

**Brookfield Business Partners (Q3 2020 Results)**  
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**Corporate Speakers:**

- Alan Fleming; Brookfield Business Partners L.P.; VP of IR
- Cyrus Madon; Brookfield Business Partners L.P.; CEO
- Denis Turcotte; Brookfield Business Partners L.P.; COO
- Jaspreet Dehl; Brookfield Business Partners L.P.; CFO

**Participants:**

- Devin Dodge; BMO Capital Markets; Analyst
- Gary Ho; Desjardins Securities, Inc.; Analyst
- Geoff Kwan; RBC Capital Markets; Analyst
- Nik Priebe; CIBC World Markets Inc.; Research Analyst
- Andrew Kuske; Credit Suisse Group AG; Analyst
- Rupert Merer; National Bank Financial, Inc.; Research Analyst

**PRESENTATION**

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

(Operator Instructions)

And the conference is being recorded.

(Operator Instructions)

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

**Alan Fleming:** Thank you, and good morning. Welcome to Brookfield Business Partners' 2020 Third Quarter Conference Call. Before we begin, I'd like to remind you that in responding to questions and in 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.

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 give an update on our business, and Denis will then provide insight on developments in the quarter at Clarios. Jaspreet will review third quarter financial results to finish. We will then be available to take your questions.

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

**Cyrus Madon:** Thanks, Alan. Good morning, everyone. Thanks for joining us today. The resilience of our overall business served us well over the last few months, and virtually all our operations have recovered from the depths of the economic shutdown, with many of them approaching activity levels similar to last year. With that in mind, we've refocused our efforts on growth and are now seeing an increase in private market transaction activity across all our regions. Our global scale and local presence in the regions where we operate positions us to evaluate opportunities as they arise. And, because our investment approach provides us with flexibility to invest in different forms, we can choose to acquire control positions in businesses, acquire debt or equity securities or provide financing to companies to support their growth or capitalization.

Recently, we've been looking at a few high quality businesses, which have been impacted by near-term volatility and reduced levels of demand. We're also reviewing carve-outs from conglomerates and underperforming public companies that could give rise to attractive value opportunities. During the quarter, we continued to grow our existing businesses. Buying more businesses we already own or acquiring add-on businesses is an efficient and low-risk way for us to add value and grow BBU.

In October, we entered into an agreement to acquire the 43% publicly held shares in Genworth Canada, which was recently rebranded as Sagen. Sagen is Canada's largest private mortgage insurer to the Canadian banks, and we acquired a controlling interest in this company late last year. At the time, we would have liked to acquire the entire business, but the seller required speed and certainty of execution which didn't allow us to tender for the publicly held shares. So our offer for the remaining publicly held shares for book value is at the same value which we paid to acquire the control block last year and really a natural extension of our initial investment in this company.

Canadian banks and the federal government have provided support to homeowners through mortgage deferrals and other wage subsidization programs. As these programs come to an end, both defaults and loss ratios will inevitably increase. Sagen currently operates with enough capital headroom to absorb these losses but in the event that loss ratios are elevated for a sustained period of time, we are well positioned alongside our institutional partners to provide this business with temporary support.

We believe we can run this business more efficiently as a private company by optimizing the capital structure and improving returns earned on its investment portfolio. BBU expects to fund approximately \$460 million of the transaction, which will increase its ownership to 40%. The transaction is expected to close in the first half of 2021, subject to regulatory and shareholder approval.

We're also pursuing add-on opportunities that will enhance the capabilities and reach of our portfolio companies. For example, at our fuel distributor, Greenergy, we signed an agreement during the quarter to purchase a portfolio of 35 retail fuel sites in Ireland. This

acquisition increases both the scale and vertical integration of Greenergy's operations in that country.

We're seeing these types of add-on opportunities surfacing across all regions and in India and Brazil, our businesses are benefiting from our sponsorship and access to capital in this environment. I'd like to provide you with a little bit of context on the importance of BRK's recent acquisition of a 35-year concession to provide water services to the city of Maceió in northeastern Brazil. Maceió is a city of 1.5 million people located in an area where BRK already has extensive operations. In addition to providing water services, BRK plans to build over 3,000 kilometers of pipeline, install over 400,000 new customer connections that will extend access to sewage collection to over 90% of residents compared to less than 30% of residents today. BRK is one of a handful of water service companies in Brazil with the operational capabilities to manage and execute these types of large-scale capital projects.

