

Brookfield

Business Partners



Brookfield Business Partners (TSX: BBU)

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Agenda

Brookfield Business Partners

1 Company Overview

2 Industry Overview

3 Investment Thesis

4 Catalysts and Risks

5 Recommendations

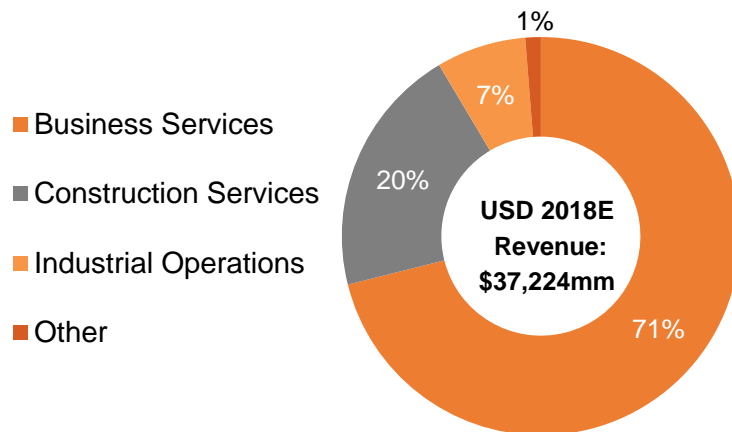
6 Appendix

Company Overview

Business Description

- Brookfield Business Partners (TSX: BBU) is the primary public vehicle in which Brookfield owns and operates the business services and industrial operations of its private equity group
- Their long term investment objective is to achieve a long term return of at least 15-20%
- BBU was originally founded in 2016 through a spin-off from Brookfield Asset Management
- The firm holds over 30 years of experience investing in assets and ability to leverage Brookfield's network

2018 Segmented Revenue



Management Team



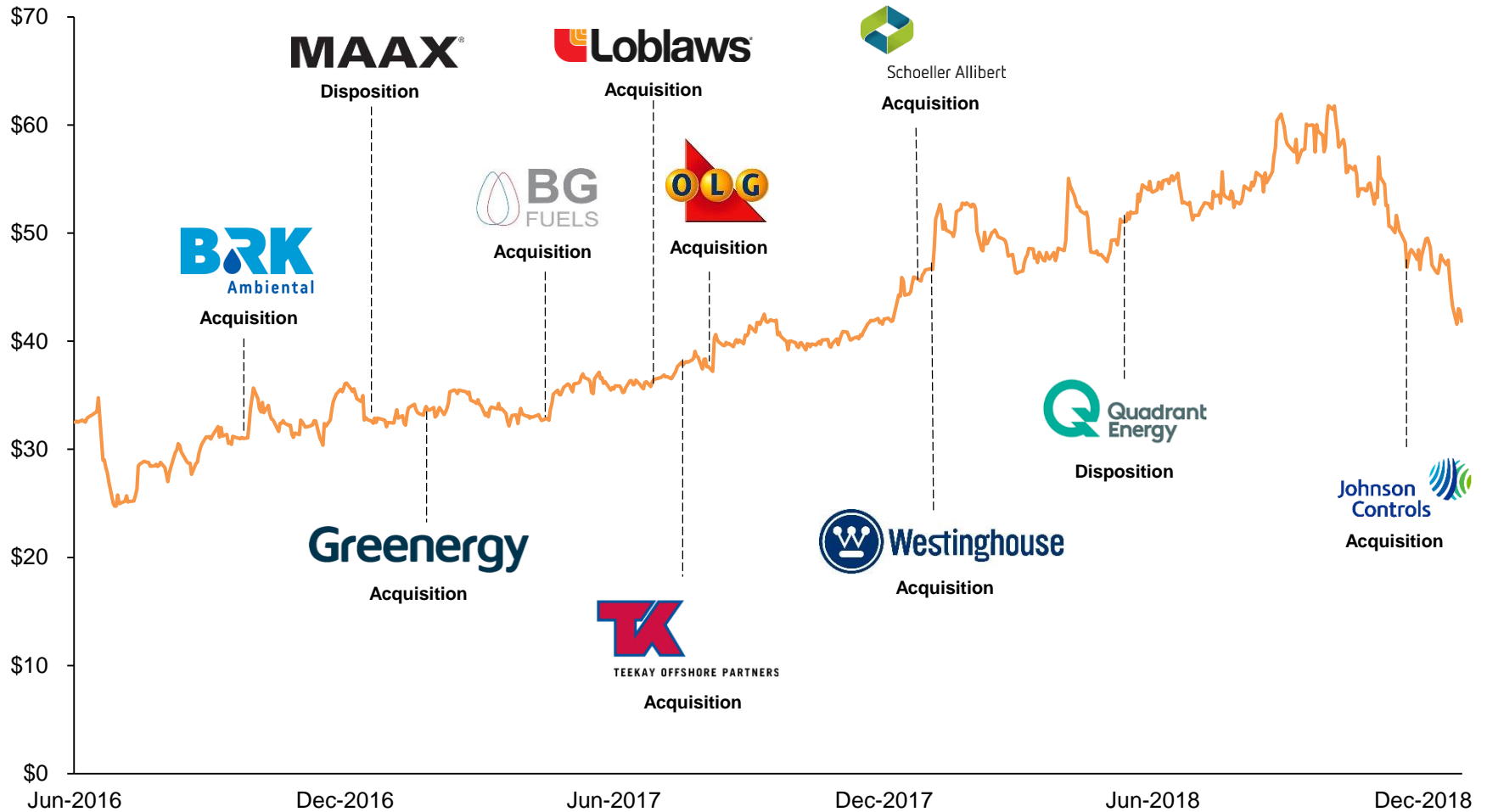
Name	Cyrus Madon	Joe Freedman	Craig Laurie	Jaspreet Dehl
Position	CEO	Senior Vice-Chairman	Head of Capital Markets	CFO
Years of Exp.	20+	15+	10+	25+
Background	Previously head of Brookfield's Corporate Lending business	Holds a J.D and previously a part of Brookfield's General Counsel	Previously CFO and holds a B.Comm from Queen's University	Previously a part of the Financial Advisory Services at Deloitte

Recent Acquisitions

Company	Business Model
JOHNSON ELECTRIC	Produces batteries used in 1/3 vehicles around the world
Schoeller Allibert	Prominent returnable packaging company in Europe
ONE TORONTO GAMING	Largest gaming concession in Canada
Westinghouse	Global leader in infrastructure services to nuclear power plants
BRK Ambiental	Largest private water and wastewater company in Brazil

Company Overview (cont'd)

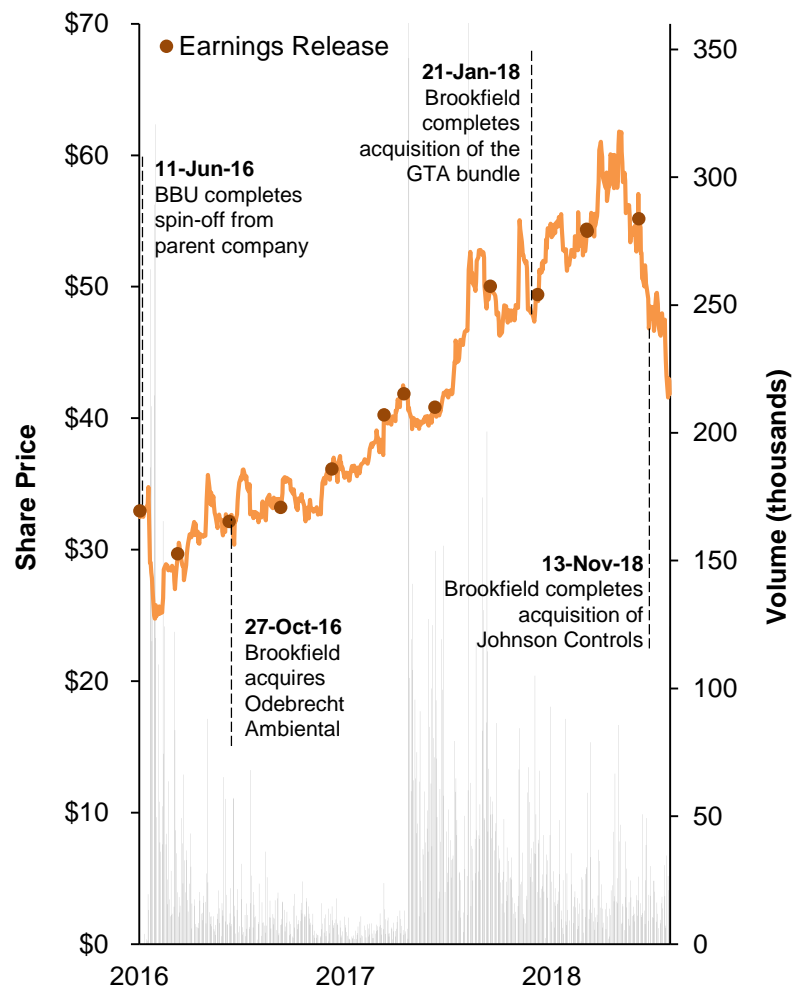
Mergers & Acquisitions History



Source(s): Bloomberg, Company files

Company Overview (cont'd)

