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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Brookfield Renewables First Quarter 2023 Results Conference Call and Webcast. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your host today, Connor Teskey, Chief Executive Officer. Please go ahead.

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO*

Thank you, operator. Good morning, everyone, and thank you for joining us for our first quarter 2023 conference call. Before we begin, we would like to remind you that a copy of our news release, investor supplement and letter to unitholders can be found on our website. We also want to remind you that we may make forward-looking statements on this call. These statements are subject to known and unknown risks, and our future results may differ materially.

For more information, you are encouraged to review our regulatory filings available on SEDAR, EDGAR and on our website. On today's call, we will provide an update on our business and our recent development activities. Ignacio Paz-Ares, Managing Director and Head of our European investment team will highlight some of our recent transactions. And then lastly, Wyatt will conclude the call by discussing our operating results and financial position. Following our prepared remarks, we look forward to taking your questions.

We had an excellent start to the year with strong financial results, good progress advancing our development pipeline, and success with respect to our growth initiatives. We generated funds from operations of \$275 million or \$0.43 per unit, a 13% increase from the same period last year, representing the progression to higher run rate earnings as our investments in new generation and various commercial initiatives come online. We also followed up on what was a very robust year for growth with a strong first quarter, signing transactions for almost \$8 billion of equity investment alongside our institutional partners or over \$1 billion net to Brookfield Renewable.

Together with prior transactions, these investments position us to achieve and likely outperform our \$6 billion to \$7 billion capital deployment target over the next 5 years. This includes our landmark transaction to acquire alongside our institutional partners, Origin's energy markets business, Australia's largest integrated power generator and energy retailer. With this transaction, we will add a strategic platform in the country to leverage our deep development expertise to invest a further AUD 20 billion enabling us to build out 14,000 megawatts of new renewable generation and storage facilities.

This investment in clean replacement generation capacity will enable the responsible retirement of one of Australia's largest coal-fired power plants and make a material difference to achieving the country's net zero goals. The acquisition and planned decarbonization of the business is an example of the type of investment that is necessary to meet global net zero targets. We are excited about this transaction and the potential to grow our business in a highly attractive market and generate strong risk-adjusted returns for our investors.

Our success in deploying large-scale capital is a testament to our track record. As demonstrated by our ability to attract discretionary co-investment from some of the largest and most sophisticated investors around the world. This has been critical in allowing us to further diversify our business and take on large-scale investments where we see less competition. As we have discussed in the past, our

access to partnership capital is a key differentiator and while beneficial in all instances, it is particularly advantageous in the current market environment.

With Brookfield's first global transition fund nearly fully committed we are preparing to participate in the second fund. Based on the positive feedback received to date, we are optimistic that the second fund will both broaden the number of institutional partnerships as well as provide a larger pool of capital to invest alongside positioning us to continue to execute scale transactions at very attractive risk-adjusted returns. Touching briefly on the broader market and recent events. Over the last few months, we all witnessed significant market and interest rate volatility on the back of persistent inflationary pressures and stress across the banking system.

However, our business continues to be very resilient. Our generation portfolio is currently 90% contracted and has a weighted average remaining contract duration of 14 years and approximately 70% of our revenues are linked to inflation. We also operate essential low-cost infrastructure with gross margins of over 70% that are well protected throughout the business cycle. Going forward, our business plan and targets remain unchanged, and we do not anticipate any meaningful operational or financial impact from recent events. Our financial position also remains strong with almost \$4 billion of available liquidity.

We have always prioritized financing our business on an investment-grade basis with a focus on long duration, match currency and fixed rate debt. As a result, we do not have any meaningful exposure to interest rate variability or any material debt maturities over the next 3 years.

On our development initiative, we commissioned approximately 700 megawatts of capacity in the quarter, completing projects in 7 different countries around the world. We are on track to commission approximately 5,000 megawatts of capacity in 2023 which we expect to contribute an additional \$70 million of FFO net to Brookfield Renewable. We also progressed the other approximately 19,000 megawatts of projects in our advanced stage pipeline maintaining our targeted commissioning dates.

With that, we will turn it over to Ignacio to highlight some of our recent announced investments, including X-ELIO where we increased ownership in the business we know well. Ignacio, over to you.