Sanitation represents a major infrastructure requirement in Brazil. The government estimates that a capital investment of \$60 billion is required in the sector over the next 10 to 15 years. This was the first auction following the regulatory change in Brazil supporting increased private investment in the sanitation sector, and we expect additional attractive opportunities to come to market in the near future, which should provide BRK with additional growth opportunity.

Getting back to the overall business environment, while we anticipate that uncertainty in business conditions will continue for some time, we've been very pleased with the overall resilience of our business. We're confident in the potential for BBU to continue to generate growth of intrinsic value per unit, driven by our capital recycling initiatives and the value creation plans in place at each of our businesses.

With that, I'm going to hand it over to Denis.

**Denis Turcotte:** Thanks, Cyrus. Good morning, everyone. Our global business operations teams continue to work closely with the management teams of all of our businesses to minimize the disruption to our operations and help them to respond quickly to localized changes in business conditions and government regulations related to the pandemic. We have teams in place across all regions we operate in today, focused on safeguarding our employees and ensuring we are efficiently managing our operations through periods of uncertainty. The initial intense pace of these activities in March-April has steadied, and we are confident in our ability and in the processes we have implemented to ensure our operations are positioned to manage through challenges and importantly, capitalize on opportunities as economic activity continues to recover.

To highlight one of these: At Clarios, our global leading manufacturer of automotive batteries and technologies, we are making good progress on our value creation plan, focused on operational improvements and optimizing our U.S. operations to generate over \$300 million in annual EBITDA enhancements. Key initiatives, including the debottlenecking of production and recycling, optimization of transportation and logistics

as well as strategic sourcing. Despite the impact of operating challenges in the current environment, Clarios is expected to deliver approximately \$100 million of cost savings by year-end and remains on track to achieve targeted improvements.

We are also working with the company on its longer-term growth initiatives and are excited about a number of trends within the automotive industry that are providing great opportunities for Clarios. The aftermarket, where 75% of the company's sales are today is expected to grow organically as the number of cars on the road increases.

In addition, strengthened environmental regulations, increased electrification and evolving vehicle powertrains are also providing positive market tailwinds for Clarios. Power demand within vehicles is expected to double over the next 5 years as consumers demand more comfort and safety features and as regulations tighten. In response, auto manufacturers are moving to more advanced batteries to meet these power needs, which plays to Clarios' strength as the global leader in advanced battery technology.

The evolution towards battery-powered electric vehicles is also driving demand for more advanced batteries, leading to opportunities for the company. Clarios is a global leader in automotive batteries and the partner of choice on electric vehicle platforms, where every vehicle requires a Clarios-type battery to power its auxiliary systems, including comfort and critical safety features. We have been working closely with most global original equipment manufacturers to design and integrate Clarios' advanced battery technologies into their electric vehicle platforms. Currently, Clarios ships batteries to most auto manufacturers, including General Motors, Volkswagen and BMW for their electric vehicles and is also working with several manufacturers on their next-generation electric vehicle platforms. We expect Clarios to maintain its global leadership position across all powertrains and are confident in its continued growth potential.

With that, I'll hand it back to Jaspreet.

**Jaspreet Dehl:** Thanks, Denis. I'm going to now provide an overview of financial performance for the quarter. Brookfield Business Partners generated company EBITDA for the third quarter 2020 of \$381 million. This compares to \$368 million last year. Company FFO, excluding gains on dispositions was \$208 million or \$1.39 per unit compared to \$213 million or \$1.41 per unit in the prior year. This excludes the one-time benefit of the gain on the sale of industrial operations at BRK Ambiental last year.

We reported a net loss attributable to unitholders for the third quarter of \$19 million or a loss of \$0.12 per unit. The net loss included provisions recorded during the quarter, partially offset by mark-to-market gains on financial assets, including gains on public securities investments that we have made. Net income attributable to unitholders for the third quarter of 2019 was \$24 million or \$0.16 per unit.

The increase in company EBITDA over the prior year was due to an increase in our Business Services segment. This was partially offset by reduced contributions from our

Industrials segment as a result of the impact of the current economic slowdown. I'm now going to go through each of our segments.

