

## Deal Terms

1 IPL CN = C\$16.5 or 0.206 BIPC CN

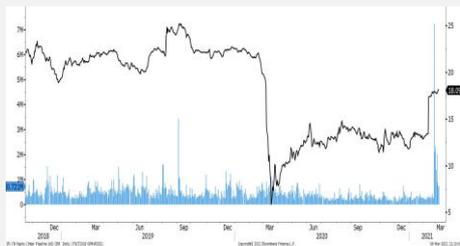
### Target: Inter Pipeline

Country	Canada
Bloomberg	IPL CN
Sector	Pipelines
Share price (CAD)	18.34
Market cap (CAD mn)	7,871.9
Free float %	~100

### Acquirer: Brookfield Infrastructure

Country	Canada
Bloomberg	BIPC CN
Sector	Gas Utilities
Share price (CAD)	94.19
Market cap (CAD mn)	4,234.4
Free float %	~80

### IPL CN Price Chart



## Deal status:

### Author

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## Inter Pipeline (IPL CN) / Brookfield Infrastructure (BIPC CN) Hostile Tender offer

We believe Brookfield needs to improve its offer to secure the 66 2/3 shareholder support.

### Board stance

- Inter Pipeline has rejected Brookfield's bid.
- IPL's chief executive officer said the sole issue is price and the company is open to an acquisition by Brookfield should the suitor sweeten its takeover offer.
- Brookfield said it welcomes the board's "efforts to market test the offer against other take-private proposals", adding that its offer is in the best interest of the Canadian company's shareholders.

### Minimum acceptance

- We believe the key risk is the minimum acceptance condition:
  - 50% of outstanding shares excluding shares held by offeror
  - 66 2/3% shareholding post-offer including shares already held by offeror
  - Brookfield owns 19.6% interest in IPL.
  - We note Brookfield is the largest shareholder, other significant shareholders are institutional investors. So far, two minority shareholders of IPL said they were optimistic Brookfield Infrastructure Partners will sweeten its bid for the company. Other shareholders are seemed to be split.
  - Based on our valuation, we believe the offer does not undervalue IPL on a peer or a precedent comparison, although IPL has unique upside potential:
    - IPL's valuable pipeline systems can generate significant revenues for IPL as crude oil price emerges.
    - We believe IPL predicates \$24/share valuation on the potential earnings of the Heartland Petrochemical project (HPC). HPC is expected to be mechanically complete by the end of 2021, with the in-service date targeted for early 2022. Inter Pipeline expects HPC to generate long-term EBITDA of \$450-500 million per year, an increase of approximately 50% from 2020 Adjusted EBITDA.
  - Downside risk appears to be limited.
  - In case no counterbid emerges, we believe shareholders might tender into an improved bid around C\$20-21 per share range.
- The offer of C\$16.50/share is structured as a cash or stock transaction: Shareholders may choose to receive Cash Consideration for some of their Common Shares and Share Consideration for their remaining Common Shares. The maximum amount of cash available under the Offer is C\$4.9 billion (~76% of the offer). The maximum share consideration is 19,040,258 BIPC share.
  - We believe shareholders might prefer an all-cash bid without the risk of switching their IPL to BIPC shares

### Counterbid

- IPL seems to be looking for another bidder.
  - The Board believes that superior offers or alternatives may emerge prior to the scheduled expiry of the Hostile Bid, which is not until June 7, 2021.
  - Since initiating the Strategic Review, Inter Pipeline has received inquiries from, and has initiated contact with a number of third parties.

- We believe potential counterbids might emerge from strategic and PE bidders in the absence of an improved bid by Brookfield.

### Regulatory approvals

- Competition Act Approval, Transportation Act Approval, possibly HSR Approval, the Danish Competition Approval and the Swedish Competition Approval are required.
- We don't expect any regulatory hurdles, as we found no overlaps between any segment of IPL and Brookfield.

### Valuation

- The offer of C\$16.50 per share represents a 23% premium to the closing price of C\$13.40 per Common Share on February 10, 2021, the last trading day prior to announcement.
- The C\$16.50 offer represents FY1 ~14.5x EV/EBITDA, LTM ~13.7x EV/EBITDA. Based on these multiples, the offer seems to be substantially higher compared to precedents.
- Brookfield offer premium is somewhat higher compared to recent midstream deals which are valued substantially below their pre-COVID price.
- Pre-event IPL was trading substantially higher compared to peers' average based on FY1 EV/EBITDA and FY1 P/E. The C\$16.50/share offer represents a 14.5x FY1 EV/EBITDA takeout multiple.
- We note IPL's EBITDA and EPS CAGR are also above peers' average, while FY1 EBITDA Margin is in line with peers.