Ignacio Paz-Ares Aldanondo Brookfield Renewable Partners L.P. - MD of Renewable Power & Transition

Thank you, Connor. And good morning, everyone. As Connor just mentioned, I will go through our most recent deal activity, which is mainly taking place in India, around X-ELIO apart from origin, which was just covered. But before we get into the details, it would be good to provide some background. And as most of you may know, the investment environment for renewables and decarbonization assets remains highly compelling. Seems like demand for clean energy from corporates, increasing focus on energy security, government-supported electrification and decarbonization targets continue to be key trends supporting new investment. And with this backdrop, we have made significant progress growing our business globally over the last few months.

Starting with India. We have executed 2 large-scale transactions tripling the size of our business in the country. First, we entered an agreement with Avaada a leading renewable platform with over 11,000 megawatts of operating and development assets to provide a structured U.S. dollar financing solution that gives us significant debt-like downside protection as well as equity-like upside. In addition to Avaada we also agreed to acquire a 55% stake in CleanMax. Another leading renewable platform, also based in India with 4.5 gigawatts of operating and development pipeline and a plan to build over 2 gigawatts over the next 5 years.

With these 2 acquisitions, our operating and development platform in the country will stand at approximately 21,000 megawatts. To provide some context around our growth strategy in India, similar to Brookfield's broader approach to new geographies, we have now been on the ground in the country for more than 5 years on the renewable side and have gone through a strong learning curve by prudently making smaller scale investments.

This has provided us with strong insights into the market dynamics, reaching a point in which we're now ready to scale our business in the country in a transformational way by tripling its size through these 2 transactions.

Moving away from India. We also entered into an agreement to acquire the 50% stake in X-ELIO that we did not already own. To refresh

everyone, we made our original investment back in 2019, acquiring 50% of the business. And this past month, we agreed to acquire the remaining 50% of the company with a plan to syndicate about 1/3 of the overall ownership to co-investors. This was a situation where we could put capital to work in a business we know better than anyone else given our existing position and double down on what has already been a very successful investment that continues to have a strong outlook.

What attracted us originally to X-ELIO was that it was a fully integrated solar development platform with a global presence in key solar markets where we saw significant growth potential. The business also has one of the strongest management teams out there and excellent capabilities around contracting and procurement.

Therefore, our X-ELIO investment is a great example of an opportunity where we were able to take a very strong stand-alone platform for all the reasons I just mentioned and add significant value through our ownership. This value creation has taken place since acquiring X-ELIO by successfully implementing our initial business plan which was mainly focused on delivering on growth, returning equity through asset recycling and adjusting the capital structure to create a self-funding business model.

But I would like to particularly focus on the asset rotation strategy of X-ELIO where in the last 3 years, we've generated over \$1 billion of equity proceeds from asset sales. This is more than doubling the invested capital in those projects that we sold. The proceeds from these sales have been used to return almost half of our initial investment and also reinvested into new construction and future development, growing the development pipeline from 5,000 megawatts at entry, back in 2019, to over 12,000 megawatts today.

We believe this has also been important to prove the value that X-ELIO is able to create through development. Or in other words, that the business can not only grow at a fast pace, but do it at strong returns on capital. Finally, going forward, we expect X-ELIO to continue benefiting from robust industry tailwinds and its leadership position in most of the markets where the business is present. To further enhance its profitable growth base while maintaining its self-funded business model. With that, I'll turn it over to Wyatt to discuss our operating results and financial position. Thank you very much.

Wyatt Hartley Brookfield Renewable Corporation - CFO and Managing Partner of Renewable Power & Transition

Thank you, Ignacio. As Connor mentioned in his earlier remarks, we had a strong start to the year. Operating results reflect robust hydro generation across our portfolio strong year-on-year realized power pricing, high asset availability and contributions from growth. We generated FFO of \$275 million or \$0.43 per unit. An increase of 13% compared to the same period last year.

Our business continues to exhibit strong cash flow resiliency given the diversified asset base and the ability to capture higher power prices, both through inflation-linked power purchase agreements and a robust energy price environment for our hydro assets. Across our hydro fleet, reservoirs are generally at or above long-term averages, positioning the portfolio well for the remainder of the year. Our balance sheet is in excellent position and our available liquidity remains robust at almost \$4 billion, providing significant flexibility to fund growth and be opportunistic in the current environment.