Our Industrials segment generated company EBITDA of \$166 million for the third quarter. Despite increased expenses to manage production through the pandemic, Clarios performed well in the quarter and contributed EBITDA of \$111 million. This was driven by a rebound in aftermarket battery demand that exceeded prior year levels. Advanced battery sales increased in the quarter compared to the prior year as well, led by strong growth in aftermarket sales as an increasing amount of start-stop and higher electrification vehicles reached their first battery replacement cycle.

In North America, sales to auto manufacturers are near prior year levels, but have been slower to recover in Europe and Latin America. The company is focused on managing production to ensure that sufficient inventory levels are in place for peak demand during the winter season, and Clarios ended the quarter in a very strong liquidity position.

Moving on to GrafTech, our graphite electrode producer. GrafTech generated company EBITDA of \$38 million for the quarter. Sales volume and prices were impacted in the quarter by the overall global decline in steel demand. Despite current challenges, the business will generate meaningful cash flow this year and continues to focus on optimizing its manufacturing operations and paying down debt.

BRK Ambiental has remained resilient with limited impact on volumes in the current environment. The ongoing expansion of its service network and customer connections contributed to strong performance during the quarter.

Moving on to our Business Services segment which generated company EBITDA of \$96 million. Sagen reported company EBITDA of \$33 million. New insurance volumes increased through the third quarter, and mortgage defaults were limited as a result of government supported mortgage deferrals and other programs for borrowers.

At Healthscope, results in the quarter benefited from payments received under state agreements. The business is continuing to exit these agreements, as strong demand for elective surgery is driving a rebound in overall activity levels in all states, except Victoria, where we saw additional lockdown restrictions during the quarter. Performance was also positively impacted by improvements at the Northern Beaches Hospital, where admissions have increased over the prior year as a result of private patient ramp-up and increased public patient activity. The business continues to incur additional costs in the current environment related to increased health and safety measures. During the quarter, Healthscope agreed to sell its New Zealand Pathology business for \$360 million. Proceeds from the sale will go towards debt reduction at Healthscope.

Moving on to Multiplex, our construction services business. Multiplex reported company EBITDA of \$17 million. Construction activity at Multiplex improved across all regions since earlier this year. Strong results in Australia contributed to increased performance in the quarter. All project work was impacted in the state of Victoria in Australia as a result

of the government restrictions. In all other states, operations have returned to near normal levels. In the U.K., operations improved during the quarter as government restrictions were lifted, but the situation remains fluid as the government deals with the impact of the pandemic.

Moving on to our Infrastructure Services segment, where we generated company EBITDA of \$142 million for the quarter. Starting with Westinghouse. Westinghouse reported company EBITDA of \$59 million. Strong performance of the business' plant servicing operations during the quarter and the continued positive impact of ongoing cost savings initiatives were partially offset by lower contributions from new plant projects. Prior year results benefited from higher than normal margins in the new plant business as a result of a one-time reversal of reserves. Westinghouse's performance continues to be extremely resilient, and we expect to end the year within our targeted EBITDA range for the business. Westinghouse continues to generate strong free cash flow and is well capitalized with significant available liquidity to support distributions to BBU or fund future growth opportunities.

Moving on to BrandSafway, our scaffolding solutions provider, which reported company EBITDA of \$23 million. Activity levels at BrandSafway are gradually improving despite the ongoing impact of restrictions at customer sites and delayed project starts within its U.S. operations. The variable nature of its workforce has allowed BrandSafway to align costs with reduced activity levels, which are supporting results.

At Altera Infrastructure, results continue to be stable as a large portion of its revenues are contracted. Utilization in the shuttle tanker business remains strong and towage utilization has improved since the second quarter. During the quarter, Altera initiated a program to repurchase outstanding notes and preferred units, which are trading at attractive levels.

Turning to liquidity. We ended the quarter with approximately \$2.2 billion of liquidity at the corporate level, including \$348 million of cash and liquid securities and \$1.9 billion of undrawn credit facilities. We will use our credit facilities as a bridge to fund acquisitions or working capital needs. We believe the size and scale of our operations supports the use of our facilities and provides us with flexibility to support our growth initiatives. We remain confident in our ability to generate liquidity for BBU from our existing businesses, both from cash generated within our operations and from the monetization of our larger scale operations. And this will support repayment of current borrowings on our facilities as well as fund future growth.

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 from BMO Capital Markets.