Price-Volume Performance



Capitalization Table

TSE: BBU Share Price (29-Dec-18)	\$42.15
LP Units	66
Redemption Exchange Units	63
Diluted Securities	-
Market Capitalization (\$CAD)	5,450
CAD-USD FX Rate	\$0.74
Market Capitalization (\$USD)	4,008
Less: Cash & Equivalents	(1,770)
Less: Short-Term Investments	(292)
Add: Short-Term Debt	1,003
Add: Current Portion of Long-Term Debt	1,172
Add: Long-Term Debt	9,693
Add: Minority Interest	4,957
Enterprise Value (\$USD)	18,771
USD-CAD FX Rate	\$1.36
Enterprise Value (\$CAD)	25,522
2018E EBITDA (\$USD)	968
2019E EBITDA (\$USD)	1,127
2018E EPS (\$USD)	\$3.13
2019E EPS (\$USD)	\$4.81
EV / 2018E EBITDA	19.4x
EV / 2019E EBITDA	16.7x
P / 2018E EPS	9.9x
P / 2019E EPS	6.4x

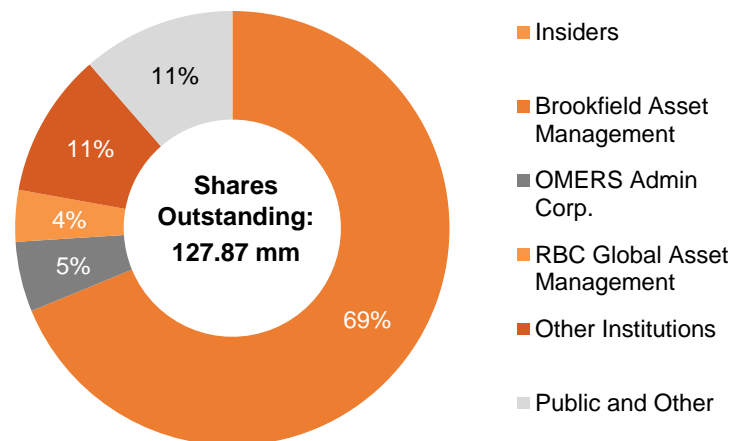
Company Overview (cont'd)

Shareholder Summary

(in millions)

	<u># of Shares Held</u>	<u>% of Shares Outstanding</u>
Insiders		
Donald MacKenzie	13.4	0.01%
John Stewart Lacey	10.5	0.01%
Stephen J. Girsky	9.4	0.01%
Craig J. Laurie	9.1	0.01%
Other Insiders	22.9	0.01%
Total Insiders	65.3	0.05%
Institutions		
Brookfield Asset Management	87,879.7	68.80%
OMERS Administration Corp.	6,673.8	5.22%
RBC Global Asset Management Inc.	4,907.5	3.84%
CIBC Asset Management Inc.	2,635.0	2.06%
Partners Value Investments LP	1,598.1	1.21%
Manulife Asset Management	1,419.6	1.14%
BMO Global Asset Management	1,278.9	1.02%
Sentry Investments Corp.	962.2	0.75%
Acadian Asset Management	697.7	0.50%
Principal Global Investors, LLC	558.6	0.42%
Vertex One Asset Management	547.4	0.41%
Hillsdale Investment Management	500.4	0.39%
Other Institutions	3,557.5	2.81%
Total Institutions	113,216.40	88.66%
Retail & Other Investors	17.3	0.01%
Public Float	14,573.9	11.27%
Total Basic Shares Outstanding	127,872.9	100.0%

Ownership Structure



- Brookfield issued \$200 million in equity by way of private placement to OMERS in late 2017
- Insider ownership is led by MacKenzie, Lacey and Girsky all members of the Board of Directors
- Brookfield Business Partners was originally a part of its leading institutional investor, Brookfield Asset Management but spun off from the company in 2016

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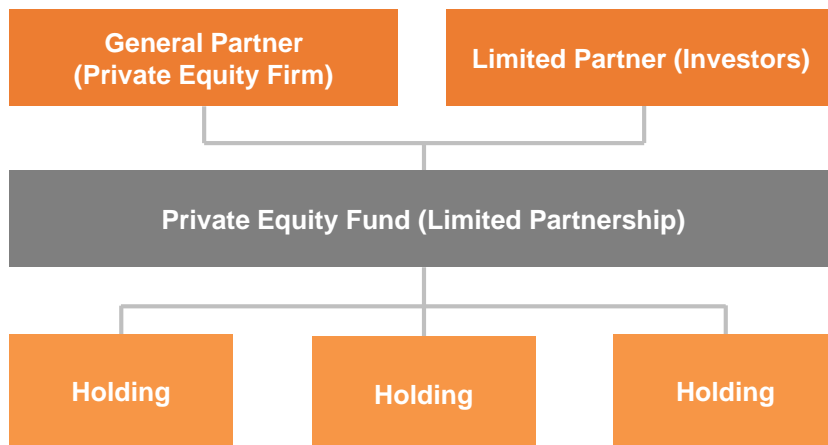
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Industry Overview: Private Equity

Private Equity Investments Structure

- Private Equity investments have two main players:
 - General Partner (GP): the PE firm
 - Limited Partner (LP): investors who commit capital to the fund
- LPs provide the majority of capital for the equity portion of the investment
 - GPs often invest alongside its LPs so that they also receive a portion of the equity upside
- Typically, a GP manages a fund on behalf of an LP

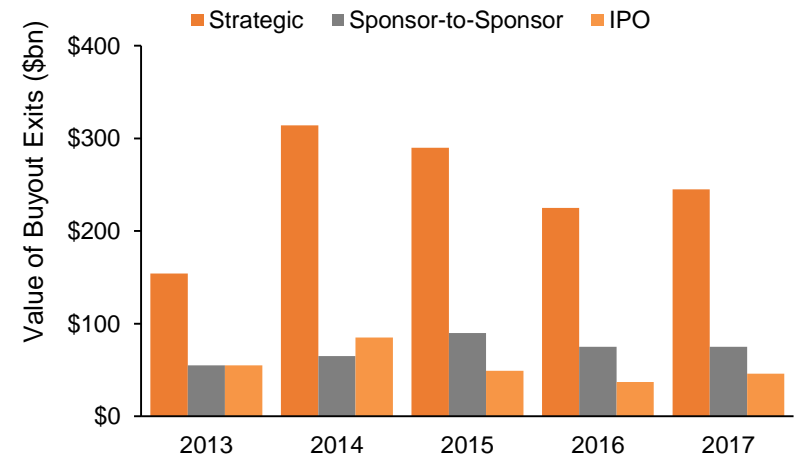
Illustration



Exit Options

- Sell to a Strategic: Most favourable as they strategic firms typically pay more than financial sponsors
- Sponsor-to-Sponsor: One private equity firm to sell stake to another private equity firm, usually at a lower price than a strategic
- IPO: Go through process of listing portfolio company private and exit stake over time
- Dividend Recapitalization: New debt is incurred at the holding company level to pay a special dividend to fund investors

Historical Exit Values by Exit Option



Industry Overview: Private Equity

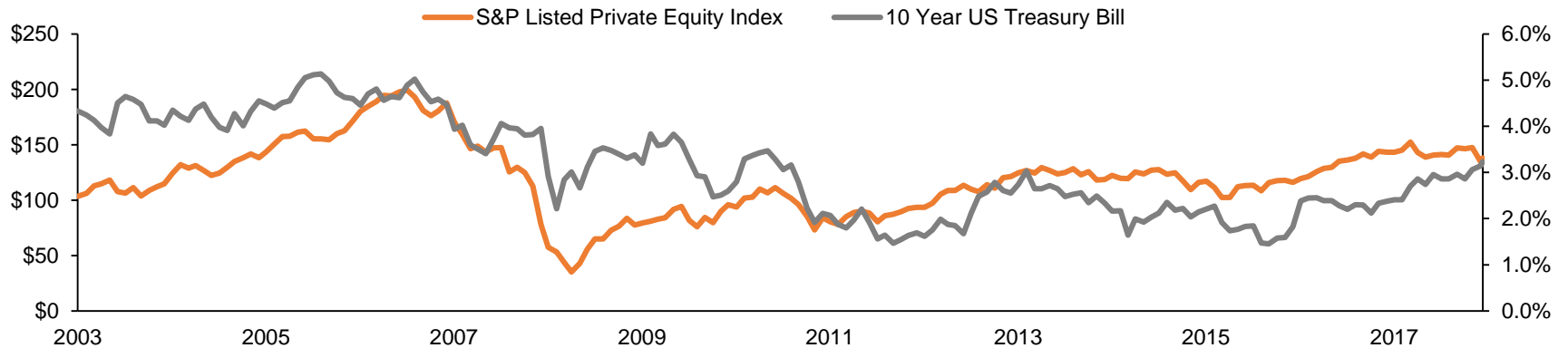
Declining Interest Rate

- Declining interest rates means investors have more funds available, as investors tend to look away from fixed income and credit securities
- Fundraising will see a boom as it reduces their periodic outflow, and thus increasing the IRR and eventually the return on investment
- Despite this, easy capital and competition over buying assets can send prices soaring
- Capital superabundance can be beneficial for sellers as IPO surges in a low interest environment

Interest Rate Hike

- Increased interest rates would have an opposite effect and would lead investors to purchasing fixed income and credit securities making fundraising a challenge
- An increase in the interest rate can lead to companies within private equity portfolios be open to their own risk and may cut into their bottom-line
- Exiting becomes harder as there is a decrease in demand for IPOs and asset valuation lowers
- PE acquisition activity is bound to slow down

Private Equity Conditions and the 10 Year Note



Private equity conditions are not perfectly correlated to interest rates as cheaper debt will have a positive impact on free cash flow and IRR

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Argument I: Contrarian Investment Mandate

Contrarian Investment Style

- Contrarian investing has the same characteristics of value investing with the addition that it focuses on assets that are out of favor at a respective time
- Brookfield’s formula for making contrarian investments deploys capital where it is most needed and in the shortest supply globally
- BBU tends to look for drawn out and complicated scenarios where competition in these auction processes is limited given the high risk profile
- BBU becomes net buyers when markets are depressed and net sellers when the market is inflated

