Brookfield Business Partners – Q4 2025 Results Conference Call & Webcast
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Corporate Speakers:
- Anuj Ranjan; Brookfield Business Partners L.P.; Chief Executive Officer
- Jaspreet Dehl; Brookfield Business Partners L.P.; Chief Financial Officer
- Adrian Letts; Brookfield Business Partners L.P.; Managing Partner
- Alan Fleming; Brookfield Business Partners L.P.; Managing Director

Participants:
- Devin Dodge; BMO Capital Markets, Research Division; Analyst
- Gary Ho; Desjardins Capital Markets, Research Division; Analyst
- Bart Dziarski; RBC Capital Markets, Research Division; Analyst

PRESENTATION

Operator^ Welcome to the Brookfield Business Partners Fourth Quarter 2025 Results Conference Call and Webcast. The conference is being recorded. Now I'd like to turn the conference over to Alan Fleming, Head of Investor Relations. Please go ahead, Mr. Fleming.

Alan Fleming^ Thank you, Operator. And good morning. Before we begin, I'd like to remind you that in responding to questions and 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.

We'll begin the call today with Anuj Ranjan, our Chief Executive Officer, who will provide an overview of the year and an update on our strategy. Anuj will then turn the call over to Adrian Letts, Head of our Global Business Operations team, to share some observations on the global operating environment and progress we've made on our value creation plans. Jaspreet Dehl, our Chief Financial Officer, will then discuss our financial results for the year. After we finish our prepared remarks, the team will be available to take your questions. I'd now like to pass the call over to Anuj.

Anuj Ranjan^ Thanks, Alan. And good morning, everyone. Thank you for joining us on the call today.

2025 was an excellent year for BBU and the execution of our strategy to continue compounding value for our shareholders.

Over the past year, we generated more than $2 billion of proceeds from capital recycling, repaid roughly $1 billion of our corporate borrowings, invested $700 million in four growth acquisitions and repurchased about $235 million of stock at a significant discount to intrinsic value. We also delivered strong underlying financial performance, driven by the continued execution of our value creation plans which Adrian will get into more later.

In addition, we're close to completing our corporate reorganization which will result in us being a single newly listed corporation. This is a big change, and we think that it will improve our trading liquidity, double the index-driven demand for our shares and make it easier for investors globally to invest in our business. We received the required unit and shareholder approvals earlier this month, and we're on track to complete the conversion over the coming weeks, pending final regulatory approval.

Stepping back, we created our business about a decade ago with a simple purpose to provide public market investors with access to Brookfield's global private equity capabilities which has compounded value at exceptional rates for over 25 years.

The strategy is straightforward. We find great businesses. We buy them for reasonable value, and we execute on our operational plans to improve performance. More than half of the value we have historically realized has come from improving the businesses we own. In a world where returns can no longer depend on falling rates, cheap financing, or multiple expansion - our approach to operational excellence matters more than ever.

This is the environment that our business was built for and two forces are accelerating demand for that strategy.

First, deglobalization is reshaping supply chains, causing businesses to rethink sourcing, manufacturing, and distribution strategies - which require both capital and significant change management expertise. Just to illustrate this, CapEx in U.S. manufacturing has grown from $50 billion in 2020 to nearly $250 billion in 2025.

At the same time, AI is reshaping industrial and essential services businesses, not just the technology platforms behind the models. The beneficiaries will be those who can implement tools to automate processes, reduce costs, address labor shortages and transform analog systems to digital operations. The opportunity is massive - but the constraint isn't technology. It's experienced operators who could implement real change and properly transform business.

That is where we stand apart: our integrated operating model, combining investment capabilities with decades of operating expertise and leveraging the power of the $1 trillion Brookfield ecosystem - has underpinned our returns for decades, and will continue to differentiate our approach to value creation.

