



Brookfield Infrastructure Partners L.P.

2011 First Quarter Results

Conference Call Transcript

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Speakers: **Tracy Wise**
Vice-President, Investor Relations & Communications

Samuel Pollock
Chief Executive Officer

John Stinebaugh
Chief Financial Officer

OPERATOR:

At this time, I'd like to turn the conference over to Tracey Wise, Vice President of Investor Relations and Communications. Please go ahead, Ms. Wise.

TRACEY WISE:

Thank you, operator, and good morning. Thank you all for joining us for Brookfield Infrastructure Partners' First Quarter 2011 Earnings Conference Call. On the call today is Chief Executive Officer Sam Pollock, who will discuss first quarter operating performance, provide comments on our strategy and outlook for our business. Also joining us is John Stinebaugh our Chief Financial Officer, who will review our financial results. Following their remarks, we look forward to taking your questions.

At this time I would 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 would encourage you to review our Annual Report on Form 20-F, which is available on our website.

With that, I would like to turn the call over to Sam Pollock.

SAM POLLOCK:

Thank you, Tracey, and good morning, everyone. Welcome to our first quarter results conference call.

The first quarter of 2011 marked the first, full, reporting period following the close of our merger with Prime Infrastructure. As expected, we delivered strong accretion to our per-unit funds from operations, with a 48% increase over the first quarter of 2010. More importantly, our performance highlighted the benefits of our broadly diversified, global portfolio of assets. While global economic conditions are generally improving there continues to be numerous market uncertainties related to sovereign debt levels, low growth in developed economies and rising inflation.

We have a complementary mix of businesses that generate dependable cash flow, as well as businesses that benefit from economic growth in the emerging economies. We are particularly pleased that, after several years of preserving value on the stump in our Timber operations, we are now in a position to demonstrate the cash flow generating capability of this business.

During the quarter, a number of extreme events sent shockwaves through the world economy, yet our business demonstrated its resiliency. Our Australian business was not adversely affected by the severe flooding in Queensland, in January, or the tropical cyclones that occurred in both Queensland and Western Australia.

In March, Japan was struck by a massive earthquake and devastating tsunami. This is a tragic event for the country that is having far-reaching impacts on countries around the world. Fortunately, we do not expect these events will have a material impact on our businesses. While there may be a short-term reduction in Japan's timber imports due to logistical issues, rebuilding should, in fact, result in a modest increase in demand for timber over the coming years.

Now, let me turn the call over to John to review the results of our operations.

JOHN STINEBAUGH:

Thanks, Sam. I'd like to spend a few minutes walking through our results of operation. In my remarks I will focus on proportionate FFO, which is equal to income plus depreciation and amortization, deferred taxes and other items. We highlight this metric because we believe it is a proxy for the cash flow from our operations.

I will also focus on AFFO yield, which is equal to FFO less maintenance capital expenditures, divided by invested capital. This is a measure of how effectively we deploy our capital.

In the first quarter we posted strong results with FFO of \$98 million or \$0.62 per unit, compared with \$45 million or \$0.42 per unit in the first quarter of 2010. The increase in FFO was largely attributable to our merger with Prime Infrastructure during the fourth quarter of 2010. However, our results also reflected a solid performance from our utility segment and a significant increase in FFO from our timberlands, which offset weakness in our transport and energy segments.

After deducting maintenance capital expenditures, our AFFO yield was 10% on invested capital of \$2.9 billion. Our distribution for the quarter will be \$0.31 per unit.

In our utility segment, we generated FFO of \$61 million versus \$27 million in the first quarter of 2010. In addition to the Prime merger, our performance reflected a significant increase in upfront developer

contributions in our UK distribution operations associated with a greater percentage of electricity connections in our mix.

Our results were also driven by strong performances from our Chilean Transmission business and our Australian coal terminal, which both benefited from earnings on capital invested in their rate base during the past year. In this segment our AFFO yield was 13%, excluding the developer contributions. This was consistent with our AFFO yield in the first quarter of 2010.