Investing in Emerging Markets

- In Brazil, BBU has had discussions with large corporate groups interested in monetizing non-core assets
 - Discussions with banks regarding distressed borrowers in need of additional capital
 - Focusing on high quality businesses in markets with significant barriers of entry
- In India, the company is evaluating opportunities to recapitalize and improve businesses
 - Partnered with State Bank of India to pursue distressed opportunities

Brookfield Fund V






- Brookfield Business Partners is expected to launch its largest ever fund to support an intensified global strategy
- Brookfield Capital Partners IV closed in 2016 and was ~80% invested
 - Brookfield Business Partners has since pursued several large equity investments
- Fund V positions BBU to take advantage of distressed opportunities in the next business cycle
- BBU has been operating its private equity business for over a decade under the parent company umbrella

Precedent Fund History

Fund	Vintage	Size (\$mm)
Brookfield Capital Partners I	2006	\$1,000
Brookfield Capital Partners II	2006	\$417
Brookfield Capital Partners III	2013	\$1,000
Brookfield Capital Partners IV	2016	\$4,000

Argument I: Contrarian Investment Mandate (cont'd)

Brookfield Business Partners Key Investments

Investment	Operating Segment	Controlling Stake	Investment Highlights
	Energy	100%	<ul style="list-style-type: none"> Canada's largest producer of coalbed methane and 12th largest gas producer BBU has been able to integrate several add-on acquisitions since taking over Ember in 2011 giving them improved operating fundamentals¹
	Industrial	70%	<ul style="list-style-type: none"> Brazil's largest private water distribution, collection and treatment company Generates steady CFs through inflation-adjusted long-term take-or-pay concession contracts or service agreements with Brazilian municipalities
	Business Services	100% ²	<ul style="list-style-type: none"> Provides nuclear products and services to the power generation industry Regularly scheduled services and long-term contracts leads to stable margins and high free cash flow yield
	Business Services	49% ³	<ul style="list-style-type: none"> Right to be the sole operator in OLG's GTA Gaming Bundle for the next 22 years 3 gaming facilities: Woodbine Racetrack, Ajax Downs, & Great Blue Heron Casino Effectively operates as a monopoly due to highly regulated OLG structure and "right to first opportunity for new gaming facilities in the GTA"
	Business Services	85%	<ul style="list-style-type: none"> Provider of road fuels in the U.K. where it has >25% of the market share Fee-earning distribution business with strong margins and limited commodity exposure due to long-term contract structure with its consumers

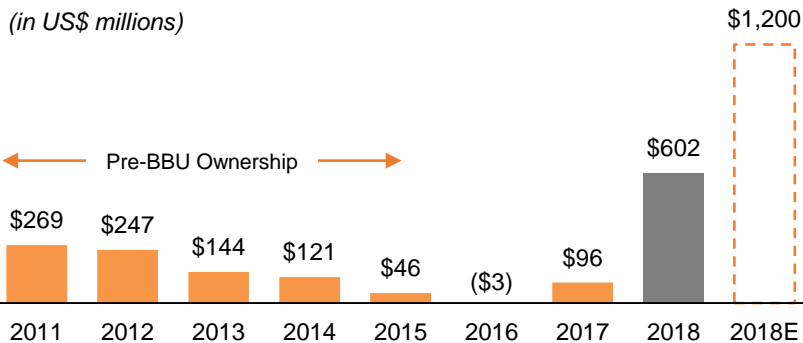
Brookfield Business Partners seeks to invest in high-quality business that fall into one of two categories: (1) buying and growing businesses and owning the for the long-term or (2) acquiring companies at attractive values and implanting operational changes

Argument I: Contrarian Investment Mandate (cont'd)

Investment Highlights: GrafTech International

Market Leader	High Barriers to Entry
Critical consumable in electric arc furnace steel production	No known substitutes in the market
High-quality graphite electrode manufacturing	Technically challenging manufacturing process
Lowest cost assets in industry	Only producer that is vertically integrated into petroleum needle coke (critical raw material in the manufacturing process)
Six suppliers provide ~90% of global capacity (ex-China)	

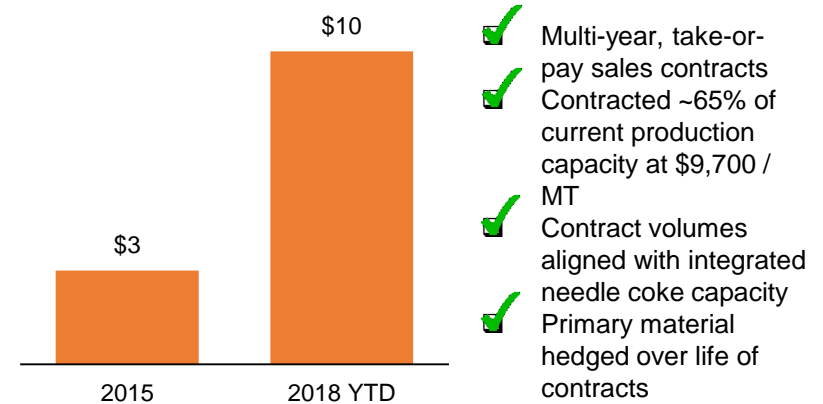
Operational Improvements



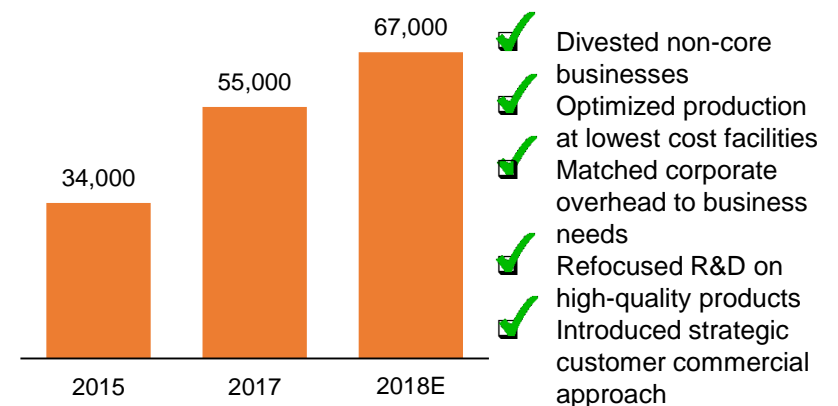
EBITDA generation through refocused strategy, operational improvement plan, and commercial repositioning

Value Creation Initiatives

Graphite Electrode Sales Price (\$000/metric ton)



Graphite Electrode Production (Average MT/Facility)



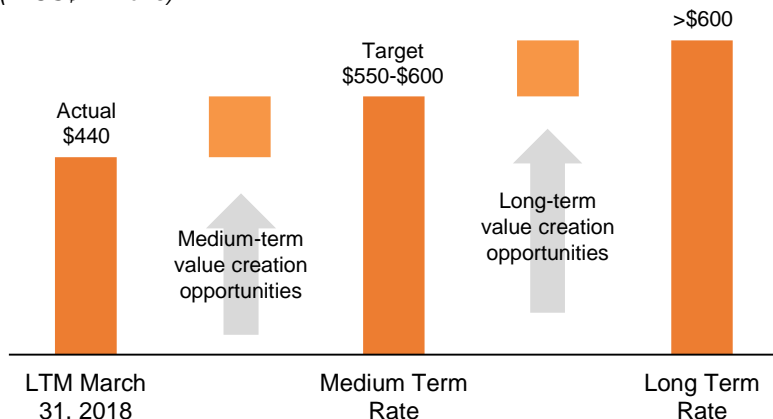
Argument I: Contrarian Investment Mandate (cont'd)

Investment Highlights: Westinghouse Electric

- BBU acquired Westinghouse Electric for ~\$4bn with ~\$920mm of equity in August 2018
- Westinghouse is a leading global provider of infrastructure services to the nuclear power
 - Provider of fuels, maintenance and repair services, plant components and engineering services
- Forced to seek bankruptcy protection in 2017 due to failure of its non-core construction business
- BBU viewed the company as a long-term strategic partner with opportunity for value creation

Westinghouse EBITDA Bridge

(in US\$ millions)



Source: Company files

Value Creation Initiatives

- | | |
|---------------------------------|--|
| Transformation Plan | <ul style="list-style-type: none"> ▪ Continue to execute holistic plan to align costs with demand ▪ Focus on margins, risk reduction, efficiencies and organizational responsiveness |
| Commercial Process Improvement | <ul style="list-style-type: none"> ▪ Align sales resources and product innovation to identified market opportunities ▪ Drive profits through new business opportunities |
| Global Supply Chain Enhancement | <ul style="list-style-type: none"> ▪ Optimize cost and delivery capabilities; maintain leading product quality ▪ Ensure a consistent make/buy decision making framework |
| Operating Model | <ul style="list-style-type: none"> ▪ Adjust the organization to be customer-centric and focused on cost to deliver ▪ Introduce an accountability-based management system |

Argument II: Effective Capital Deployment

Return on Incremental Invested Capital (ROIIC)

- The rate a company can compound capital depends on (1) what they earn on their investments and (2) the rate they deploy capital
 - There is no perfect formula to find ROIIC
- ROIIC is more forward looking than ROIC and therefore a stronger indicator of the compounding rate of a company
- Goal is to identify a business that has ample opportunities to reinvest capital at a high rate of return going forward

Long Run-Way for Growth

- Brookfield Business Partners history of effectively allocating capital to lucrative buyout opportunities leads us to believe that they are capable of managing the money that investors put in their hands
 - BBU's outstanding ROIIC supports their investing and operating competence
- Given the private equity firms healthy balance sheet and expertise in distressed situations, the next market cycle will provide the firm with more opportunities to deploy capital