We also remain protected from higher interest rates with 90% of our borrowers being project level nonrecourse debt with an average remaining term of 12 years and only 3% exposure to floating rate debt. And while overall market liquidity may be challenged, lender appetite for high-grade issuers especially for those supporting renewables or decarbonization initiatives remain strong, as demonstrated by our recently completed issuance of CAD 400 million of 10-year corporate bonds which were 3x oversubscribed. We are also advancing nonrecourse financing initiatives and our asset recycling programs, which will generate additional capital to fund our growth.

We continue to see strong demand for renewable energy assets globally, and we are seeing strong interest across our capital recycling processes. In this regard, so far this year, we have generated over \$300 million or almost \$200 million net to Brookfield Renewable of proceeds from these from our asset recycling program returning more than double our invested capital. We are also advancing numerous capital recycling opportunities, which including deals signed year-to-date, could generate up to \$4 billion or approximately \$1.5 billion net to Brookfield Renewable.

In closing, we remain focused on delivering 12% to 15% long-term total returns for our investors. To do this, we will continue to be disciplined allocators of capital by leveraging our deep funding sources and operational capabilities to enhance value and derisk our

business. On behalf of the Board and management, we thank all of our unitholders and shareholders for the ongoing support. We are excited about Brookfield Renewables future and look forward to updating you on our progress throughout the year.

That concludes our formal remarks for today's call. Thank you for joining us this morning. And with that, I'll pass it back to our operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Sean Steuart with TD Securities.

Sean Steuart *TD Securities Equity Research - MD*

Couple of questions. Let's start with India, Connor or Ignacio. You talked a lot about that country as a growth target for a long time, and we're encouraged to see you deploying capital more quickly now. Can you speak to how dynamics in that market have evolved to the point that you're more comfortable putting capital to work there?

And can you give us an idea of where the returns in India compare to other markets you're targeting for growth?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO*

Perfect. Thanks, Sean. You're absolutely right. And Ignacio touched upon this a little bit. We entered the Indian market in 2017. And since entering the market 5 years ago, we've really enhanced and broadened our capabilities on the ground there. And we've done a number of what we would call fairly modest bolt-on transactions. But to be clear, over the last 5 years, I would say we've reviewed almost every major transaction that's taking place in that market. And we've always been very selective about finding opportunities that have the right value entry point. And for a number of reasons, we're seeing an influx of those right now.

And I do think that our expanded capabilities in the region and our ability to be a partner at scale to some of the growing platforms is really what is differentiating us at this point because in terms of what is really defining that market, it's 2 things. One, there are incredible renewable build-out ambitions. And then secondly, where in other markets around the world, we see our business driven primarily by corporates. Historically, a lot of renewables in India have been sold through government auctions. And increasingly now in India, we're seeing more of a commercial and industrial contracting market developed and that really plays to our strength.

And for example, that is where CleanMax is one of the leaders in the Indian market and why we're so excited to be partnered with that platform. In terms of returns, we do look for a return premium given it is a growing and developing market. And we do take into account the cost of hedging the currency back to U.S. dollars. And therefore, when we look in local currency returns, we're certainly targeting things probably closer to the high teens. And when that comes back to U.S. dollars, we're still kind of mid- to high teens.

Sean Steuart *TD Securities Equity Research - MD*

Okay. My second question is on the asset recycling program. It sounds like a lot of the initiatives are expected to close in the near term, we have a sense of some of them like Shepherds Flat, but can you give us a sense of what the regional or technology focuses for asset recycling and you've touched on some really compelling returns for assets you sold of late, but any target returns on those asset sales that are coming in the next few quarters that you can give us some context on.

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO*

Certainly. So we'll answer that in 2 parts. I would say broadly, we have a fairly robust pipeline of asset recycling initiatives. At this point, it's comprised largely of wind and solar assets. And I would say this is probably coincidence more than anything else, but the regions where we're most active on the asset recycling side are the Americas, North and South America.

In terms of the returns, we're still seeing very, very robust demand, particularly for high-quality, de-risked wind and solar assets. And this might be a funny analogy to make. But when interest rates went down, and you look back maybe 12 or 15 months ago and interest rates were very, very low. I'm going to be illustrated here. Let's assume you were selling at a 7% return. Interest rates have gone up materially,

maybe 150 or 200 basis points. We're not seeing absolute return on the assets that we are selling widened by the same amount. Maybe it's 50 basis points wider, but that's not going to have a material impact on our business. And the returns that we can generate developing assets at a higher return and then selling down to a lower cost of capital buyer.