As a result of the floods in Queensland, throughput at our Australian coal terminal was 10 million metric tonnes for the quarter equating to a 47% capacity factor. We expect that our facility's capacity factor will return to normal levels during the second quarter, when our customers are fully expected to resume their mining operations. Despite the low operating capacity, the financial performance of the terminal was not affected due to 100% take-or-pay contracts that we have with all of our customers.

In our transport and energy segment, we recorded FFO of \$45 million in the first quarter versus \$27 million in the first quarter of 2010. In addition to the Prime merger, our performance was impacted by the implementation of the rate settlement and weak market conditions in our North American gas transmission operations. This quarter's results also reflect the drought in Western Australia, which reduced the volume of grain transported on our network.

In this segment our AFFO yield was 8%. Our AFFO yield was reduced by a disproportionate amount of maintenance capital expenditures in our Australian railroad during the quarter.

In our Timber business, we generated very strong FFO of \$10 million in the quarter, compared to \$2 million in the prior year, driven by continued strength in the export markets and a sharp increase in domestic prices. On average, export prices rose by 22% and domestic prices increased by 18% versus the first quarter of last year. In response, we increased our harvest by 29% compared to the prior year. In addition to very favorable market conditions, we successfully managed our contract harvesting costs.

For the quarter, our EBITDA margin increased to 47% versus our expectations of 45% for this business, which generated an AFFO yield of 8%.

We expect the favorable market conditions to persist through the second quarter. However, as harvesting conditions for our competitors improve this dramatic improvement in log prices will likely trigger an increase in supply of timber. As a result, it is our current expectation that log prices will moderate in the second half of the year. As new supply comes to market, we will closely monitor prices and adjust our harvest levels to suit market conditions.

Members of our senior management team continue to have an active presence in Japan and other parts of Asia in order to ensure that we maintain strong customer relationships, continue to develop our distribution channels and gain timely market information.

On the liability management front, we took advantage of historically low interest rate environment by successfully refinancing debt at two of our largest assets.

In January our Chilean Transmission business sold \$300 million of long-term debt in local capital markets. The offering was comprised of three tranches with an average life of 18 years. We issued bonds denominated in UF, the inflation indexed Chilean monetary unit. The new issuances have an average coupon of 3.9%, which is below the rate on our prior two issuances.

In February of this year we successfully priced a \$600 million refinancing of our Australian coal terminals maturities in 2011. The deal was comprised of two tranches; \$300 million with a nine-year maturity and \$300 million with a 12-year maturity. The transaction was executed in the U.S. private placement market and swapped back into Australian dollars on a match-maturity basis at fixed rates of 7.6% and 7.7%, respectively. With a book that was nearly three times oversubscribed, we are encouraged by the appetite that the U.S. private placement market displayed for our high-quality Australian infrastructure asset. By tapping into the U.S. private placement market, we accessed a market that is considerably deeper and has demand for a longer duration than the Australian market.

That concludes my remarks. Now, I'll turn it back over to Sam to walk through our growth initiatives and outlook.

SAM POLLOCK:

Great. Thank you, John.

During the quarter we made significant progress on a number of our growth initiatives. Our Australian railroad business executed two, long-term commercial track access agreements for expansion opportunities. The two access agreements relate to the Extension Hill iron ore project and a new \$3 billion fertilizer facility at Collie, which is south of Perth.

We continue to make good progress on the access agreements for the remaining four expansion projects. These expansion opportunities are with large iron ore and aluminum customers who are looking to expand existing mine operations and/or develop new mine sites. We expect to finalize the access agreements with these customers during the second and third quarters.

In total, we anticipate that these six expansion projects will increase the tonnage that is transported by our network by approximately 25 million tonnes per annum, or 50%. The ramp-up in tonnage related to these projects is expected to begin later this year and continue through to 2014.