Historical Return on Incremental Invested Capital

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
CapEx	\$36	\$41	\$33	\$34	\$40	\$50	\$78	\$72	\$68	\$88
Net Acquisitions	\$0	\$0	\$32	\$31	(\$357)	\$1,116	\$434	\$92	\$12	\$204
Incremental Invested Capital	\$36	\$41	\$65	\$65	(\$317)	\$1,166	\$512	\$164	\$80	\$292
EBITDA	\$36	\$79	\$84	\$83	(\$2)	\$121	\$250	\$223	\$427	\$433

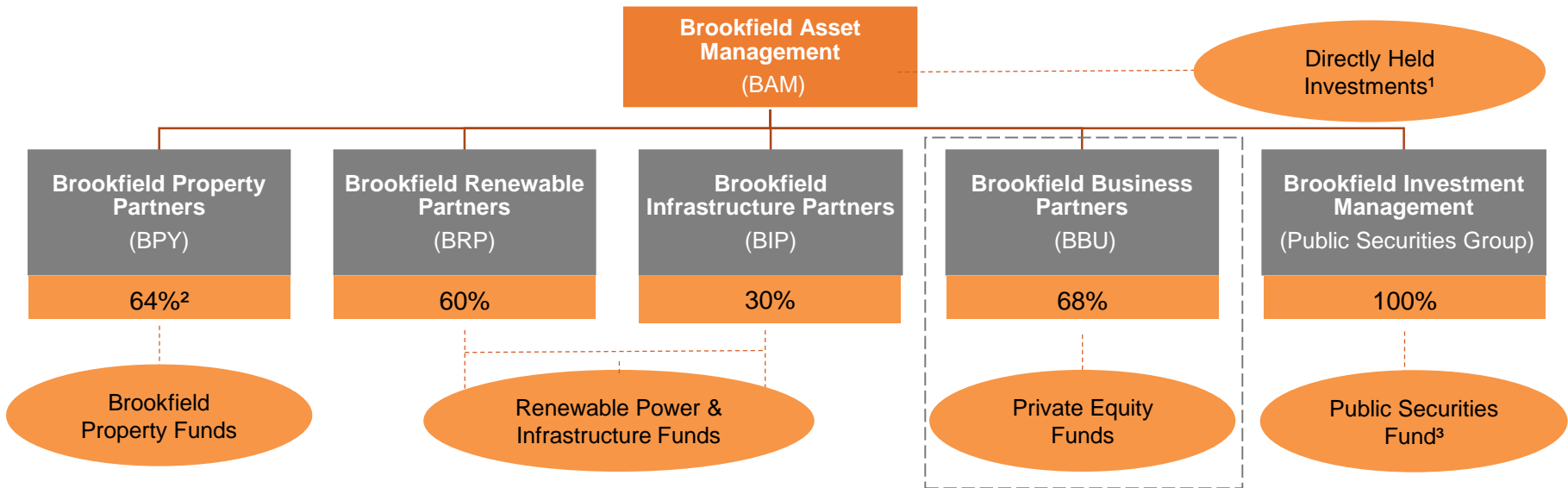
We remain positive that Brookfield Business Partners long-term, value oriented approach to investing in addition to their highly competent management team will result in a company that will continue to compound capital at high rates of return

Q1 2016 to Q2 2018 Progression

Total Cumulative Invested Capital	\$2,104
Cumulative Change in EBITDA	\$397
Return on Incremental Invested Capital	18.9%

Argument III: The Brookfield Umbrella

Brookfield Asset Management Organizational Structure



Asset Management

They provide a wide range of investment products, focused on real estate, renewable power, infrastructure and private equity

Real Estate

Office, retail, industrial, multi-family and other properties

Renewable Power

Hydroelectric, wind, solar and other power generating facilities

Infrastructure

Utilities, transport, energy, communications and agriculture

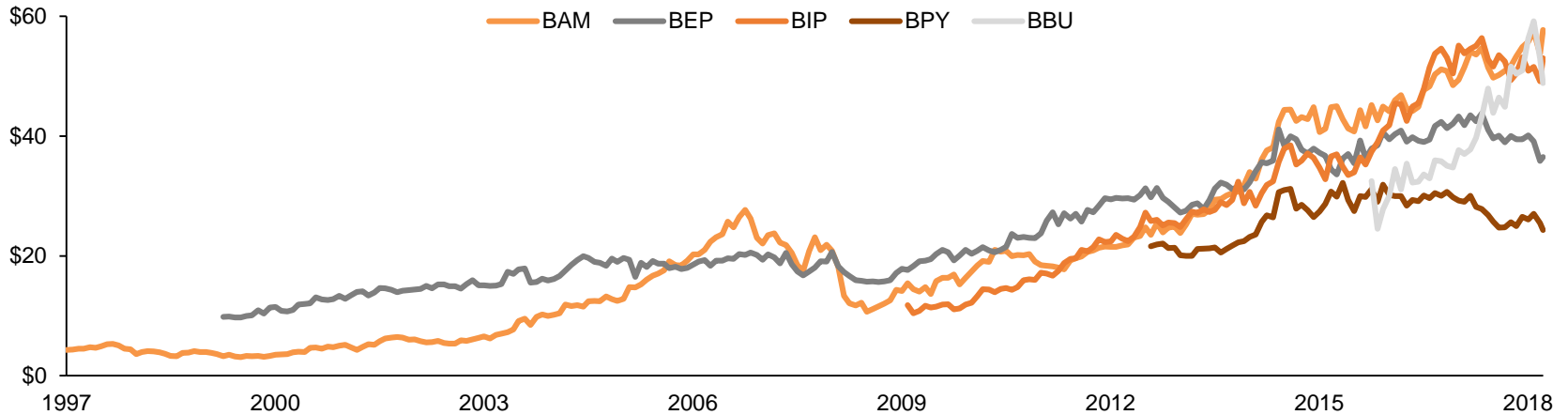
Private Equity

Construction and business services, energy and industrials

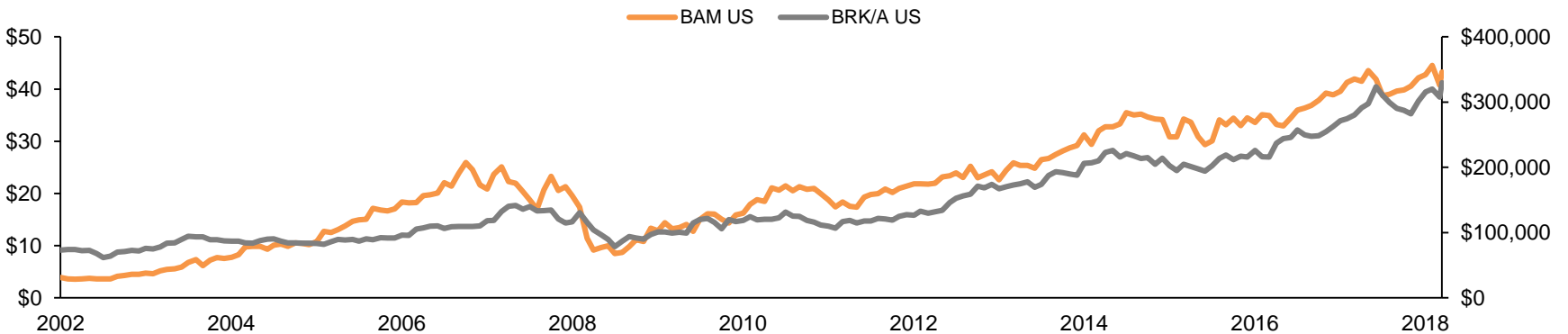
BBU is Brookfield Asset Management's investment vehicle focused on investing in the Industrials and Business Services sectors

Argument III: The Brookfield Umbrella

Brookfield Since Inception



Brookfield Asset Management vs. Berkshire Hathaway



Investing in Brookfield Asset Management would yield an 11.2x MoIC while Berkshire Hathaway would yield a 4.5x MoIC²

Argument IV: Valuation I

Sum of the Parts Analysis

Industrials

(US\$ millions)	Equity Value	Enterprise Value	P/E			EV/EBITDA			Net Debt/EBITDA
			2018E	2019E	2020E	2018E	2019E	2020E	2018E
<u>Water & Waste Water Utilities</u>									
American Water Works	\$16,429	\$24,718	27.6x	25.6x	23.9x	14.4x	13.2x	12.3x	4.8x
United Utilities	\$6,792	\$17,180	14.9x	13.6x	16.9x	12.0x	11.6x	12.6x	7.3x
Water & Waste Water Utilities Median			21.2x	19.6x	20.4x	13.2x	12.4x	12.4x	6.0x
<u>Graphite Electrode Producers</u>									
Graphite India	\$2,729	\$2,604	5.2x	6.0x	6.0x	3.4x	4.0x	4.1x	(0.2x)
Nippon Carbon	\$625	\$666	7.1x	5.4x	5.3x	4.8x	3.6x	3.2x	(0.1x)
HEG Limited	\$2,305	\$2,350	5.2x	5.3x	5.8x	3.5x	3.7x	4.2x	0.1x
Graphite Electrode Producers Median			5.2x	5.4x	5.8x	3.5x	3.7x	4.1x	(0.1x)
Industrials Median			13.2x	12.5x	13.1x	8.3x	8.0x	8.3x	3.0x

Construction

(US\$ millions)	Equity Value	Enterprise Value	P/E			EV/EBITDA			Net Debt/EBITDA
			2018E	2019E	2020E	2018E	2019E	2020E	2018E
<u>Construction</u>									
Balfour Beatty PLC	\$2,469	\$2,434	14.9x	12.3x	10.8x	1.4x	1.3x	1.2x	0.0x
CIMIC Group	\$10,551	\$9,578	18.8x	17.5x	16.8x	8.0x	7.6x	7.3x	(0.8x)
Lendlease	\$7,215	\$8,397	11.8x	11.7x	11.4x	8.7x	8.8x	8.6x	1.2x
Skanska AB	\$6,794	\$6,958	15.3x	11.6x	10.9x	10.0x	8.1x	7.7x	0.2x
Construction Median			15.1x	12.0x	11.1x	8.4x	7.9x	7.5x	0.1x