We actually draw a very similar parallel to the real estate world. When interest rates go down, cap rates don't compress by the same amount. And when interest rates go up, cap rates don't rise by the same amount. It's a muted impact, and that's certainly what we're seeing in our asset sale processes as well.

Operator

Our next question comes from the line of Robert Hope with Scotiabank.

Robert Hope *Scotiabank Global Banking and Markets, Research Division - Analyst*

First question, just on the commentary that you can beat your \$6 billion to \$7 billion investment target over the next 5 years. Is this driven by successes so far or the line of sight on the pipeline? Or is it even the size of the global transition fund for the next global transition fund.

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO*

I would say it's the first 2, Robert. Obviously, the pace since we set that target at our Investor Day last year, has been very robust. And the comment we made at the Investor Day we think holds true today, which is our ability to outperform that target is going to be dependent. I think the words we used almost regrettably is on how many large chunky transactions can we do. And if you look over the past 6 months. We've seen Westinghouse get announced. We've seen Origin get announced. Those are the types of large chunky transactions that can certainly push us above our run rate in terms of targets.

So it's definitely predicated on the transactions we've done to date. But as we look at the pipeline going forward, it still remains very robust. And we have a lot of confidence that we can continue to keep executing on some of those large chunky transactions. And therefore, quite confident that we'll outperform that target that we set.

Robert Hope *Scotiabank Global Banking and Markets, Research Division - Analyst*

And then just maybe on -- as a follow-up on that pipeline. Any geographies technologies or kind of spin-offs that are most attractive? Can you add a little bit of color where you're seeing the greatest opportunities?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO*

Certainly. And maybe we'll answer the question a slightly different way. There is certainly a dynamic in terms of where we're seeing the pipeline shift. And in the last few years, we've been very proud of our activity. We're thrilled about the investments we've made in investing in a lot of high-quality developers.

One is in the United States that are going to benefit tremendously from IRA, businesses like X-ELIO in Europe. But over the last few years, where we haven't seen as much growth capital deployed is either into operating assets or into public companies. And I think Origin is an example of the latter changing. And I think we expect that to continue. We are seeing more opportunities in the public markets today, potential public to privates. And then for the first time in a few years, we're beginning to see a number of very attractive opportunities to buy operating assets at very attractive value entry point. So I would say that's probably the biggest dynamic in terms of what we're seeing change in our pipeline.

Operator

Our next question comes from Rupert Merer with National Bank.

Rupert M. Merer *National Bank Financial, Inc., Research Division - MD and Research Analyst*

A couple of follow-up questions here. First, with your investment into the Indian market, can you give us an update on your thoughts about global diversification and your appetite for investing into developing markets? How much of your portfolio could that make up?

Connor David Teskey Brookfield Renewable Partners L.P. - CEO

Yes, it's a great question, Rupert. And I would say 2 things. One, our target balance hasn't changed. I think for years, we've said we like to be approximately 3 quarters in developed markets and no more than probably a quarter in developing markets. If you actually look at our business today, and if we look at our pipeline, given the scale of some of the transactions we've done recently and the fact that our large-scale deals tend to be in developed markets, we're actually probably closer to 80% now in developed markets and 20% in developing markets. And that's not because we don't do lots of deals in our core developing markets, we do and will continue to do.

It's just very simply that the largest deals we do tend to be in developed markets, and that outweighs those when we look at our global diversification. So I think historically, we've said 75%, that remains true. But on balance, today, we're actually closer to 80%.

Rupert M. Merer National Bank Financial, Inc., Research Division - MD and Research Analyst

Okay. Great. And then on the pace of investment and looking at some of these large chunky deals, the next energy transition fund that you raised could be quite large. And we have seen the participation of BEP in deals come down. Where do you see that participation heading in the future?

Is there any risk that, say, the scale of the amount of capital that you have to invest and crowd out the public participation.

Connor David Teskey Brookfield Renewable Partners L.P. - CEO

No, I wouldn't say so. And what -- perhaps the easiest way to frame that is very similar to the first transition fund we expect that to be the single largest LP in the second global transition fund. And that's consistent with Brookfield's approach across all of its flagships. And then similarly, when we do these large deals, BEP will continue to be an active participant in the co-invest in those deals. And what I would say is in those large deals, it's great having those co-invest partners.