It's an exciting time for BBU. The market backdrop for what we do is as attractive as it has been in years, and the value proposition for our investors is as strong as ever:

First, our trading price is 50% higher than it was a year ago, but still at a material discount to NAV which continues to grow. Second, we own market-leading providers of vital products and services which underpin the durability of our cash flows. And lastly, every dollar that is recycled is reinvested by the same Brookfield team which has compounded capital at exceptional rates for decades.

We made great progress over the past year and are well positioned with the capital and capabilities to continue building value in 2026.

With that, I'll turn it over to Adrian for an update on the operating environment and the progress we're making on our value creation plans.

Adrian Letts^ Thank you, Anuj. And good morning, everyone.

Starting with some observations on the operating environment. While select regions and sectors continue to have their challenges, the overall backdrop remains relatively stable.

In North America, conditions are benefiting from easing rates, steady consumer spending and resilient labor markets. Demand is holding up - although near-term growth is still hard to come by in certain end-markets where sentiment and the pace of capital spending remain more measured. Longer-term structural trends around reshoring, automation and the repositioning of critical supply chains are taking hold as businesses respond to evolving trade policy and geopolitical uncertainty.

In Europe, conditions are more challenging. Activity has been slower in some cyclical and industrial end-markets, including construction and certain more CapEx-sensitive manufacturing segments where customer decision-making remains slow. That said, we're seeing some early signs of improvement, supported by increased fiscal spending in countries like Germany, stabilizing energy prices and more accommodative monetary policy across most parts of the region to promote growth.

As you know, we have teams on the ground across all the regions we operate - deeply embedded within our businesses, focused on implementing our operating playbook and working closely with our management teams to advance our value creation plans.

One of the best examples of our approach in action is at Clarios, which is coming off another record calendar year performance. Since our acquisition, underlying annual EBITDA has increased 40% - or almost $700 million - and we see a path to a similar level of growth over the next five years as the team continues to execute. We're working closely with management on initiatives to strengthen operational efficiency, enhance Clarios' pricing and commercial strategy and push forward the innovation of new product technologies. At the same time, to meet the growing demand for high performance advanced batteries, the business is investing to expand its advanced battery manufacturing capacity, enhance recycling and critical mineral recovery capabilities and accelerate its state-of-the-art manufacturing capabilities - all supported by strong cash generation and U.S. manufacturing tax credits.

We've also made excellent progress over the past year at Nielsen, our audience measurement operation. Since our acquisition, the business has executed about $800 million of cost savings, including over $250 million achieved in the past year, increasing EBITDA margins by more than 350 basis points. Most of the improvements have been driven by organizational simplification, automation and reduction of third-party spend. On the back of the strong performance, the business recently completed two refinancings, which combined with the debt paydown will result in about $90 million of annual interest savings.

The team at DexKo has done great work to manage through weak end market conditions. While overall volumes are down for the year, full year EBITDA was up low single digits and margins have held up in line with levels at acquisition - driven by our continued focus on cost optimization, commercial execution, and productivity improvements. It's still early days, but we're cautiously optimistic that volumes are stabilizing with new business wins, positioning DexKo well for a broader market recovery when it comes.

Outside of North America - performance at Network, our Middle East payment processor, is tracking in line with our expectations. Over the past year, the team has driven meaningful operational improvements - upgrading the core technology platform, optimizing the cost base, improving Network's e-commerce offering and expanding value-added services, particularly around data analytics, fraud and loyalty solutions. We've also strengthened the leadership team, made significant progress on combining the business with our legacy payment processing operation in the region and closed an add-on acquisition - driving both operational and scale efficiencies to position the business for its next phase of growth.

We've been busy over the past year and are encouraged by the momentum we're seeing across our businesses. Execution has been strong, and our value creation plans are progressing well. Where we are seeing weaker end-market conditions, our teams have leaned in to protect margins and strengthen cash generation to ensure we're best positioned for when conditions improve.

With that, I'll hand it over to Jaspreet for a review of our financial results, and will be available for questions.

Jaspreet Dehl^ Thanks, Adrian. And good morning, everyone.