Argument IV: Valuation I (cont'd)

Sum of the Parts Analysis

Business Services

(US\$ millions)	Equity Value	Enterprise Value	P/E			EV/EBITDA			Net Debt/EBITDA
			2018E	2019E	2020E	2018E	2019E	2020E	2018E
Facilities Management									
ABM Industries	\$2,010	\$2,989	14.4x	13.1x	12.8x	9.1x	8.6x	8.1x	3.0x
CBRE Group	\$14,187	\$17,181	13.4x	12.6x	11.7x	9.6x	9.1x	8.7x	1.6x
FirstService	\$2,682	\$3,077	28.3x	24.5x	21.4x	16.5x	14.8x	13.1x	1.4x
ISS A/S	\$6,452	\$8,638	16.5x	14.2x	13.0x	11.3x	10.6x	9.9x	2.9x
Jones Lang LaSalle	\$6,384	\$7,720	13.0x	12.7x	11.9x	8.7x	8.6x	8.3x	1.5x
Facilities Management Median			14.4x	13.1x	12.8x	9.6x	9.1x	8.7x	1.6x
Fuel Distributors & Retailers									
Alimentation Couche-Tard	\$28,130	\$36,075	15.8x	14.4x	12.4x	10.5x	10.0x	9.2x	2.2x
Casey's General Stores	\$4,751	\$6,041	27.7x	25.4x	23.1x	11.3x	10.4x	9.6x	2.4x
Delek Logistics Partners LP	\$755	\$1,512	9.1x	7.4x	7.9x	8.9x	7.6x	6.9x	4.5x
Global Partners LP	\$664	\$2,036	9.6x	33.1x	24.1x	9.5x	9.1x	9.1x	6.1x
Murphy USA	\$2,592	\$3,385	18.3x	17.2x	16.4x	9.1x	8.8x	8.5x	2.1x
Parkland Fuel	\$4,058	\$5,714	25.6x	14.7x	13.3x	9.2x	6.9x	6.7x	2.7x
Sunoco LP	\$2,373	\$5,137	15.5x	12.7x	13.2x	8.9x	8.9x	8.7x	4.8x
Fuel Distributors & Retailers Median			15.8x	14.7x	13.3x	9.2x	8.9x	8.7x	2.7x
Gaming									
Boyd Gaming	\$2,682	\$5,790	18.1x	14.6x	12.2x	8.7x	6.8x	6.5x	4.7x
Churchill Downs	\$3,577	\$4,330	25.1x	19.7x	18.2x	13.2x	11.2x	10.7x	2.3x
Great Canadian Gaming	\$2,324	\$2,524	19.4x	16.5x	15.4x	8.6x	7.5x	6.9x	0.3x
Penn National Gaming	\$2,433	\$6,731	21.8x	12.5x	9.6x	6.5x	4.3x	4.2x	4.1x
Gaming Median			20.6x	15.5x	13.8x	8.7x	7.1x	6.7x	2.2x

Argument IV: Valuation I (cont'd)

Sum of the Parts Analysis

Business Services

(US\$ millions)	Equity Value	Enterprise Value	P/E			EV/EBITDA			Net Debt/EBITDA
			2018E	2019E	2020E	2018E	2019E	2020E	2018E
Real Estate Services									
Altus Group	\$711	\$783	19.7x	14.4x	12.4x	12.8x	10.1x	9.2x	1.2x
CBRE Group	\$14,187	\$17,181	13.4x	12.6x	11.7x	9.6x	9.1x	8.7x	1.6x
Colliers International	\$2,502	\$3,547	16.0x	14.0x	12.9x	11.6x	9.6x	8.9x	2.3x
Jones Lang LaSalle	\$6,384	\$7,720	13.0x	12.7x	11.9x	8.7x	8.6x	8.3x	1.5x
Real Estate Median			14.7x	13.3x	12.1x	10.6x	9.4x	8.8x	1.6x
Business Services Median			15.3x	14.0x	13.0x	9.4x	9.0x	8.7x	1.9x

Energy

(US\$ millions)	Equity Value	Enterprise Value	P/E			EV/EBITDA			Net Debt/EBITDA
			2018E	2019E	2020E	2018E	2019E	2020E	2018E
Energy									
Bonavista	\$354	\$1,115	nmf	33.0x	10.2x	4.0x	4.2x	3.6x	2.7x
Peyto	\$1,875	\$3,034	15.8x	23.7x	10.9x	5.8x	7.0x	5.4x	2.2x
Tourmaline Oil Corp	\$5,367	\$6,765	17.2x	14.4x	10.0x	5.2x	4.6x	3.7x	1.0x
Energy Median			16.5x	23.7x	10.2x	5.2x	4.6x	3.7x	2.2x

Argument IV: Valuation I

Sum of the Parts Valuation Assumptions

- Valuation based on the following assumptions:
 - Blended forward EBITDA (20% 2018E & 80% 2019E) for Current NAV and an equally blended EBITDA for NTM NAV (50% 2019E & 50% 2020E)
 - Assumes a 5% annual growth on public equity holdings
 - Fees payable to BAM remain constant going forward

Sum of The Parts Summary

	Current NAV			NTM NAV		
	Gross Asset Value	\$ /share	Valuation Methodology	Gross Asset Value	\$ /share	Valuation Methodology
<i>(US\$ millions, except per share data)</i>						
Business Services						
Greenenergy, BG Fuels, OLG, BGIS, BFIN, real estate services	\$3,012	\$23.28	9.0x EV/EBITDA Blended	\$3,577	\$27.65	9.0x EV/EBITDA Blended
Industrial						
BRK, Graftech, Armtec, Hammertstone	\$4,527	\$34.99	8.2x EV/EBITDA Blended	\$4,921	\$38.04	8.2x EV/EBITDA Blended
North American Palladium (TSX: PDL)	\$135	\$1.04	Current Stock Price	\$142	\$1.10	5% Stock Appreciation
GrafTech (NYSE: EAF)	\$1,530	\$11.83	Current Stock Price	\$1,607	\$12.42	5% Stock Appreciation
Construction						
Multiplex	\$787	\$6.09	7.9x EV/EBITDA Blended	\$895	\$6.92	7.9x EV/EBITDA Blended
Energy						
Teekay (NYSE: TOO)	\$235	\$1.82	Current Stock Price	\$247	\$1.91	5% Stock Appreciation
Energy Excluding Teekay	\$1,094	\$8.46	4.5x EV/EBITDA Blended	\$1,075	\$8.31	4.5x EV/EBITDA Blended
Consolidated						
Total Gross Asset Value	\$11,320	\$87.50		\$12,463	\$96.33	
Less: Net Debt	(\$2,159)	(\$16.69)		(\$2,159)	(\$16.69)	
Asset Value Before Fees & Administrative Expenses	\$9,161	\$70.81		\$10,304	\$79.64	
Less: Fees & Admin Expenses Payable to BAM	(\$3,322)	(\$25.68)	7.0x EV/EBITDA Blended	(\$3,647)	(\$28.19)	7.0x EV/EBITDA Blended
Net Asset Value (\$USD)	\$5,839	\$45.13		\$6,657	\$51.46	
USD-CAD FX Rate		\$1.36			\$1.36	
Net Asset Value (\$CAD)		\$61.38			\$69.98	
Implied Return		46%			66%	

Argument IV: Valuation II

DCF Valuation Assumptions

- Valuation based on the following assumptions:
 - Total revenue projected on the basis of forecasted U.S. and Canadian growth in BBU's four core segments, and adjusted toward inflation
 - Adjusted EBITDA is net of fees payable to Brookfield Asset Management through BBU's management services contract

WACC: **5.6%**Perp. Growth Rate: **1.5%**10-Year U.S. Treasury: **3.2%**Tax Rate: **27.0%**

DCF Unlevered Free Cash Flow Summary

(in US\$ millions)

	Forecast Period													Terminal
	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	
Revenue	6,753	7,960	22,823	37,224	42,931	47,185	51,328	55,255	58,857	62,030	64,672	66,696	68,030	69,051
% Growth (Live)	-	17.9%	186.7%	63.1%	15.3%	9.9%	8.8%	7.7%	6.5%	5.4%	4.3%	3.1%	2.0%	1.5%
Adjusted EBITDA	397	292	592	968	1,127	1,250	1,373	1,492	1,604	1,706	1,795	1,868	1,905	1,933
% Margin (Live)				2.6%	2.6%	2.7%	2.7%	2.7%	2.7%	2.8%	2.8%	2.8%	2.8%	2.8%
(-) Depreciation & Amortization	(257)	(273)	(356)	(561)	(609)	(630)	(643)	(648)	(644)	(633)	(613)	(585)	(568)	(609)
Adjusted EBIT	140	19	236	407	518	621	730	844	960	1,073	1,182	1,282	1,337	1,324
% Margin	2.1%	0.2%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	1.9%
(-) Cash Taxes	(54)	16	(8)	(110)	(140)	(168)	(197)	(228)	(259)	(290)	(319)	(346)	(361)	(358)
Tax rate (%)	38.6%	(84.2%)	3.4%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
NOPAT	86	35	228	297	378	453	533	616	701	784	863	936	976	967
(+) Depreciation & Amortization	257	273	356	561	609	630	643	648	644	633	613	585	568	609
(-) CapEx	(139)	(144)	(240)	(391)	(441)	(473)	(501)	(526)	(545)	(559)	(567)	(568)	(579)	(621)
% of Revenue	2.1%	1.8%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
(-) Change in Net Working Capital	60	9	(91)	(85)	(33)	(24)	(23)	(22)	(19)	(17)	(14)	(10)	(7)	(5)
Unlevered Free Cash Flows	264	173	253	382	513	586	651	717	780	840	895	943	958	949
Stub Period				0.01	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Discount Period				0.00	0.51	1.51	2.51	3.51	4.51	5.51	6.51	7.51	8.51	
WACC				5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Discount Factor				100%	97%	92%	87%	82%	78%	74%	70%	66%	63%	
PV of Unlevered Free Cash Flows				2	499	539	568	591	609	621	626	624	600	