And even if that means that on a look-through basis, BEP's economic ownership might be less than, say, 25. That's fine. Brookfield still controls the investment. And really what it allows us to do is it allows us to target those larger transactions where we see less competition and very attractive risk-adjusted returns but it also allows us to diversify our business increasingly as we do more in different types of those transactions around the world.

So we view it as incredibly beneficial to BEP. And I don't know if this is where you were going with your question. I think one thing that's important to highlight is as the largest LP in those funds, BEP is entitled to priority co-invest, just like any major LP. And therefore, the amount of economic exposure that we're taking to these investments is at our discretion. We can target the amount of to invest that we would prefer. And therefore, the amount that we're choosing to invest is at our discretion and based on what we see as most attractive from a capital deployment perspective as well as achieving the diversification objectives that we have for the company.

So yes, on some of the big deals, maybe our percentage goes down a little bit, but we see very few negatives and a whole bunch of positives around that dynamic.

Operator

(Operator Instructions) Our next question comes from Andrew Kuske with Credit Suisse.

Andrew M. Kuske Credit Suisse AG, Research Division - MD, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research

I guess it's a big picture question. And when we look at things like Origin, you've got assets in the marketplace that maybe trade at a discounted value given some of the fossil exposure. How do you think about allocating into those kinds of businesses on an accelerated basis, in part because of what's happening on the global transition funds? And then what does that do to a composition of generation at BEP itself?

Connor David Teskey Brookfield Renewable Partners L.P. - CEO

Yes. Certainly. Great question, Andrew. What I would say is, we are thrilled about the origin investment. It really ticks 3 important boxes for us. It's a large-scale transaction. It has an incredible decarbonization impact and its very attractive risk-adjusted returns. So if we

could do more deals like that, we'd obviously be thrilled. But I think there's really 2 important things to highlight. One is, when you look through the thermal exposure that the company is taking on by doing transactions like Origin, one is it's incredibly minimal in the context of our global business. And two; it is incredibly short lived. Because our whole business plan is to build out renewables as quickly and as attractively as possible to create clean, low-cost replacement capacity for that thermal generation fleet.

Part of the reason why we like these investments is the key value drivers around a transaction like Origin are almost no different than the key value drivers around down the fairway renewables developer. If we can develop renewables at a fast pace at very attractive levels, it's going to drive incredible value for us within the Origin platform. The other thing that I think is very important around our thinking when we look at these "go where the emissions are" deals, and we've really done 2 of them now.

InterEnergy and Origin is we focus on transactions where the decarbonization objectives and the financial performance are directly complementary.

If we can decarbonize these platforms, it's going to dramatically enhance value because in both InterEnergy and in Origin, adding low-cost clean renewables dramatically enhances the value and the cash flows of the broader platform. So we like these transactions where by decarbonizing the platform, we're actually going to dramatically enhance and derisk the cash flows.

We think they're great investments and ones that we're uniquely positioned to execute.

Andrew M. Kuske *Credit Suisse AG, Research Division - MD, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research*

Okay. Appreciate that. And then maybe just continuing about value enhancement strategy. You've got a lot of different levers to pull from a funding standpoint, whether it be capital recycling, just cash flows itself, co-investments to fund. How do you think about the use of BEPC as a currency because we saw one of the other Brookfield affiliates used their C-corp vehicle as part of a currency in transaction. I guess, holistically, how do you think about that stacking up against all the other options you have?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO*

Yes, certainly. The -- I would say when it comes to our funding strategy, it remains what it has been in the past. And the way you framed the question was very helpful. We do have a number of levers within our existing portfolio to create a self-funding business model. And that's up financing of our existing assets and asset recycling primarily.

But when it comes to considering other forms of funding, we'll make two comments. One, when it is incredibly valuable and strategic, we will -- the option of using equity is always on the table. We always look back at the example of TerraForm. And if we see those high value and strategic opportunities where we can use our shares to effectuate a transformational transaction, we'll always consider it. The other thing I would say is, if we continue to see an exceptionally robust pipeline of very attractive high-returning deals, we may look to augment our funding strategy but that would be a good news story because of the robust pipeline of high-returning accretive deals. And that will obviously be subject to what the market gives us in the next 12 or 24 months.

Operator

I'm showing no further questions in queue at this time. I'd like to turn the call back to Connor Teskey for closing remarks.

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO*

Well, thank you, everyone, for joining our call today. We continue to always appreciate your interest and support of Brookfield Renewable, and we look forward to updating you on our Q2 conference call in a few months. Thanks, and have a great day.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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