That's not too bad. So if the economy bumps along at this level until the world gets truly better, we're in really good shape. And we've readily managed our costs down to generate cash flow at every company.

The positive is interest rates are so low that our interest costs are going to continue dropping and offset, to some extent, the loss of EBITDA in our companies. And multiples may go up because of all this. So it will be interesting to see how it plays out. But on balance, it's possible we're kind of where we thought we'd end up just in a different way.

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

Andrew Kuske: Question relates to Clarios, and it's just around any color you could provide us on the aftermarket sales and how those were positive, and I think that was indicated in the letter versus the OEM sales and just the margin dynamic between the two? And to the degree that your cost-cutting plan was accelerated during the quarter, just given the environment that we saw.

Cyrus Madon: Yes. So why don't I start, and then I'm going to hand it over to Denis to talk about our cost cutting initiative. But for Q2, aftermarket sales, as Jaspreet said, overall sales were down about 10%, sales volumes, which is pretty remarkable. OEM sales generally were devastated in Q2. So demand from the OEMs was down pretty substantially, probably in the range of 50%, something like that. And aftermarket sales were up in the single digits over Q2. And high single digits, yes. And so that just speaks to the resiliency of the business overall.

There's more profitability in the aftermarket sales for this business, and it's always been the case, continues to be the case. We did incur higher expenses during the quarter, just to deal with COVID, higher than normal. So we expect, as our operations normalize,

profitability to improve. But even with all of that, the company is generating cash flow. So we're really, really pleased with the performance in Q2.

And maybe I'll turn it over to Denis to give you a little color on cost savings.

Denis Turcotte: Sure. Our value creation plan is on track. We're still focused on exceeding our target of \$300 million annualized EBITDA improvement. We've got internal stretch targets, and people are very comfortable we're going to exceed that. We've probably seen some choppiness in that activity as we've turned attention to dealing with ramping down certain facilities, as Cyrus mentioned. But on the other hand, it's induced us to accelerate other activities. So we're on track and feeling very confident.

Andrew Kuske: And then maybe just a final question is just from an investment standpoint and capital allocation and maybe it's a broader Brookfield kind of question too, but it really relates to the investment in Superior and just the process of that being a BBU investment. Is that really just in the guise of there's so much growth there and you're helping support the growth of that business versus maybe the approach that they would have had with them?

Cyrus Madon: So Andrew, I'm not sure I understand the question, but let me take a stab at it and if I don't answer, tell me. But we've always had this flexibility to buy securities, make loans, and do things like that. And we do that across the broader Brookfield. And obviously, if it's a real estate initiative, that will be done out of the real estate group and BPY. And if it's an infrastructure initiative, it would be done out of BIP. But in this case, it fits our industrials and services platform, and that's why we did it out of BBU.

Andrew Kuske: I think so. I mean I think it's probably return profile and then how it fits in your distribution and industrials business, your fuel distribution business?

Cyrus Madon: That's right.

Operator: Our next question comes from the line of Rupert Merer with National Bank.

Rupert Merer: A couple of housekeeping questions to start. With the sale out of Healthscope, what percentage of the business did that represent? And can you give us some color on the returns you'll book on that sale?

Cyrus Madon: Yes. So it's a small part of the business in total, probably in the range of 10% to 15% of the EBITDA. And it was always our plan to sell that business and deleverage. And we did a little better than our internal expectations. So we're pleased with that outcome. What was the second part of your question, Rupert?

Rupert Merer: What returns do you think you will book on the sale?

Cyrus Madon: Look, it's hard to say just because it was included in part of a broader purchase and we expected to sell it. What I would say is that it supports our overall

return targets for our overall investment in that business, which is 15% to 20%. So we didn't designate specific capital to this business. So it's tough for me to tell you what the return is on that part of the investment.

Rupert Merer: And with the position you took in public securities, you mentioned it's up maybe \$165 million. It doesn't sound like you've sold any of those positions yet. Could we see some sales of those positions, given that the markets recovered?

Cyrus Madon: Yes. We've had a little bit of sales and a little bit of purchasing going on, not very much. By and large, we've held onto what we purchased. And for the time being, we're going to continue to do that.

Rupert Merer: And then secondly, more of a high-level question. Following up on your earlier comments on the changing view on valuation, but also the fact you've been managing costs down. I wonder if we can look at as the business from a different angle here, has COVID accelerated your transformation plans in any way? And coming out of the pandemic, is there any chance you could see a higher FFO run rate potential, given cost cutting and productivity improvements?

Denis Turcotte: Sure. As I mentioned, we are really on track on all the major businesses, in particular. Some of the smaller businesses, I would say there's puts and takes in that we've got cost reduction going on. We're accelerating it. On the other hand, we're getting a lot of pressure from customers or elements of the supply chain to adjust to this environment as well. But on average, we're on track and will be at a higher -- I'll put it this way. We'll be at expected levels of run rate EBITDA within shorter periods of time.

I think, again, Westinghouse is a great example where when I look pre-COVID, we were probably about \$50 million to \$60 million annualized run rate ahead of plan. And now we're probably on plan simply as a result of incremental efforts by that management team to respond to some of the reduced orders on the engineering side of the business I referred to earlier. But the net effect is then as that business starts to come back, and we have the benefit of these cost reduction initiatives that we accelerated, we'll end up achieving run rate EBITDA levels within, assuming things return to normal over a 12-to 18-month period, we'll be at levels we thought we would be at within 24 to 30 months.

Operator: At this time, I'm showing no further questions. I would now like to turn the call back over to Cyrus Madon for closing remarks.

Cyrus Madon: Thanks for your time and attention, and we look forward to speaking to you next quarter. Thank you.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may now disconnect. Everyone have a great day.