We generated full year Adjusted EBITDA of $2.4 billion compared to $2.6 billion in 2024. Current year results reflect the impact of lower ownership in three businesses following the partial sales of our interests and include $297 million of tax credits, compared to $371 million in the prior year.

Excluding the tax credits and the impact of acquisitions and dispositions, Adjusted EBITDA was $2.1 billion compared to $2 billion in the prior year.

Adjusted EFO for the year was $1.2 billion which included $161 million of net gains during the year.

Turning to segment performance.

Our Industrial segment generated full year Adjusted EBITDA of $1.3 billion compared to $1.2 billion last year. Excluding the impact of acquisitions, dispositions and tax benefits, segment performance increased by 10% compared to prior year.

Results benefited from strong performance at our advanced energy operations, driven by the favorable mix of higher-margin batteries and strong commercial execution. Performance of our engineered components manufacturer increased over the prior year, supported by margin improvement initiatives and commercial actions despite weak end-market conditions.

Moving to our Business Services segment, we generated full year Adjusted EBITDA of $823 million compared to $832 million last year. On a same-store basis, Adjusted EBITDA increased by approximately 5% over the prior year.

Results at our residential mortgage insurer during the year reflect the timing impact of slower revenue recognition under the IFRS 17 accounting standard given uncertain Canadian economic forecast. Volumes of new insurance premium increased during the year, reflecting the benefit of new mortgage insurance products which have expanded the market and helped improve affordability in an otherwise soft Canadian housing market. At our dealer software and technology services operation, stable renewal activity and commercial initiatives are largely offsetting the impact of churn in the business. Costs associated with the modernization initiatives were included in results during the year and will continue to impact results through 2026.

Finally, our Infrastructure Services segment generated full year Adjusted EBITDA of $436 million compared to $606 million last year. Results reflect the sale of our offshore oil services shuttle tanker operation and a $14 million impact related to the sale of a partial interest in our work access services operation earlier this year.

Improved margins and the ongoing ramp-up of our recent commercial wins at our lottery services operation was offset by the impact of lower terminal deliveries and hardware sales during the year. The business continues to execute on a strong pipeline of new commercial opportunities including the recent full rollout of its U.K. digital service offering. Our modular building leasing services operation was impacted by lower activity levels and fleet utilization, which was partially offset by continued growth of value-added products and services.

Turning to our balance sheet and capital allocation priorities.

We ended the year with approximately $2.6 billion of pro forma liquidity at the corporate level including the fair value of units we received in exchange for the sale of a partial interest in three businesses to a new Brookfield evergreen fund last year. During the quarter, $87 million of the units we received were redeemed. We came into 2026 with a strong liquidity position and significant flexibility to support our growth and balanced capital allocation priorities.

Credit markets remain quite constructive and we completed more than $20 billion of financings over the past year across our operations, extending maturities, improving terms and reducing the cost of refinanced borrowings by over 50 basis points.

Finally, to date, we've repurchased approximately $235 million of our units and shares at an average price of approximately $26 per unit and share. We remain committed to completing our $250 million buyback program and beyond that we will be opportunistic with respect to further repurchase activity.

With that, I'd like to close our prepared remarks and turn the call back to the operator for questions.

QUESTIONS AND ANSWERS

Operator^ And our first question comes from the line of Devin Dodge with BMO Capital Markets.

Devin Dodge^ Yes. Thank you. I wanted to start with a question on Clarios. The business is clearly performing very well. Just wondering if we should be assuming that once the 45x tax credits start to come in, should we look at that as being a bit of a tipping point for when Brookfield could get more front-footed on monetizing that business? Or are there other factors that we should be thinking about?

Jaspreet Dehl^ Hi Devin, it's Jaspreet. Clarios is an incredible business, a global champion industrial business that doesn't come around very often.

The business is generating a lot of free cash flow today and the 45x credits just add to that cash and reinvestment into further growth for the business. We've got a lot of optionality around the business and getting proceeds up to shareholders, whether that's doing a distribution, doing some kind of monetization event - there's a lot of optionality when you've got such an incredible business.