While each of these projects is well advanced, their ultimate time is dependent on execution of the project by their sponsors and the availability of port capacity, both of which are beyond our control. In order to mitigate our capital risk, we intend to structure the access agreements to include take-or-pay provisions, and the two access agreements that have been signed include these features.

In February, Tata Steel announced the sale of Teesside Cast Products, a large steel facility, to SSI, a Thai steel producer. This steel facility was one of the largest customers of our UK port prior to the shutdown of the facility in the second quarter of 2010. The sale closed at the end of March and SSI has indicated that it intends to restart steel production by year-end. Furthermore, SSI expects to invest approximately \$500 million into the facility to improve operations. We are currently in discussions with SSI to gain a full understanding of their plan. We expect that the commencement of steel production will result in a significant increase in our UK port's conservancy and bulk-handling revenue.

In conclusion, with the strong diversity of our business, we believe that we have a solid foundation upon which to continue to meet our objective of generating stable cash flow while, at the same time, achieving attractive growth for our unitholders. As we look to grow our business, we will build upon this strong foundation. We have considerable liquidity with our \$700 million credit facility that is largely undrawn, and we generate considerable free cash flow that we are able to reinvest in our business.

Our capital project backlog currently stands at close to \$900 million, balanced between our Australian railroad and our utilities business, providing us with flexibility to achieve our growth objectives without needing to make new investments.

As we look forward, the global economic recovery appears to be sustainable, although the pace of growth is uneven in our major markets. While our focus remains on investing in the organic opportunities within our businesses, during the past quarter we have seen a demonstrable increase in transaction activity that has attracted our attention.

We continue to be disciplined in evaluating new investments as we have clearly witnessed upward pressure on asset valuations. Nonetheless, we believe that select opportunities exist for us to invest in new businesses at attractive risk-adjusted returns.

Those are our remarks. Operator, I would now like to turn the call back to you for questions.

OPERATOR:

Thanks, Mr. Pollock. We will now begin the question-and-answer session.

Our first question comes from Linda Ezergailis of TD Securities. Please go ahead.

LINDA EZERGAILIS:

Thank you. Congratulations on a great quarter.

SAM POLLOCK:

Thank you.

LINDA EZERGAILIS:

I'm looking at your -- I guess, UK distribution business, and I wanted to get a better understanding of a breakdown of the magnitude of the growth in FFO year-over-year; specifically, the upfront developer contributions. What was that amount? And can you describe, more, what the nature of that is in terms of is that truly an operating cash flow or is that more of a capital contribution? Yes, I need some help on that. Thanks.

JOHN STINEBAUGH:

Thanks, Linda. It's John. The UK business -- let me first talk about just how the revenue framework works for that business, which I think will provide some context.

When we install a connection, we receive revenues based on the tariff of the incumbent utility that we're serving. So, what we do is we negotiate developer contributions with the developers in order to receive an upfront payment from them in conjunction with agreements to install connections. So, that's an upfront payment and then, after we install the connection, we get an ongoing annuity stream based on the tariff of the incumbent utility.

So, in the quarter the developer contributions increased quite a bit as a result of really two things. The first thing is that we had a significant increase in installation of connections. But then also, we had quite a bit more electricity connections in our mix. It was approximately 30% this past quarter and 12% in the prior year quarter. So, because of that, we received a higher contribution for the electricity connections versus the gas connections. So, it was a combination of an increase in the number of connections, as well as an increase in the mix of electricity connections that drove the significant increase in that developer contribution amount.

LINDA EZERGAILIS:

And so, what would be a normal run rate for that developer contribution and what was the difference versus that normal run rate in the quarter?

JOHN STINEBAUGH:

It's hard to give you an exact number in terms of what a normal run rate would be but, for the quarter, we had a total amount of developer contributions of \$14 million. And it was not a very material number in previous quarters, so it was a significant pickup from the prior quarter of last year.