**Devin Dodge:** So look, the number one question I get from investors is around your leverage. Now, I have my own thoughts, but can you walk us through your approach to leverage and the flexibility that you have to manage through market disruptions?

**Jaspreet Dehl:** Devin, it's Jaspreet. Yes, I'm happy to walk through our approach to leverage. So I think as you're aware, we think of leverage and financing our businesses within each of our operations. So our view is that each of our acquisitions and the businesses that we own from a leverage perspective must stand on their own, be able to service the debt that's in place. And over the longer term, have a sustainable level of leverage. We don't finance any of our businesses with recourse back up to BBU, any cross guarantees across businesses or any guarantees from BBU. So every business is financed on a stand-alone basis.

At the corporate level, our view is that we don't want today, any permanent long-term leverage at BBU. We do have our credit facilities, which have been in place since we launched BBU. The sizes of those facilities have grown as the business has grown, keeping up with the size and scale of our overall operations. And this year, we've started drawing on those facilities. And it's really -- we think of those drawdowns as bridge capital between funding our growth initiatives and all of the drawdowns that we've done have really been for acquisitions like BrandSafway, IndoStar, funding our recapitalization at Cardone, Superior Plus.

So it's really using the facility to fund acquisition and growth at the BBU level. And as we start to get distributions or as we receive distributions from our businesses, and we've got a number of businesses today that provide ongoing distributions to BBU, as well as if we monetize some of our larger scale businesses like Westinghouse or Clarios - if you just think about the size and scale of those businesses and the proceeds that they will generate for BBU when we monetize them. We feel very comfortable not only being able to service any of this bridge debt that we have at the corporate level, but also around being able to repay it.

**Devin Dodge:** Okay. That's a good overview. Prior to the pandemic, I think the high-yield debt markets were pretty favorable to issuers, both from an interest rate perspective, but also the terms attached to that debt. Can you give us a sense for how that high-yield debt markets look now versus what you were seeing a year ago?

**Cyrus Madon:** Well, look, I'll make an overall comment that debt markets are very open today and very conducive to deal making, conducive to refinancing, and we've been taking advantage of that. But with all the stimulus that's been pumped into the financial system, there is an abundance of capital today. Jaspreet, I don't know if you have any more specific comments?

**Jaspreet Dehl:** Yes. No, I agree with what Cyrus has said, maybe just a couple of other things. I'm sure you're well aware, the U.S. high-yield market is on track to break all-time

annual issuance volume, a record that was set in 2013. And in the current environment, we're kind of tracking towards breaking that record. A lot of the volume has been focused on refinancing. And we did see spreads widen, especially more so in the loan market. But that has been conducive to being able to do financings and refinancings because the spreads are still over kind of what is normally considered healthy for these markets. So there's a lot of activity, as Cyrus said, a lot of availability. And we don't think there's any impediments around executing on transactions for us.

**Devin Dodge:** Okay. That's helpful. Maybe just one last one. On Westinghouse, Jaspreet, I think in your comments, you might have mentioned that at the end of the year, it might be at the run rate within that targeted range. Just can you confirm that? And then, I guess, what is remaining to do at Westinghouse? Like what could put you up to that -- the upper end of that targeted range?

**Jaspreet Dehl:** So yes, confirming that the business has performed extremely well through 2020. It's been exceptionally resilient as we've navigated some of the challenges that we've encountered this year. And it is tracking towards EBITDA within our target range.

I don't know, Denis, do you want to comment on kind of what else we're doing in terms of operational improvements?

**Denis Turcotte:** Sure. When we closed, we launched what we referred to internally as an 800/22 plan, which was more of a stretch internal ambition to get to \$800 million trend line EBITDA run rate by 2022. And in spite of that being what we thought was the stretch goal, it appears that we're well on track to achieve that. In addition, if you really look at the run rate today versus the trailing 12-month run rate when we took over, we're already tracking at a \$200 million incremental EBITDA. And that is net of negative offsets that, of course, all businesses face - inflation and otherwise. So aside from this COVID induced adjustment to the order book, that is really a quarter-by-quarter issue, we're on track to exceed underwriting.

**Operator:** Our next question comes from the line of Gary Ho from Desjardins Capital.

**Gary Ho:** Just maybe just the first one on Clarios, if I can. I just want to get an update on the results in the quarter. How much of the pent-up demand, if any, from, I guess, the first half of this year contributed to Q3 results - trying to gauge the sustainability of this quarter's strong results? Any comments there would be helpful.

