

# Letter to Unitholders

## Overview

We had a strong quarter on many fronts, generating solid financial performance, advancing our growth initiatives, and progressing our capital recycling program. Third-quarter Adjusted EBITDA increased to a record \$655 million and the quarterly Adjusted EBITDA margin of our operations improved to 19%. These results reflect the quality of our operations and the progress achieved on our business improvement plans which are contributing to increased and higher quality earnings.

While the operating environment remains uncertain, inflationary pressures have eased, and the risk of materially higher short-term interest rates is abating.

## Price and Value are Rarely the Same

We remain focused on generating long-term growth in intrinsic value per unit. We define value as the present value of the cash flows our operations should generate in the future. Price, on the other hand, reflects perceived value which can influence where a business trades at a point in time based on sentiment and other prevailing market factors. Rarely are price and value the same.

Our business is very valuable today. We own businesses of exceptional quality, many of which are large-scale providers of products and services that are critical to their customers in any environment. Six of our operations, which we refer to as the “Super Six”, generate the majority of our Adjusted EBITDA and Free Cash Flow today. These are excellent businesses on their own with market leading positions, pricing power and durable competitive advantages. They generate strong margins, high returns on capital and very resilient cash flows underpinned by stable demand.

We also continue to improve our operating performance. To put this in context, the EBITDA of the 20 businesses we acquired over the past five years has increased by over \$300 million at our share. Most of this value creation has been achieved by taking a hands-on approach to enhancing business profitability. By acquiring higher-quality businesses and improving their performance, our overall Adjusted EBITDA margin has more than doubled to 19% over the same five-year period.

While the quality of our underlying operations is the best in our history, our trading price remains materially disconnected from the value of our business. Our units today trade at less than 8x annualized EBITDA compared to 13x for the S&P 500. Businesses which generate EBITDA margins on par with ours are trading in the stock market at EBITDA multiples around 15x.

As a consequence, BBU represents a great value opportunity. At this entry point investors should out-earn the underlying performance of our operations as the discount between our trading price and value narrows.

## Recycling and Deleveraging

In addition to building value, we have an active capital recycling program that will continue to support our growth. During the quarter, we generated \$270 million of proceeds from announced sales of business interests and distributions from our operations.

Most recently we reached an agreement to sell a portion of our interest in Everise, our technology services operation. Since acquiring the business just over two years ago we have built considerable value by scaling its operational capabilities, growing its addressable market and increasing its margins. Annual EBITDA has tripled under our ownership and the sale of this interest values the business at over \$1 billion, representing a 3.5x multiple of our original investment.

Our share of proceeds from the sale is expected to be approximately \$120 million, equating to a realization of approximately 2x the capital we invested, and we will retain a 17% ownership interest in the business. We will control the business alongside a new strategic partner which can support continued growth of the business by leveraging relationships across the healthcare sector.

We are also progressing sales of smaller businesses, many of which we have owned for several years. Over the past year, we have monetized five smaller operations, including recently reaching an agreement to merge our Western Canadian energy services operation with a larger public peer. In exchange we received cash consideration and took back shares in a larger more liquid public company which provides us greater optionality to maximize value.

Separate from any capital recycling initiatives, the substantial level of cash our business generates provides us flexibility to reinvest in our operations, reduce borrowings or fund growth activities.

To put this in context, Clarios, our advanced energy storage operation, generates more than \$500 million of free cash flow each year even after investing to support the growth of its advanced battery operations. While this cash could be available for distribution, the business has been deleveraging as we position it for an eventual public offering. In fact, Clarios repaid approximately \$700 million of debt during the third quarter, and as a result its net debt to EBITDA leverage ratio has declined to approximately 4.5x compared to 6.5x when we acquired it.

We are also focused on optimizing our borrowing costs and managing our maturities. Strong demand for the debt of high-quality issuers has allowed us to continue to capitalize on opportunities to refinance our existing operations. Since the beginning of the year, we have refinanced nearly \$15 billion of non-recourse borrowings within our operations. All of this was done with effectively no increase to the overall cost of our debt. This includes the recent repricing of a \$3.6 billion term loan at CDK Global, our dealer software and technology services operation, which was completed at an all-in cost of approximately 50 basis points below the cost of debt it replaced.

At points in time our operations may require additional capital as a means to deleverage, and we are fortunate to be able to readily manage these needs with the support of our institutional partners. While these situations are rare, they can provide opportunities to both protect our businesses and earn strong returns on our capital.

We recently supported our European returnable packaging operation with additional capital. Over the past few years, the business has experienced challenges due to inflationary pressures and reduced volumes. Strengthening its balance sheet will reduce leverage and position the business better with customers and suppliers as it continues to execute its value creation plans. We expect our share of the additional capital to be approximately \$50 million.

We took a similar approach at our offshore oil services operation at the beginning of the year, and since then the outlook for the business has continued to improve driven by tightening industry fundamentals and higher customer activity levels. On the back of this positive shift in customer sentiment, the business recently finalized customer approvals for the long-term redeployment of two FPSO vessels on new field developments. Each of these redeployments is a major milestone for the business, providing increased certainty to its longer-term earnings and cash flows.

## **Balance Sheet and Liquidity**

We ended the quarter with \$1.4 billion of liquidity at the corporate level and over \$7 billion of available liquidity within our operations, providing us ample capacity to continue supporting our growth.

We have no significant maturities coming due over the next twelve months. With the majority of our refinancing needs behind us, we have flexibility to opportunistically manage our maturities over the next few years.

We are continuing to take a balanced approach to capital allocation. Our near-term focus is to reduce the borrowings on our corporate credit facility which we have drawn to bridge the funding of our considerable growth activities over the past year. Proceeds generated from the sale of Westinghouse, which we expect to close imminently, should meaningfully advance these efforts and lower our overall borrowing costs.