We're constantly thinking about that, whether it's Clarios or any of our mature businesses - how do we get cash and distributions back up to shareholders, and that will be a focus for us.

Devin Dodge^ Okay. Makes sense. Do you have line of sight for when those production credits should start to be received? And would you ever consider selling these credits to third parties to pull forward the timing? I think we've seen that from some others or just the discounts for that be too steep right now.

Jaspreet Dehl^ We filed our return, that's being processed. We had third-party independent advisers going to verify everything and we feel very good about qualifying and getting these credits. The timing is hard for us to predict but we do know that it's being processed. And in due course, we should receive it.

So I'd say from that perspective, we feel good. When we applied for the credit, we had a choice of getting cash back or getting it in a form that's transferable. And for the 2024 credits, we did choose to get cash back. So at this point, we're not looking to sell the credits and we should, in due time, get the cash from the IRS.

Devin Dodge^ Okay. Good color there. Maybe just switching over to Scientific Games. We thought it was encouraging to see the sequential pickup in earnings this quarter. So just wondering if you feel the business has passed an inflection point where it's on an earnings growth trajectory from here? Or were there developments in Q4, at least versus Q2 or Q3 that were more of a one-time benefit that should temper the enthusiasm.

Adrian Letts^ It's Adrian speaking. I think the first thing to say is we're very pleased that the market launch in the U.K. has gone successfully last week.

You are starting to see the benefit of crystallization in earnings of the pipeline. We still continue to see a relatively strong pipeline for this business.

But to manage expectations, it takes anywhere between 6 to 12 months for earnings to come through. We remain very positive about the business. We think there's a strong market. The business has a very strong market position. But the outlook, we're cautiously optimistic.

Devin Dodge^ And then maybe just one last one. On Scientific Games, we saw that there was a credit rating downgrade this month. How do you think about the balance between the need to reduce leverage and pursuing growth in that business?

Jaspreet Dehl^ Look, if you can grow EBITDA, that reduces your overall leverage level.

Our thesis when we bought this business was two-fold. We thought, as Adrian said, the business has an incredible market position. They've got a good team that could go after contracts, win these great contracts, and we saw the ability to really grow this business, both in the U.S. and globally, both in the instant gaming, but more importantly on the digital side. So that continued focus on the growth and increasing EBITDA should naturally de-lever the business.

And then in addition to that, as we move forward and as we start thinking about eventual monetization, we can decide where we use free cash flow, whether it's to pay down debt or other purposes, but growth is an important lever to hit our original underwriting and the investment thesis on this business. So we are focused on that.

And maybe the other thing I'd say is - this is a fairly stable business with contracted revenues. You generate a stable level of free cash flow and the business is more than equipped to service the debt that's in place. And in the fullness of time the business will naturally de-lever.

Operator^ Our next question comes from the line of Gary Ho with Desjardins Capital Markets.

Gary Ho^ Maybe just going back to Clarios. I recall there was an insurance contract arrangement. Just wondering if you can remind me how that works. If the payment is a bit delayed, is it by a certain time that Clarios would get a payment. Just curious if you can provide a bit more detail on that.

Jaspreet Dehl^ Sure, Gary, it's Jaspreet.

So like I said, we feel really good that we qualify under the regulations, and we will receive the 45x credits. We got third-party advisers involved to verify and support our claim. So we do believe in due course, we will get paid through the normal channels.

When we filed the return, just given some of the overall changes that were taking place in the government, we had insured a substantial amount of the credit. And look, if we don't end up getting paid through the IRS, then we'll have to go through the insurance claim channel.

But at this point, we feel really good that we will get paid out, but there is the backup of the insurance if we don't receive payment from the IRS, but we have to wait to see what they come back with before we do anything on the claim.