LINDA EZERGAILIS:

That's very helpful context. Thank you. Now, moving on to another comment; maybe this is a question for Sam. In your outlook letter you mentioned that increased transaction activity has attracted your attention. I'm not sure if perhaps the Abbot Point coal terminal and the successful bidder there was indirectly alluded to in that comment, but, perhaps you can comment on the prices paid recently for assets that interest you and where your -- I realize you're focused on organic stuff,

but for the stuff that is of interest to you, where is it? What size are these types of assets that are potentially being acquired and price levels that are being paid or bid?

SAM POLLOCK:

Sure. Thank you, Linda. I think you had a couple of questions in there so I'll try and run through the various themes.

I think your first question related to Abbot Point and maybe now might be a good time just to comment on that process. As you know, I think in the last quarter we gave a fairly good guidance that we were looking at that opportunity. We think that, at the right price, that would have made a very complementary investment to go along with our existing coal facility in Queensland.

I think what we have witnessed in that particular case and in other cases that we are monitoring, that asset values have gone up. And from our perspective, we do our best to always remain disciplined in our evaluation of investment opportunities. And while we think that we are extremely competitive, nonetheless, if prices get out of our range then we will let others have them.

So, while we were not successful in that particular case, we nonetheless have a fairly large number of situations that we are considering, and probably situations that are more suited to our investment style. These would be situations where there's probably more seller motivation in place, where people that are looking to transact with us require capital and are looking to transact with someone who can move quickly, who brings operation expertise and who respect all the things that we bring to the table as opposed to the type of privatizations that took place at Abbot Point which, to be honest, are probably less suited for our particular investment style.

As far as sectors that we're focused on, I'd say it covers all three segments, maybe less so in timber, but we are looking at a number of things on the utility and transport and energy side. We particularly are interested in Europe. I guess at the moment we think that is a market that we're seeing a lot of capital shying away from. And we think that there a number of construction companies who have assets not only in Europe, but in South America, that would like to see us as partners.

LINDA EZERGAILIS:

That's very helpful. Thank you very much.

OPERATOR:

The next question comes from Brendan Maiorana with Wells Fargo Securities. Please go ahead

BRENDAN MAIORANA:

Thanks. Good morning. Just to follow up on Abbot Point, is there -- Adani who got that bid, I think, is the other counterparty that's vying for Dungeon Point, is there any ramifications from Adani getting Abbot Point that would impact the process at Dungeon Point?

SAM POLLOCK:

Brendan, its Sam. I'd say at this stage it's probably too early to tell. Clearly, I can't speak for Adani and their appetite for terminal capacity. I would say that both parties are actively in discussions with the government on the master plan for Dungeon Point. We're both working on our request and we're having discussions with users. They are in a little bit different position because they have their own capacity needs, but we're working very constructively with them. And at the end of the day, if I was speculating now, I still would expect that both parties would look to obtain a portion of the Dungeon Point property in order to build facilities.

BRENDAN MAIORANA:

And do you expect -- you still expect to hear something or be able to provide a little bit more information on that later this year?

SAM POLLOCK:

Yes. Timing's a little murky, I guess, to be honest, because it is obviously a big project for them and for us and there are a number of parties involved. We continue to make, I think, good progress in coming up with a scoping plan, I guess I would call it at this stage. And I'm hopeful that over the next couple quarters we will advance that, have an idea of which users in particular are the most motivated to work with us on a plan and then we'd be able to communicate that to people. But, even after that, there still would be a large number of approvals and permits required, financing, so lots of issues that would have to be resolved and those might take several more quarters after that to progress.

BRENDAN MAIORANA:

Sure. That's helpful. On WestNet, you guys now have two of the six, I guess, expansion projects under a form of agreement. Last quarter you gave us a range of \$150 million to \$200 million of

incremental EBITDA from the \$600 million of project potential. Can you give us a sense if you're trending towards the low or the high end of that?