## **Operating Results**

Adjusted EBITDA increased approximately 7% over the prior year, supported by resilient performance of operations on a same store basis.

### **Industrials**

Our Industrials segment generated third-quarter Adjusted EBITDA of \$218 million. Strong performance at our advanced energy storage operation was offset by reduced contribution from graphite electrode operations and our Western Canadian energy related operations.

Our advanced energy storage operation is on track to generate record calendar year financial results. Demand for advanced batteries, which are the low voltage battery of choice for nearly every electric vehicle manufacturer, continues to outpace existing global production capacity. This shift in technology is a significant tailwind to performance. The business is the global leader in advanced battery production and today advanced battery sales comprise approximately 30% of its overall battery volumes compared to less than 15% of total volumes five years ago. Growing volumes of these batteries, which are technologically superior to standard low voltage batteries and more profitable, will continue to be a source of revenue and margin expansion for the business.

Margin performance at our engineered components manufacturing operation continues to improve. Inflationary pressures have eased while progress achieved on cost and commercial optimization initiatives is offsetting the impact of reduced volumes.

### **Business Services**

Our Business Services segment generated third-quarter Adjusted EBITDA of \$238 million driven by strong results at our dealer software and technology services operation and residential mortgage insurer.

Our dealer software and technology services operation continues to perform well. The majority of near-term cost optimization initiatives are nearing completion, and the business is on track to achieve an annualized increase in EBITDA of nearly \$250 million by the end of the year. We are now focused on the next phase of our transformation plan to enhance growth and retention through a series of product enhancements. This includes continuing to innovate and enhance the business' core software offering and launching a packaged suite of products designed to enhance the overall customer experience.

Our residential mortgage insurer is performing well and in line with expectations. Despite the impact of higher mortgage rates and reduced affordability in Canada, mortgage delinquencies remain low and home prices are still approximately 40% above pre-pandemic levels. As unemployment levels increase we expect claims on losses in the business, which have been unusually low since the pandemic, to approach long-term average levels. The business is well capitalized and continues generating strong cash flow to support ongoing cash distributions.

## Infrastructure Services

Our Infrastructure Services segment generated third-quarter Adjusted EBITDA of \$228 million driven by improved performance at our work access services operation and resilient performance at our modular building leasing services operation.

We are continuing to make good progress at our lottery services operation. Initiatives to optimize the supplier base and renegotiate key vendor contracts are benefiting results as inflationary pressures subside. During the quarter the business secured a new long-term contract with the lottery operator in New Zealand to support its retail and digital lottery offerings, further enhancing its global competitive position. In total, new contract wins secured since the start of the year should increase annual EBITDA of the business by over 10% once fully ramped up.

## Closing

While we are prepared for uncertainty in business conditions to persist for some time, our business should continue to generate strong performance.

For years, some of the best investments we have made were during periods of volatility and uncertainty like today, where the competition for assets and businesses is reduced. Should volatility persist, we expect opportunities will emerge to acquire high-quality businesses from owners who do not have access to capital.

It was great to see many of you at our annual Investor Day which we held in September. If you missed it, the webcast is available under the *News & Events* section of our website.

Thank you for your continued interest in Brookfield Business Partners and your ongoing support. Please do not hesitate to reach out to any of us should you have suggestions, ideas or comments you wish to share as partners in our business.

Sincerely,



Cyrus Madon  
Chief Executive Officer



Anuj Ranjan  
President

November 3, 2023

### **Cautionary Statement Regarding Forward-looking Statements and Information**

*Note: This letter to unitholders contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of applicable Canadian and U.S. securities laws, including the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Brookfield Business Partners, as well as regarding recently completed and proposed acquisitions, dispositions and other transactions, and the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “seeks”, “intends”, “targets”, “projects”, “forecasts”, “views”, “potential”, “likely” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could.”*

*Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, investors and other readers should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of Brookfield Business Partners to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information.*

*Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: general economic conditions and risks relating to the economy, including unfavorable changes in interest rates, foreign exchange rates, inflation and volatility in the financial markets; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including our ability to complete dispositions and achieve the anticipated benefits therefrom, including the anticipated sale of Westinghouse; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes and pandemics/epidemics including COVID-19; the possible impact of international conflicts, wars and related developments including Russia’s invasion of Ukraine, terrorist acts and cyber terrorism; and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States including those set forth in the “Risk Factors” section in our 2022 annual report for the year ended December 31, 2022 filed on Form 20-F.*

*Statements relating to “reserves” are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described herein can be profitably produced in the future. We qualify any and all of our forward-looking statements by these cautionary factors.*

*We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements and information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.*

### **Cautionary Statement Regarding the Use of Non-IFRS Measures**

*This letter to unitholders contains references to Non-IFRS measures. Adjusted EBITDA and Adjusted EBITDA margin are not generally accepted accounting measures under IFRS and therefore may differ from definitions used by other entities. We believe these are useful supplemental measures that may assist investors in assessing the financial performance of Brookfield Business Partners and its subsidiaries. However, Adjusted EBITDA and Adjusted EBITDA margin should not be considered in isolation from, or as substitutes for, analysis of our financial statements prepared in accordance with IFRS.*

*References to Brookfield Business Partners are to Brookfield Business Partners L.P. together with its subsidiaries, controlled affiliates and operating entities. Unitholders’ results include limited partnership units, redemption-exchange units, general partnership units, BBUC exchangeable shares and special limited partnership units. More detailed information on certain references made in this news release will be available in our Management’s Discussion and Analysis of Financial Condition and Results of Operations in our interim report for the third quarter ended September 30, 2023 furnished on Form 6-K.*