## Key terms of the merger

### Transaction Details

■ Deal announcement	February 22, 2021 (Proposal announced on February 10)
■ Offer terms	1 IPL CN = C\$16.5 per share or 0.206 BIPC CN
■ Deal size	C\$12.7 bn
■ Offer structure	Hostile tender offer
■ Target's Board Recommendation	No <ul style="list-style-type: none"> <li>Inter Pipeline announced that the Board of Directors has unanimously determined that Brookfield's hostile takeover bid (the "Hostile Bid") is not in the best interests of the Company or its shareholders.</li> </ul>
■ Voting Agreement	N/A
■ IPL CN incorp.	Canada
■ Deal announcement	Click <a href="#">here</a> for the announcement
■ Deal presentation	Click <a href="#">here</a> for the presentation
■ Brookfield Circular	Click <a href="#">here</a> for the Circular
■ Directors' Circular	Click <a href="#">here</a> for the Circular
■ Synergies	N/A

### Indicated Closing Date

- Q2 2021

### Timetable

■ Proposal	February 10, 2021
■ Deal Announcement	February 22, 2021
■ Directors' Circular	March 8, 2021
■ End of tender period	June 7, 2021
■ Expected settlement	2Q2021

### Dividends

- Inter Pipeline pays regular monthly dividends, currently established at \$0.04 per Common Share, following a reduction of \$0.1025 per Common Share per month on March 30, 2020. The dividend for each month is based on a record date within ten days prior to the last day of the month and is paid on or about the 15th day of the following month.
- Inter Pipeline announced the declaration of a cash dividend of \$0.04 per share for March 2021. This dividend will be paid on or about April 15, 2021 to shareholders of record on March 22, 2021. This dividend is designated as an "eligible dividend" for Canadian tax purposes.
- In 2020, 2019 and 2018, Inter Pipeline paid annual cash dividends of \$0.7875, \$1.7100, and \$1.6850 per Common Share, respectively.

### Funding

- The Offer is fully financed, with maximum cash consideration of approximately C\$4.9 billion (representing 76.2% of the Offer's total consideration) and maximum aggregate number of BIPC shares issued of approximately 19 million (representing 23.8% of the Offer's total consideration).
- The Offer is not subject to any financing conditions, and the cash component of the Offer will be financed through existing capital commitments available to Brookfield Infrastructure. The BIPC Shares included in the Offer are the economic equivalent of units of Brookfield Infrastructure Partners L.P. ("BIP") and are exchangeable for limited partnership units of BIP on a one for one basis.
- The maximum amount of cash payable under the Offer, and the completion of a Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable, will be \$4.9 billion. The Offeror will finance the cash payable under the Offer through committed funds available to it as a subsidiary of BIF IV. Pursuant to subscription agreements signed by the limited partners of BIF IV, BIF IV has obtained firm funding commitments in an amount not less than the Maximum Cash Consideration.

### Key Conditions

- Minimum acceptance
  - 50% of outstanding shares excluding shares held by offeror
  - 66 2/3% shareholding post-offer including shares already held by offeror
- Regulatory: Competition Act Approval, Transportation Act Approval, possibly HSR Approval, the Danish Competition Approval and the Swedish Competition Approval
- Reps and warranties
- The credit ratings assigned to Inter Pipeline or its long-term senior unsecured obligations, as applicable, by either S&P or DBRS shall have been lowered to a rating below Investment Grade Rating.
- No Prohibitive Laws or Injunctions
- Covenants
- Performance of obligations
- No Company MAE