SAM POLLOCK:

I'd say there's no change in our expectations. I think that level of guidance is probably the right level to still go out with. As I mentioned in my remarks, there is some variability in the ramp-up that people may deploy their projects at, and we still don't quite yet have firmed up numbers on the take-or-pay levels of each of the contracts. I think once we have the contract signed and know what at least our minimum take-or-pay levels are, then we can give you more specific guidance for that, and then there will be upside above that.

BRENDAN MAIORANA:

Okay. All right, fair enough. And then, just looking at the backlog; its \$900 million. You guys have spent about, I guess, around \$120 million, \$125 million or so. So, that leaves around \$775 million rough numbers left to spend. If I look at the -- it's about a two-year backlog, maybe a two- to three-year backlog, if I -- you guys had a very good quarter in terms of cash flow generation and your retained cash flow after the dividend, I think, was around \$20 million or something like that. So, that doesn't leave a whole lot of retained cash flow over the next couple of years to fund the build out of the development pipeline. So, how do you -- does this -- given that the pipeline is increasing, and it's a pretty strong pipeline, are you basically suggesting -- or should we look at the financing outlook and assume that there's going to be some kind of common issuance over the next couple of years?

JOHN STINEBAUGH:

Hey, Brendan, it's John. First of all, just to clarify, the capital backlog is the amount that has not been spent. So, that's closer to the \$890 million. And the CWIP number that we have put in our disclosure is capital that we've spent that's not yet come online. Getting to your question regarding --

BRENDAN MAIORANA:

Okay. So, you're -- so sorry. Maybe I just -- so, your actual backlog, then, is really, in terms of projects that are going to be producing additional income, is over \$1 billion.

JOHN STINEBAUGH:

It's basically the \$890 million that we have yet to spend. And then the CWIP, which is roughly about \$120 million, that we've spent that has not yet been commissioned.

BRENDAN MAIORANA:

Right. Okay, yes.

JOHN STINEBAUGH:

So, getting to your question regarding the capital strategy, we clearly have some large scale projects, the Australian railroad being the biggest one; that we're going to build out over the next 12 to 18 months. And we don't anticipate that we're going to be able to finance that just with cash flow from operations.

So, this gets back to the capital strategy that we've talked about in prior quarters. We will look to fund that backlog, first of all, with non-recourse debt, maintaining the credit profile that we currently have. And then, we will also look at raising proceeds through either selling noncore assets or issuing equity, whatever we think is going to be the cheapest form of financing.

BRENDAN MAIORANA:

Okay. Do you have a -- I mean, a rough number of assets that you think would be noncore that you would consider selling?

JOHN STINEBAUGH:

We don't have particular specificity that we've provided on that. In terms of noncore, the way we think about it is those are assets that are more mature, where we have less ability to grow or drive value from. So, that's sort of how we're thinking about noncore, but we haven't given any clarity in terms of which assets would fall into that bucket.

BRENDAN MAIORANA:

Okay. All right, fair enough. Thanks, guys.

OPERATOR:

The next question comes from Robert Kwan with RBC Capital Markets. Please go ahead.

ROBERT KWAN:

Good morning. Just on -- following up on WestNet; can you give us a sense to maybe just what the rough magnitude is of the two contracts you signed relative to the other four?

SAM POLLOCK:

Sure. Hi, Robert, it's Sam. They represent about six million tonnes per annum.

ROBERT KWAN:

Okay, that's great. Thanks, Sam. And then, just to --

SAM POLLOCK:

It's in aggregate. Just to be clear, it's in aggregate, so three million tonnes each.

ROBERT KWAN:

Okay. Okay. Just on the DBCT; so the refi rates have come in. Can you just let us know how does that compare to what was in the access undertaking? And I think you had talked about, if I can recall, \$45 million uplift on the access undertaking over five and a half years and that you had prior \$70 million, but you thought you'd get some of it back on the refi. So, where did this kind of fall within that range?