Source(s): Company files, Capital IQ, Bloomberg

Argument IV: Valuation II (cont'd)

Gordon Growth Summary

Cumulative PV of Free Cash Flow	5,280
<i>% of Enterprise Value</i>	26.9%
Terminal Value	
Terminal Year EBITDA	1,933
Terminal Year UFCF	949
Perpetuity Growth Rate	1.5%
Terminal Value	22,896
Terminal Value for EBITDA Multiple	23,533
Implied EV / EBITDA Multiple	12.2x
Implied EV / UFCF Multiple	24.8x
PV of Terminal Value	14,351
<i>% of Enterprise Value</i>	73.1%
Enterprise Value	19,631
(-) Short Term Debt	(1,003)
(-) Current Portion of Long-Term Debt	(1,172)
(-) Long Term Debt	(9,693)
(-) Minority Interest	(4,957)
(+) Cash	1,770
(+) Investments in Associates	292
Equity Value	4,868
Basic Shares	129
(+) Diluted Securities	-
Fully Diluted Shares Outstanding	129
Implied Share Price (\$USD)	\$37.73
Current Share Price (\$USD)	\$31.00
USD-CAD FX Rate	\$1.36
Implied Share Price (\$CAD)	\$51.31
Current Share Price (\$CAD)	\$42.15
Premium to Current Share Price	21.7%

Weighted Average Cost of Capital

10-Year U.S. Treasury	3.2%
Market Risk Premium	5.4%
Beta	1.09
Size Premium	-
Cost of Equity	9.1%
Cost of Debt	3.0%
Tax Rate	27.0%
After-Tax Cost of Debt	2.2%
Target Debt/Capitalization	50.0%
WACC	5.6%

Valuation Comments

- Takeaways:**
 - Based on the Gordon Growth Method, the valuation yields an EV range of \$18,350mm – \$20,989mm, representing a share price range of \$37.80 – \$65.63
 - The Base Case model is shown on the graphic to the left at \$51.31 per share
- Valuation Methodology:**
 - Estimated based on forecasted unlevered free cash flows, with a terminal value derived from free cash flows grown into perpetuity
 - Projection period and terminal value cash flows are discount using WACC

Argument IV: Valuation II (cont'd)

Discounted Cash Flow Sensitivity Tables

Implied Return						
		Terminal Growth				
		1.00%	1.25%	1.50%	1.75%	2.00%
Discount Rate	5.05%	51.2%	77.2%	106.8%	141.0%	180.7%
	5.35%	14.2%	36.2%	60.9%	89.2%	121.6%
	5.65%	(17.9%)	0.8%	21.7%	45.4%	72.2%
	5.95%	(46.1%)	(30.1%)	(12.2%)	7.8%	30.4%
	6.25%	(71.1%)	(57.2%)	(41.8%)	(24.7%)	(5.6%)

Equity Value Per Share						
		Terminal Growth				
		1.00%	1.25%	1.50%	1.75%	2.00%
Discount Rate	5.05%	\$63.72	\$74.68	\$87.18	\$101.57	\$118.33
	5.35%	\$48.15	\$57.40	\$67.84	\$79.73	\$93.41
	5.65%	\$34.60	\$42.48	\$51.31	\$61.27	\$72.59
	5.95%	\$22.70	\$29.47	\$37.01	\$45.44	\$54.95
	6.25%	\$12.17	\$18.04	\$24.53	\$31.74	\$39.80

Implied Terminal Multiple						
		Terminal Growth				
		1.00%	1.25%	1.50%	1.75%	2.00%
Discount Rate	5.05%	12.5x	13.3x	14.2x	15.3x	16.5x
	5.35%	11.6x	12.3x	13.1x	14.0x	15.0x
	5.65%	10.9x	11.5x	12.2x	12.9x	13.8x
	5.95%	10.2x	10.8x	11.4x	12.0x	12.8x
	6.25%	9.7x	10.1x	10.7x	11.2x	11.9x

Enterprise Value						
		Terminal Growth				
		1.00%	1.25%	1.50%	1.75%	2.00%
Discount Rate	5.05%	\$20,809	\$21,848	\$23,034	\$24,400	\$25,990
	5.35%	\$19,332	\$20,208	\$21,199	\$22,328	\$23,625
	5.65%	\$18,046	\$18,793	\$19,631	\$20,576	\$21,650
	5.95%	\$16,917	\$17,559	\$18,274	\$19,074	\$19,976
	6.25%	\$15,917	\$16,474	\$17,090	\$17,774	\$18,539

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5 Recommendations

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Catalysts & Risks

Catalysts

Near-Term: Closing of Quadrant Energy Sale

In August 2018, BBU signed a definitive agreement to sell Quadrant Energy for \$2.15 bn with an expecting closing date in Q4 2018

- Estimated net proceeds from the sale are ~\$125 mm
- BBU will receive a royalty over all future hydrocarbons produced in Quadrant's Bedout Basin tenements

Mid-Term: Brookfield Fund V

Brookfield Asset Management is expected to launch its largest ever fund, Fund V, within the next 1-2 years

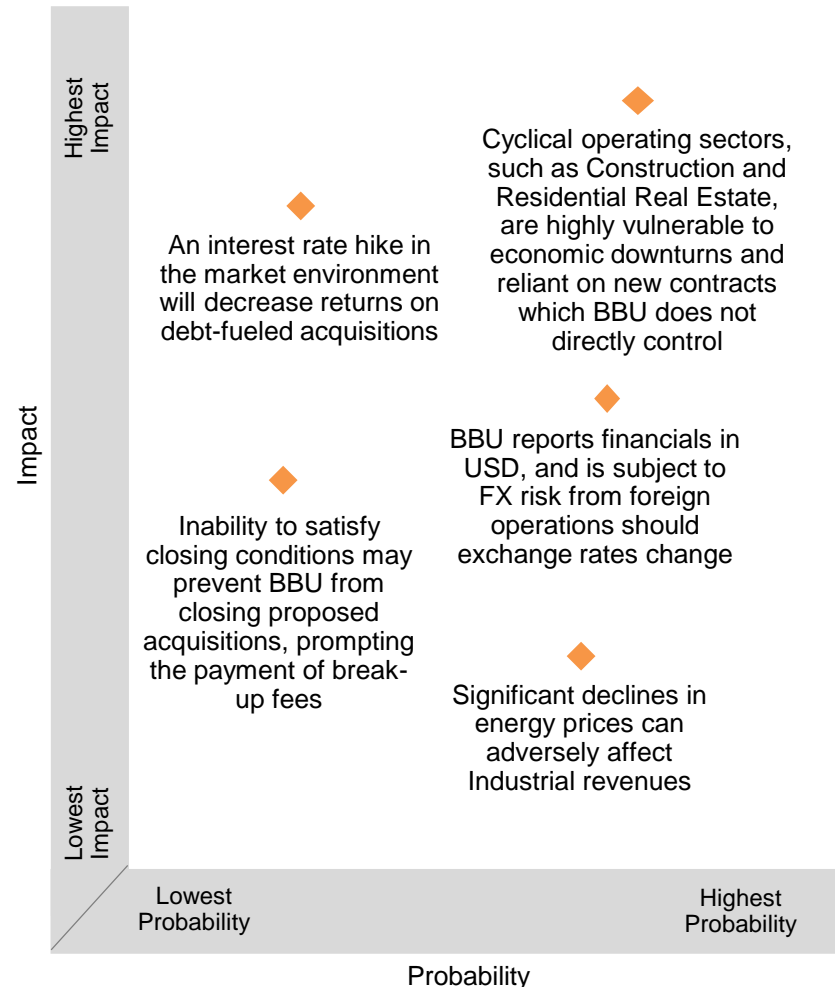
- The launch of Fund V will allow BBU to capitalize on a greater number of distressed opportunities in the next business cycle

Long-Term: Geographic Expansion

Management has indicated continued plans to pursue high quality projects in markets in which they have a smaller geographic presence

- Along with a strategic local partner, BBU may choose to pursue complex building projects for private developers in India in order to further diversify their portfolio