**Jaspreet Dehl:** Gary, it's Jaspreet. I can start off and answer and then Denis can add. So Clarios had a very strong quarter. I will remind you and just keep in mind, our Q3 2019 results, so last year comparable quarter, did include higher costs related to our purchase price accounting and the inventory write up. So you do need to normalize for that when you're looking at quarter-over-quarter performance. But that aside, sales volumes have been strong and rebounded quite strongly. We saw the impact of the rebound -- the quicker rebound in the aftermarket towards the end of Q2. Q3 volumes have been in line

with prior year. So we haven't seen kind of exceptionally high volumes that are driving results this quarter. And we do think that this is kind of a sustainable level for the business. I will also mention that the business is incurring additional costs related to dealing with the pandemic and the impact on the operations, like more shift changes, cleaning, PPE equipment. So we do expect that we'll continue to see the impact of some elevated costs into next quarter.

**Gary Ho:** Okay. And then I guess my next question, perhaps for Cyrus. Just on the U.S. election, just wondering how it may or may not impact your capital deployment and monetization decisions, whether potentially higher taxes changed connectivity in the marketplace or where you might decide to invest capital?

**Cyrus Madon:** We don't think it's going to have any impact on our decision-making as it relates to capital deployment or as it relates to monetizations.

**Gary Ho:** Okay. And then just next question maybe on Multiplex, just given the recent restrictions in the U.K., how that might impact Multiplex operations there? Any comments how that might impact in Q4?

**Cyrus Madon:** Yes. So Multiplex has recovered in the U.K. very substantially compared to where it was in end of Q1 beginning of Q2. And since then, construction has been deemed an essential service in the U.K. and continues to be today, even in the face of more recently announced lockdowns and economic shutdown. So as far as we're aware today, the business is running, it's running more or less full tilt with some restrictions, with some increased costs compared to usual, but it is running quite reasonably well, I would say. So we'll have to wait and see if there are further restrictions, but we haven't been made aware of any.

**Gary Ho:** Okay. And then just my last question just on the Genworth or Sagen transaction. Can you elaborate kind of what you can do differently now? The transaction goes through only 100% taking a private versus owning the control block, you mentioned running it more efficiently, better cap structure. Can you elaborate on any targets you can share with us?

**Cyrus Madon:** Yes. So we don't have specific targets, but we're looking at some alternatives to deploy a more efficient capital structure, which would effectively have more leverage in it, but I would say, long-term and safe leverage. That typically, you would not see in a public company. So obviously, we have very strong regulatory requirements the business needs to adhere to. But within the context of that, we do think there's more work to be done. So we're exploring a few different things.

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

**Geoff Kwan:** Just recognizing there's always going to be uncertainty on how the future plays out. But when you take a look at your largest investments over, say, the next year,

what would be the two or three of them that you think have the greatest upside when you look at company EBITDA? And what would be the drivers of the upside?

**Cyrus Madon:** Sure. Jaspreet, you want to take a shot at that?-- Look, Geoff, let me, while Jaspreet is thinking about that, let me say, we probably have five or six businesses, all of which we believe have EBITDA upside and all of which we're working on to enhance earnings. We don't sit back and think, there's one magnitude that's going to change the composure of BBU overall. But we feel very strongly about all the larger ones.

**Jaspreet Dehl:** Yes. So I reiterate what Cyrus said. We have operating plans for all of our businesses, and we're working - our operations team, along with the portfolio company management teams or our business management teams are working on executing those operational plans. We don't talk about every single business. But if we're more focused on what are the things that are going to move the needle for BBU, it really is the larger businesses that we typically discussed in our public disclosures.

So if I think about it, Healthscope, we've owned the business a little bit over a year now. We had a pretty robust operational plan around implementing improvements in the business. One part of it was the sale of the Pathology business, which we've executed, which will help delever Healthscope and, the pandemic has put a pause on some of those initiatives, but has also accelerated others. So we do think there's a lot of upside that, hopefully, over the next 12 to 18 months as the business stabilizes, coming out of the pandemic and can reengage and refocus on execution of those, that should be beneficial.