JOHN STINEBAUGH:

Robert, it's John. In terms of the refinancing, the access undertaking was -- the weighted average cost of capital determined based on rates at the end of last year, and we priced this issuance beginning of this year. So, it's going to be a pretty similar interest rate environment that we priced the \$600 million at.

In terms of the market that we accessed, we think we did get quite a good execution by going into the U.S. private placement market and swapping it back into Australian. It was a little bit better than what we thought we could have done had we issued in the Australian market. But, the way to think about it is that the access undertaking increases the EBITDA that we receive at the facility, but part of the increase reflects not only the cost of equity, but the cost of debt. So, the cost of debt that is in the refinancing that we just completed will offset to a pretty good degree the weighted average cost of debt that is part of the access undertaking.

ROBERT KWAN:

So -- sorry, I'm just -- the goalpost I was working with was, when you initially put out the draft access undertaking, I think you were looking at a \$70-million-uplift. And then, where rates actually fell, you were talking about a \$45-million-uplift over that five and a half year period. And the thought was that you could bridge some of that gap with where the refi was going to come in. So, is there an uplift or -- it sounded like you were saying the refi rates are very similar to what was in the final access undertaking.

JOHN STINEBAUGH:

There is an uplift on the equity component of the weighted average cost to capital that would have been reflected in the access undertaking. The debt component, the rates coming down, would have been offset by being able to refinance at lower rates. So, those would offset to a pretty good degree.

ROBERT KWAN:

Okay. So, maybe just a final question on that. Is \$45 million still a good number on an FFO or is there something a little bit better than that?

JOHN STINEBAUGH:

The \$45 million, if I recall, that was a top-line number that we gave. So, that would not all fall to FFO because there would be the offset at the interest expense line of the weighted average cost of debt that would have driven the revenue and the access undertaking.

ROBERT KWAN:

Okay. Thanks for that. And then, just the last question; you talked about, Sam, earlier, about upward pressure on valuations in the acquisition context. Just wondering what you're seeing or thinking with respect to potential asset sales and just your philosophy on that -- on asset sales. Is it something where you'd only really want to go down that road if you feel you need the funding, or is there something where -- with the elevated valuations, if you feel you're going to get a good price you would just sell one of the noncore assets outright?

SAM POLLOCK:

Yes. I think John described the scenario quite well. I think we have a philosophy where we like to recycle capital, to the extent we can, from businesses that we think we have extracted most of the value out and which others ascribe a higher value to than we do. And often, that does arise when you have businesses that have a very steady, secure income stream but modest growth. There are investors out there who don't put as much value into growth as we do. We like having businesses that have big organic expansion opportunities, whereas a lot of others like very simple, very reliable income streams. And often we will play I guess that arbitrage, if you want to call it that, by selling off businesses in our portfolio that have those qualities and buying ones that have the development potential. And so, I think there are a few in our portfolio that may fall into that category.

As far as the values we will attract for those assets, I guess that in each case it'll be different. Some, I think, will attract premium values and other cases may be less so. But nonetheless, I think in our portfolio -- we've got a pretty good portfolio, so I wouldn't say we have a lot of assets that fall into that category. But nonetheless, I think there are a couple that we would think might be good sale candidates.

ROBERT KWAN:

So, if I'm kind of understanding it, you're going to want to match, to some extent, size with size, size on the sell side versus the acquisition or funding the organic growth plan?

SAM POLLOCK:

No, actually, I wouldn't say that at all. I don't think -- I think the -- we're not trying to match, necessarily, the -- our sales with new investment opportunities. I think the two decisions are separate. If a business, we think it makes sense to be sold, whether or not it's large or small, we will undertake it. And then, on the same side, if there's a good investment opportunity, if we think it's accretive to the business we'll use either in-turn to generate proceeds or we will go to the market and equity finance it.

ROBERT KWAN:

Okay, that's great. Thanks, Sam. Thanks, John.

OPERATOR:

The next question come from Andrew Kuske with Credit Suisse. Please go ahead.