Risks



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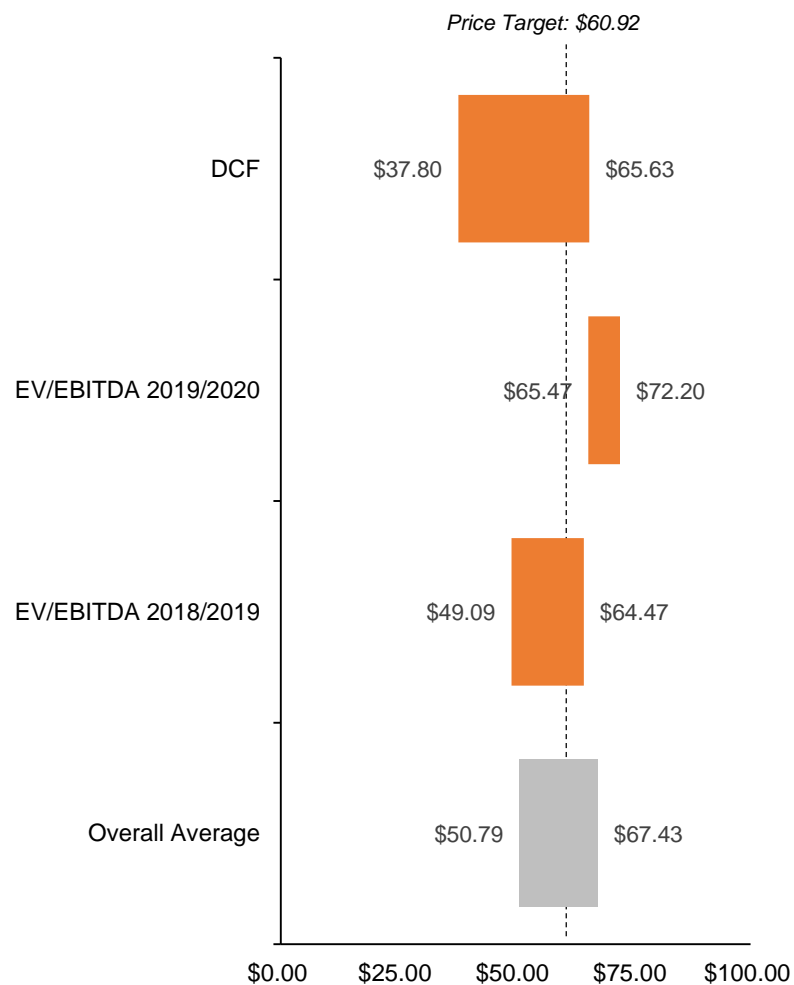
4 Catalysts and Risks

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Recommendation: Buy

Indicative Valuation Range



Recommendation Summary

Analyst Recommendations Summary		
Recommendation	# of Analysts	Avg. Target Price
Buy	3	\$66.18
Hold	0	-
Sell	0	-
Total	3	\$66.18

Valuation Summary	
Analysis	Price
SOTP	\$64.59
Discounted CF	\$51.31
Street Consensus	\$66.18
Average	\$60.92

Entry Price:	Market Price
12-mo. Target Price:	\$60.92
All-In Return:	45%
Stop Loss:	\$39.81

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Appendix I: Comparable Companies Analysis

Comparables Table: Alternative Asset Managers

(In USD millions except Brookfield Business Partners)

	Equity Value	P/E			EV/EBITDA			Revenue Growth	
		2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E
<u>Alternative Asset Managers</u>									
Apollo Global Management	\$4,926	23.8x	9.2x	8.4x	9.4x	6.1x	5.7x	38.8%	59.3%
Ares Management	\$1,802	15.8x	13.0x	10.6x	28.1x	21.3x	17.3x	(27.0%)	40.0%
The Blackstone Group	\$20,174	11.1x	10.2x	9.4x	16.8x	13.9x	13.6x	3.9%	9.2%
The Carlyle Group	\$1,723	9.6x	6.4x	5.8x	18.6x	12.3x	12.7x	(25.6%)	23.5%
KKR and Co	\$10,640	11.6x	12.0x	11.2x	17.7x	16.4x	14.5x	17.2%	4.7%
Oaktree Capital Management	\$2,894	14.1x	12.6x	10.7x	18.0x	14.1x	12.5x	(20.1%)	10.9%
Mean		14.3x	10.6x	9.4x	18.1x	14.0x	12.7x	(2.1%)	24.6%
Brookfield Business Partners	\$5,450	9.9x	6.4x	3.9x	19.4x	16.7x	15.0x	63.1%	15.3%

Commentary

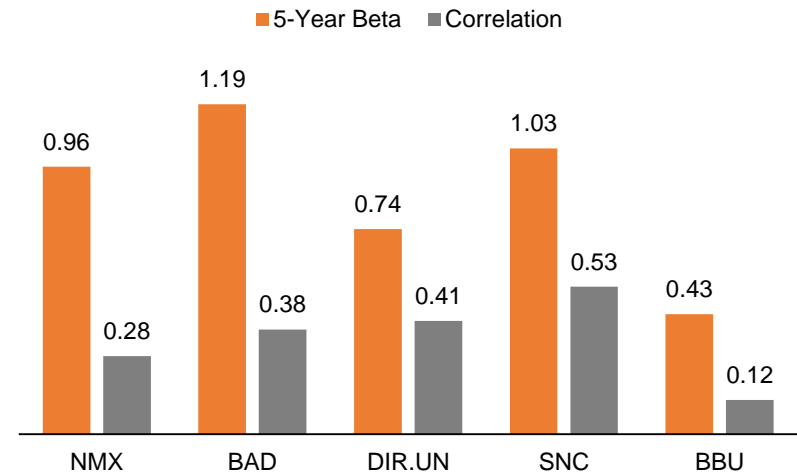
- Brookfield Business Partners currently trades at a discount on a P/E basis at 9.9x compared to a mean of 14.3x
- The company trades at a slight premium of 1.3x on a EV/EBITDA basis compared to other comparable alternative asset managers
- The market is trading Brookfield Business Partners at a significantly higher revenue growth rate in 2018 by 65.2% compared to a negative average for its peers
- The private equity firm is trading relatively in-line with peers with revenue growth projections at 15.3% in 2019
- Comparable alternative asset managers were chosen based on similar precedent acquisition history, business model, fund mandate, geographical presence and size of investments

Appendix II: Limestone Capital Portfolio Fit

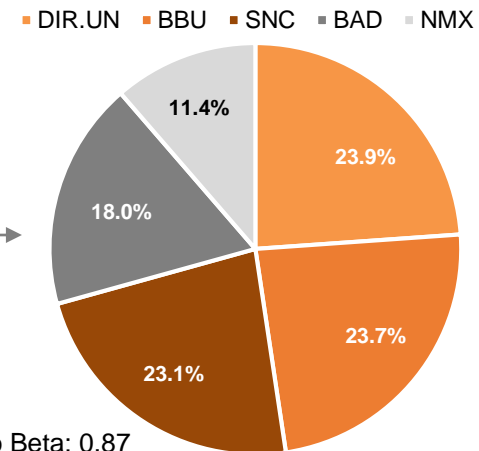
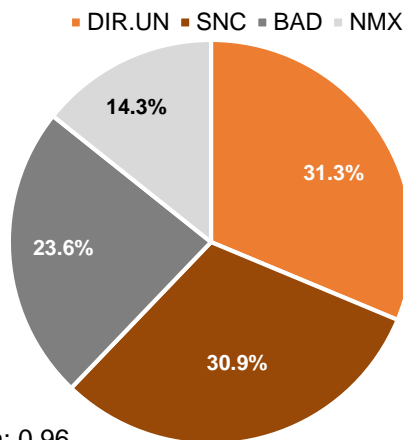
Rethinking the Canadian Portfolio

- BBU offers a unique portfolio positioning opportunity due to its inverse correlation with interest rates and non-cyclical business model
- Given the heightened market skepticism in the Canadian economy, BBU helps diversify our macro exposure
 - BBU revenue sources are also very geographically diversified
- Adding BBU diversifies Limestone Capital's Canadian portfolio, particularly in respect to commodity prices and cyclical businesses