We talked about Clarios and the \$300 million of enhancements that we're working on. And that work has continued. Denis talked about the fact that we expect that \$100 million of that we'll be able to execute this year and we don't see all of the impact in our bottom line yet because we are incurring additional costs in the business that are offsetting some of these improvements, specifically related to the pandemic. So again, as things normalize and as we continue to execute on those, Clarios should definitely be one of the businesses where we'll see growth, again, over the medium term.

And then Westinghouse, a lot of work has been done at Westinghouse. We've enhanced the EBITDA quite a bit. The team continues to be focused on cost management initiatives, but also on growth initiatives. We've done four tuck-in acquisitions. We're always looking to see if there's other opportunities to the top line there and also continuing on the transformational activities so I'd say those are the larger, more significant ones that will really move the needle for us.

**Geoff Kwan:** Okay. And then just my other question was you mentioned, Cyrus, reviewing carve-outs, underperforming public companies, and I think companies that may have specific financing needs. How many of these, if any, would have been companies that you would have purchased securities during the downturn? And then just maybe in general, if there's any color you can have on any discussions you've had since last quarter with those companies that you bought securities during the downturn?

**Cyrus Madon:** Yes. So there are a couple in particular that we're very interested in. Not sure we'll get anywhere with them or not, if the value of those securities keeps running, they may become out of reach. On the other hand, we'll make a great profit on our investment if that happens. So they may or may not happen. And they're probably -- yes, I'd say there's a couple in that category, if that's what you're alluding to. But there are many others. I mean, it's hard for me to describe to you how quickly things have bounced back on the M&A front. It seems like everybody came back from their summer homes and decided to get back to work and we are seeing several opportunities in every region.

Now that's normal. That's what we normally see. But it really came to a halt in Q1 and Q2. I mean, things really, really slowed down. And all of a sudden, things have picked up, and they picked up everywhere, in every region in which we operate we are seeing opportunities and we're working on transactions. I mean, just because we don't announce a transaction, rest assured, it doesn't mean we're not working on them. We are. We just don't, for one reason or another, we don't decide to pull the trigger because they just don't meet our threshold. So activity has really picked up.

**Operator:** Our next question comes from the line of Nik Priebe from CIBC Capital.

**Nik Priebe:** Appreciate the commentary on Multiplex and the performance of the U.K.-based operations there. Just given the evolution of that business and the activity levels since the last update, has there been any change to the amount of capital support that you estimate will be required for that business? I think previously, you had earmarked approximately \$50 million or \$60 million.

**Jaspreet Dehl:** Yes. Nick, so we haven't provided any capital support to Multiplex this quarter or through the year. But just given kind of the uncertainty and fluidity in the market, as you alluded to, specifically in the U.K., we're working really closely with the management team and monitoring kind of cash flow requirements. So we're still, if the business ends up needing support as they're completing some of the projects and need some working capital, it's still in the same range that we had provided. So nothing has changed there.

**Nik Priebe:** Okay. Okay. That's helpful. And then just a question on acquisition financing related to the second investment in Genworth. Just given the size of that investment exceeds the amount of cash at the corporate level, is the inference there that you would look to draw on the corporate credit facility to fund that investment?

**Jaspreet Dehl:** Yes, that's right. We will -- we've got \$1.9 billion of availability on our credit facilities so we'd look to draw on the credit facility to close that transaction. Unless there are monetizations or other events that happen prior to that, we expect it will close kind of in the first half of next year. But we've got the capacity on the line to fund that.

**Nik Priebe:** Okay. Got it. And then just as a quick follow-up. I understand the intent of the corporate credit facilities to be used more of as a bridge to facilitate investment

activity, not necessarily as a source of permanent long-term funding. So I'm just curious, and this is a bit of a general question, but for what length of time, I guess, would you be comfortable being in a net debt position at the corporate level in the event that you do end up leaning on that facility as a source of short-term acquisition financing?

**Jaspreet Dehl:** We don't really have a timeline, like I couldn't tell you six months or 12 months, like we don't really think of it in that way. What we're focused on is what's going on in our businesses? What is the monetization profile? Are we comfortable that anything we draw on the bridge line, we can comfortably pay back with the monetization and distribution pipeline that we have, and we feel quite comfortable around that. So there's no real kind of expiration date on how long we would draw something down.