ANDREW KUSKE:

Thank you. Good morning. I guess my first question's for Sam. And when you look at the election campaign that happened in Canada and the Conservative majority, did you see any prospects on the horizon for greater use of three Ps by the government? And how -- what kind of involvement do you believe BIP will have with any kind of 3P arrangements in Canada?

SAM POLLOCK:

Yes, I'd say today a lot of the 3P opportunities in Canada are primarily provincially driven. We do see a fair amount of activity in BC, Ontario, and maybe to a lesser extent Alberta and Quebec. But, that's probably a market that we don't participate in too much. I think we have kept our toe in that market just to see how it develops.

One of the things that we have struggled with that market is that it's returned to a financing regimen that involves a large amount of debt on top of a very modest amount of equity. And while the cash flow certainty is quite strong, we're just not necessarily comfortable with that level of gearing. And so, I think our plan for that business is just to sell off mature assets, as we have recently done. We sold two of our 3Ps this quarter for \$15 million and we might replace that with a couple of other ones. But, our plan isn't go grow this business in any dramatic way.

ANDREW KUSKE:

Okay, that's helpful. And then, just if I may, there's been a few timber assets that have traded hands in the Asia-Pac region. We saw some assets trade in New Zealand and also Australia, and then obviously there's a public offer for TimberWest at this point in time. Just wondering your thoughts on valuation of that asset class, and then how you think about that asset class in relation to the rest of Brookfield Infrastructure's assets.

SAM POLLOCK:

So look, on TimberWest, I don't think I can comment on that particular situation, so I will leave that one alone. But, as it relates to the asset class in general, I think we have been bullish for some time as to the medium and long-term prospects for the sector, in particular assets like our own that have exposure to the Asian market. I think we still feel that that is the case.

Valuations in this sector are a little murky because there just hasn't been any, real, meaningful transactions over the last 24 months. So, most of the values that people throw around are pretty much speculative because they're based off of very few data points.

I think the transaction in -- out west will be interesting to follow just to see where it ultimately ends up and we'll kind of use that as a barometer to assess the values of our own business going forward.

But nonetheless, look, I think just in summary, despite my initial remarks where I mentioned that we expect things to possibly settle down a bit in the latter half of the year, I think we want -- we indicated that to be conservative just given the sharp increase in prices over the last couple of quarters. But nonetheless, we still remain quite enthusiastic over the next couple of years.

ANDREW KUSKE:

And then one final question, if I may, directed to John. Just at a -- I guess a high level, what will be the accounting consequences of the situation with Euroports where you've finally settled into a 40% ownership?

JOHN STINEBAUGH:

In terms of Euroports, we -- when we ended up doing our purchase accounting, we have a valuation on the books that reflected a resolution of the share adjustment mechanism. So, there should not be any material accounting implication of that share adjustment mechanism.

ANDREW KUSKE:

Okay, that's helpful. Thank you.

OPERATOR:

There is a follow up from Brendan Maiorana with Wells Fargo Securities. Please go ahead.

BRENDAN MAIORANA:

Hey, thanks. I just had a quick one for John. Can you give us a sense of what the pricing on the DBCT debt tranches would have been if that were done just straight U.S. private placement market as opposed to swapping it back to the Australian market?

JOHN STINEBAUGH:

Brendan, as you know, the Australian market is quite a bit higher from a rate standpoint than the United States. So, the spreads over treasury in the U.S. market would have been roughly 180 to 195 basis points over treasuries for the respective tranches.

BRENDAN MAIORANA:

Okay, that's perfect. Okay, great. Thank you.

OPERATOR:

This concludes the time for questions. I will turn the conference back to Mr. Pollock.

SAM POLLOCK:

Great. Thank you, Operator. And I'd just like to thank everyone for joining our call today and we look forward to speaking with you again next quarter.

OPERATOR:

Ladies and gentlemen, this concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.