Gary Ho^ Okay. Got it. And then my second question, maybe moving on to discussion on monetization environment and outlook. Outside of the evergreen fund - can you talk about some of the mature assets - BRK and La Trobe. I think public market multiples are pretty healthy today. Just wondering if you can comment on the IPO environment as well.

Anuj Ranjan^ Yes, it's Anuj here. I'll take that one.

The environment is strong, generally, around the world and capital is available for monetizations.

For us, we review our portfolio on a regular basis, and we try to prioritize the businesses where we've executed our value creation plans and we can realize the full and right value for the business after derisking it. And you hit on the two that are definitely in that category.

BRK, I'd say in Brazil, the IPO markets open up every so often. They seem to be opening up again right now. Interest rates feel like they have peaked. And the BRK business has been performing exceptionally well, double-digit growth and actually winning a new concession very recently. So it feels like the right time for a listing of BRK, and it's something that we're very strongly evaluating and continuing to make progress on.

On La Trobe, an amazing business that has done extremely well in our ownership. We really pivoted the business from more of a non-bank model to a fixed income asset manager, which gets more of a premium in terms of valuations. As you know there was a regulatory notice that was dealt with and resolved. The business has had inflows come back very strongly. We're reengaging now with parties that could lead to some sort of return of capital in the future, and let's say, all options are on the table.

Gary Ho^ Okay. Just on the buyback, Jaspreet, I think you mentioned your $235 million into your $250 million NCIB program. Stock still trades below your $54 NAV, how should we think about your commitment to renew the buyback this year?

Jaspreet Dehl^ The stock's done incredibly well this year, as Anuj mentioned in his opening comments, and we're happy about that, but it still continues to trade below our view of intrinsic value. We're committed to completing our $250 million buyback program. And we did renew the NCIB in August, and we've got quite a bit of capacity under the NCIB.

Beyond the $250 million program, we'll continue to be opportunistic, as we always are and where we see opportunities to buy back at material discounts to intrinsic value we will continue to be active.

We're also balancing our capital allocation priorities between buybacks and continuing to pay down corporate lines and invest in further growth of the business.

Operator^ And our next question comes from the line of Bart Dziarski with RBC Capital Markets.

Bart Dziarski^ I wanted to ask around CDK. If you could just give us an update. I think you talked about some retentions and new bookings. So any additional color you can provide on how operations are going there.

Adrian Letts^ Thank you, Bart. It's Adrian. I'll talk to that.

As you know we're continuing to invest in modernizing the tech stack and the product proposition. And some of that cost will continue to come through as we go through 2026.

The focus of the business is very much adoption and increasing the adoption of the new technology that we're rolling out which is helping to stabilize churn. Renewal activity has been strong - we won a large multi-site dealership extension. And the focus of the team has really been on solidifying customer relationships and extending contract duration and over half of the contracts now have a duration of over three years.

The business has a very strong market position, a very strong product, and we remain very positive on the business and its longer-term outlook.

Bart Dziarski^ Okay. Great. And then just following up on the attractive market backdrop. So we talked about monetization, but any thoughts you can provide in terms of deployment. It was a pretty healthy year last year with, I think, $700 million or so. How should we think about the pace of deployment this year as you try and take advantage of the environment?

Anuj Ranjan^ Yes, it's Anuj here.

If we look back at 2025, it was quite a strong year, and we were able to make several acquisitions of the kind of businesses that we want to own, at the values at which we want to acquire them. And the performance, while early, is quite strong.

Going into 2026, it feels that we will continue with that momentum. And the team is working on many different opportunities, things that we consider right down the fairway, similar to what you've seen us do in the past. And there are some exciting opportunities that are coming up ahead. I think it will be a very active year.

Operator^ Thank you. And I'm showing no further questions. I'll hand the call back over to management for any closing remarks.

Anuj Ranjan^ Thank you all for joining us. And we look forward to speaking with you again next quarter.

Operator^ Ladies and gentlemen, thank you for participating. This does conclude today's program. And you may now disconnect.