**Cyrus Madon:** And look, given our capital plan and what we're seeing and what we plan to deploy and what we see as potential monetizations, we're entirely comfortable with the amount of debt that we have today that we might have in the next year, and we could stay at that level for some period of time and be very comfortable.

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

**Andrew Kuske:** The question is probably for Cyrus, and you mentioned the level of activity and how that's ramped up really since the fall. How has the dialogue changed over the course of the year? And so if you look from beginning of the year to now, obviously, there's a period where everything flows. But just on bid-ask expectations, how has that evolved as we've seen the changing waves of COVID, where in March or April, people might have thought of a fast snap-back and, say, May-June. But now we're seeing second wave come in. In other areas in the world where the economy is fine and people are largely back to work, could you just give us a flavor on what you're seeing and the bid-ask conversations around the world?

**Cyrus Madon:** Yes. So look, it sort of varies by industry and you have industries and companies that have been directly head on impacted by COVID, and unless those companies are in desperate shape, I'd say, it would be very difficult to get something done, simply because the bid-ask spread is very wide.

In other circumstances, and you can see in the public markets, many companies have recovered, economies have recovered, economies have opened up, volumes are up. And companies are generating pretty decent profitability like our own businesses today. And there, I'd say the bid-ask spread is much narrower, buyers have more confidence and sellers don't feel they're selling at the bottom. So, if you look at transaction activity across the board, or you're seeing a large pickup in M&A generally.

**Andrew Kuske:** Okay. That's helpful. And then maybe a slightly related question, but as you think about the overall BBU portfolio and then the composition of the businesses that you own, is there some way to think about, really, businesses that provide a pretty steady Eddie baseline level of cash flows that hit your returns that you desire? Is that number 70%, 80% of the overall portfolio? And then the remainder being higher return potential,

but with maybe a bit more torque on them and maybe a bit more risk? How do you think about that composition on a portfolio basis?

**Cyrus Madon:** Look, I would agree that probably 80% plus of our portfolio, I would just describe them as strong resilient businesses, and they all have a fair bit of torque to them. And if we can get the earnings up over the next two, three years to where we want them to be, the NAV growth potential for BBU is very substantial. And the other 20%, they generally are smaller businesses, and they'll be just fine, but they're not going to move the needle.

**Andrew Kuske:** Finally, if I can. Just one question as it relates to add-on businesses. And clearly, when you're looking at add-on businesses to some of your existing franchises, you're doing it for economic returns but how do you think about the impact of actually enhancing the overall business that you've got right now with that add-on, whether if it's a trade sale or an IPO in the future? How does that impact your underwriting assumptions? Or do you really look at the stand-alone economics on that added-on business?

**Cyrus Madon:** We are just looking at stand-alone economics. Obviously, with these add-ons or bolt-ons, we have the benefit of synergies. So they tend to create a lot of incremental value for any particular business that we have but that's the way we look at it.

**Operator:** And our final question for today comes from the line of Rupert Merer from National Bank.

**Rupert Merer:** Now as we move into a second wave of the pandemic, how should we think about potential headwinds to all of your operations? You gave us a little color on Multiplex but I imagine impact is quite regional and your operations are probably better positioned than they were in March, but are there some risks here that are around of your control? How should we think about this?

**Cyrus Madon:** Well, there are always risks outside of our control but I think what I would encourage you to do is just look at how our businesses have performed over a 9-month period and you'll see, while a couple of the larger ones did slow down for a very short period of time, it really was for a very short period of time. So if there are, let's call it, rolling lockdowns or slowdowns, it's going to be very short lift because virtually all of our businesses and certainly all of our larger businesses are providing very essential products and very essential services.

The world can't do without a Clarios battery. Just imagine every car and truck on the road not being able to deliver goods, it's just not possible. And the world needs, I mean, Australia needs hospital capacity, whether it's for COVID or anything else. And nuclear power plants around the world need to be refueled so they just can't shut down, so that's the way you should think about it.

**Rupert Merer:** Okay, great, and then secondly, you gave some color on your plans for Sagen after completing that acquisition. Can you talk about your plans to grow the business internationally? Any updates there?

**Cyrus Madon:** Yes. We haven't turned our attention to that at this point.

**Operator:** This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Cyrus Madon for any further remarks.

**Cyrus Madon:** Thank you for joining us. Appreciate your time and look forward to speaking with you next quarter.

**Operator:** Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.