Correlation between Canadian Portfolio and S&P/TSX

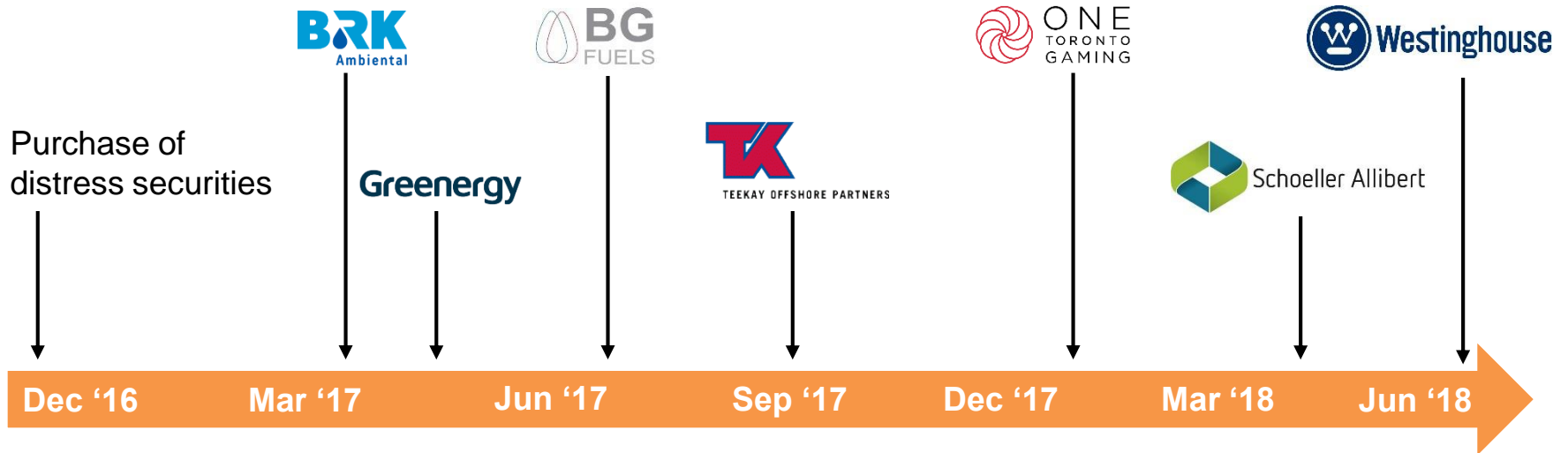


Target Equity Portfolio Weighting



Appendix III: Acquisition History

Precedent M&A Transactions



Loans



Tuck-in Acquisitions

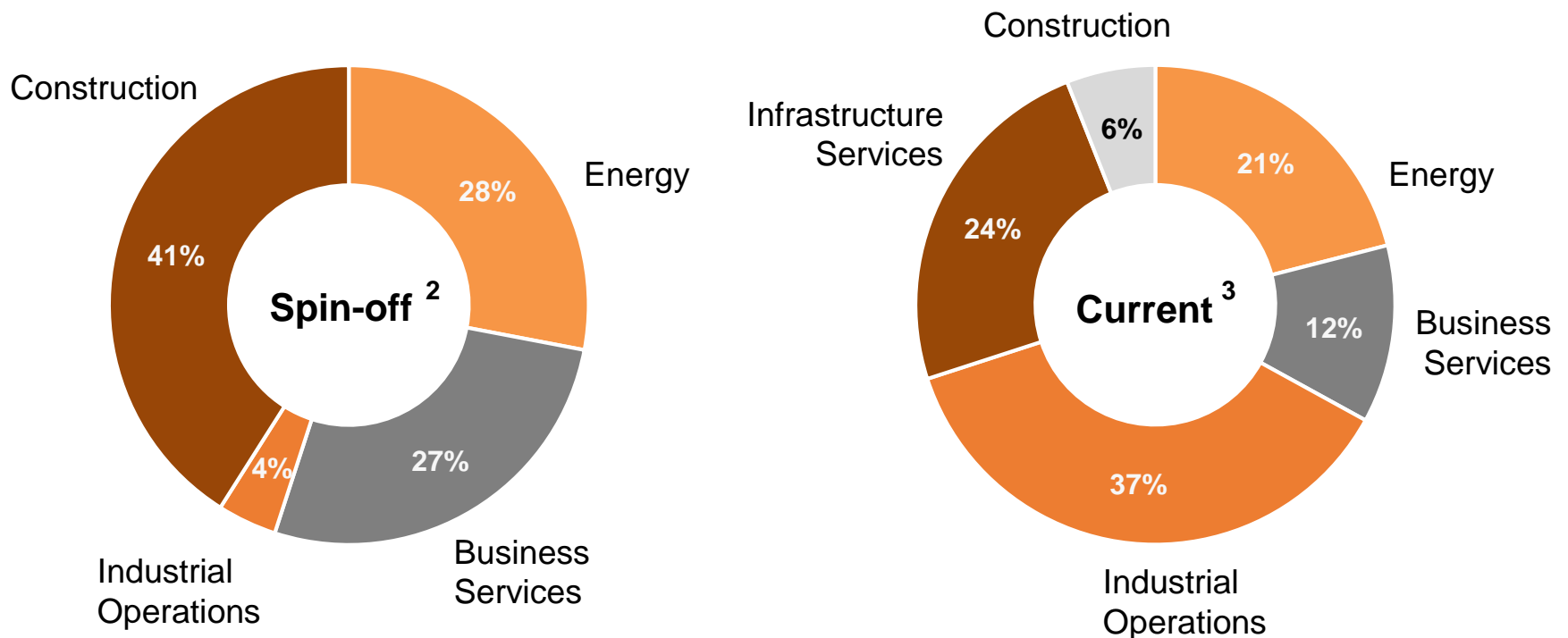


Source: Company files

Appendix IV: Composition of Operations

Cash Flows are Diversified and Predictable

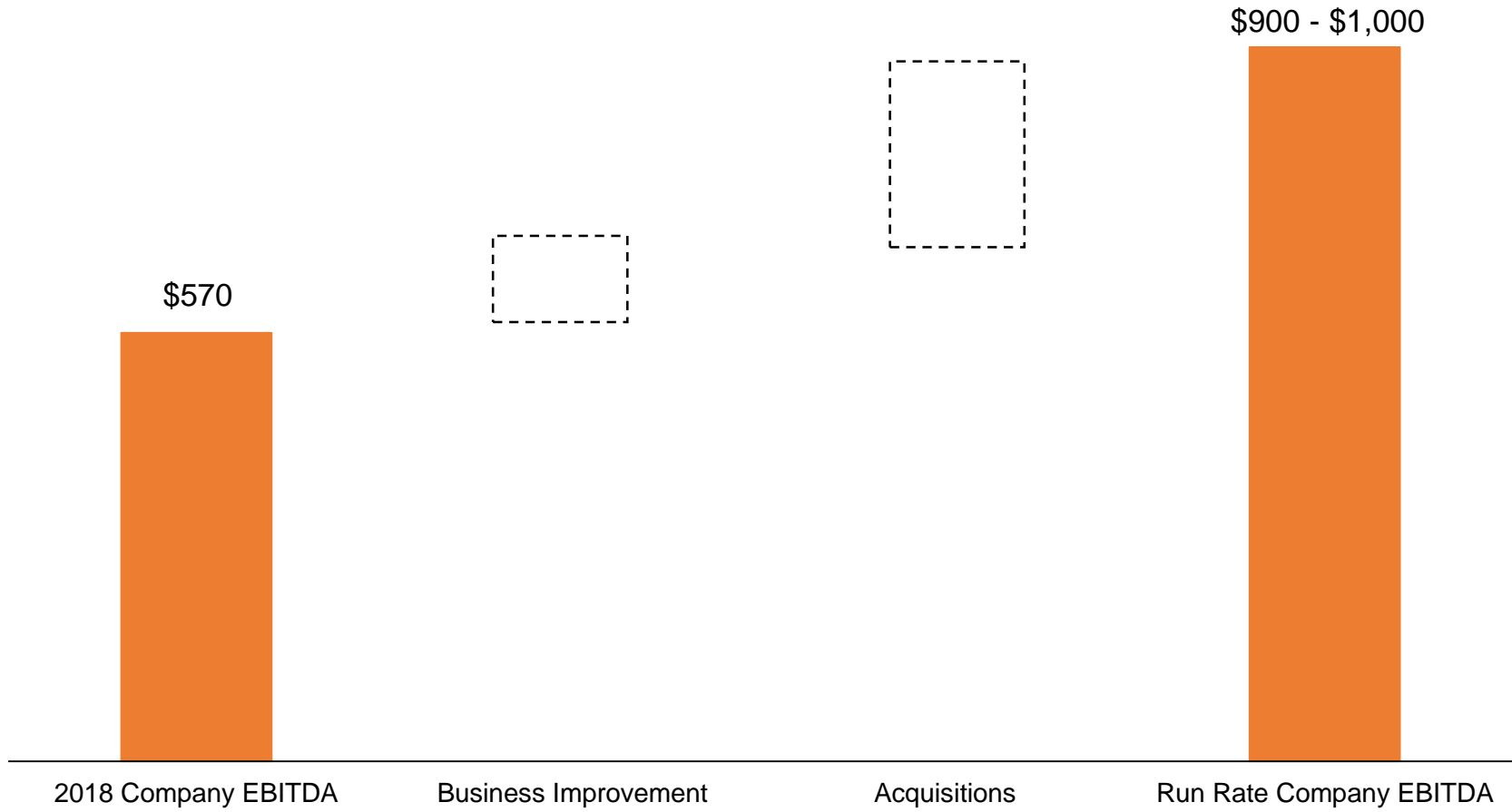
EBITDA¹



Appendix V: Potential to Increase EBITDA

Run Rate Company EBITDA

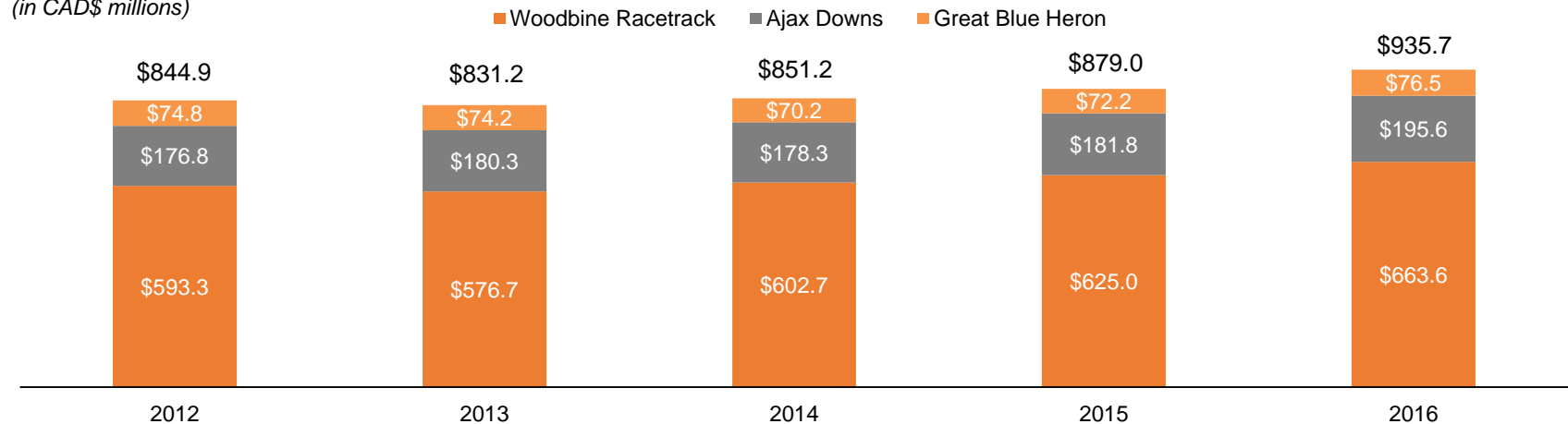
(in CAD\$ millions)



Appendix VI: Additional Holdings Information

GTA Gaming Bundle Revenue

(in CAD\$ millions)



BBU FY2018 Q3 EBITDA

(in US\$ millions)