### Governing Law

- Canada

**MAE Definition**

- “Material Adverse Effect” means any condition, event, circumstance, change, development, occurrence or state of facts: (a) in the business, assets, operations, capitalization, properties, condition (financial or otherwise), prospects, equity or debt ownership, results of operations, cash flows, properties, articles, by-laws, licenses, permits, rights or privileges or liabilities (including without limitation any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), whether contractual or otherwise, of IPL or its subsidiaries which, when considered either individually or in the aggregate, is or may be materially adverse to IPL (on a consolidated basis) or, where applicable, the Offeror (on a consolidated basis); (b) which, when considered either individually or in the aggregate, would be expected to reduce the anticipated economic value to the Offeror of the acquisition of the Common Shares or make it inadvisable for or impair the ability of the Offeror to proceed with the Offer and/or to take up and pay for Common Shares deposited under the Offer and/or the completion of a Compulsory Acquisition or Subsequent Acquisition Transaction or which, if the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction were consummated, would be materially adverse to the Offeror or any of its affiliates; or (c) if the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction were consummated, would limit, restrict or impose limitations or conditions on the ability of the Offeror to own, operate or effect control over any material portion of the business or assets of IPL or its subsidiaries or would compel the Offeror or its affiliates to dispose of or hold separate any material portion of the business or assets of IPL or its subsidiaries or would compel the Offeror or its affiliates to dispose of or hold separate any material portion of the business or assets of the Offeror or its affiliates;

**Key IPL CN Shareholders**

Shareholders	%
Capital Group Cos Inc/The	3.8
Vanguard Group Inc/The	2.8
BlackRock Inc	1.8
Norges Bank	0.9
Government Pension Investment Fund	0.8
Tortoise Capital Advisors LLC	0.8
Toronto-Dominion Bank/The	0.8
Dimensional Fund Advisors LP	0.7
BMO Global Asset Management	0.4
Bank of Montreal	0.3
Others	86.9

**Key BIPC CN Shareholders**

Shareholders	%
Brookfield Asset Management Inc	19.3
BlackRock Inc	3.8
Royal Bank of Canada	3.4
OMERS Administration Corp	3.3
Principal Financial Group Inc	3.1
FMR LLC	3.1
Vanguard Group Inc/The	2.3
GW&K Investment Management LLC	1.9
Toronto-Dominion Bank/The	1.8
Bank of Montreal	1.7
Others	56.4

Source: Bloomberg

**Background**

- In March 2020, Brookfield saw IPL as an attractive investment opportunity and began to acquire common shares. Brookfield is IPL's largest single investor with a 19.6% aggregate economic interest.
- BIP and IPL began conversations in June 2020, which eventually resulted in non-binding proposals indicating valuations in the \$17.00-17.50/share range and **\$18.25/share**. In January 2021, IPL sent a letter to BIP indicating that a **valuation of at least \$24.00/share would be required to further pursue a potential transaction**.
- On February 10, 2021, BIP press released its intention to make the Offer consisting of \$16.50/share in cash (maximum of \$4.9B), and 0.206 BIP shares for each IPL share approximating \$16.50/share. In a proactive act, IPL established a special committee of independent directors to review all strategic alternatives.
- On February 18, 2021, Inter Pipeline issued a press release announcing that the Inter Pipeline Board had initiated the Strategic Review to maximize Shareholder value and that the Inter Pipeline Board had established the Special Committee to oversee the Strategic Review.
- On February 22, 2021, the Offeror filed the Brookfield Circular and related documents including a copy of the advertisement on Inter Pipeline's SEDAR profile, commencing the Hostile Bid.
- On March 8, 2021, based on the unanimous recommendation of the Special Committee, the Inter Pipeline Board concluded that (i) the Hostile Bid is inadequate, does not reflect full and fair value for the Common Shares, and is not in the best interests of Inter Pipeline or its Shareholders. For the foregoing reasons, the Inter Pipeline Board unanimously recommended that Shareholders reject the Hostile Bid and to not tender their Common Shares to the Hostile Bid, and approved the contents and delivery of the Directors' Circular.

**Company Description****INTER PIPELINE DESCRIPTION**

- Inter Pipeline is a major petroleum transportation and natural gas liquids processing business based in Calgary, Alberta, Canada. Inter Pipeline owns and operates energy infrastructure assets in western Canada and is building the Heartland Petrochemical Complex, Canada's first integrated propane dehydrogenation and polypropylene facility.
- Inter Pipeline has four operating business segments that are reportable segments: the oil sands transportation business; the NGL processing business; the conventional oil pipelines business; and the bulk liquid storage business.

**Oil Sands Transportation Business Segment**

- Inter Pipeline's oil sands transportation business segment involves the transportation of petroleum products and related blending and handling services in northern Alberta, and is comprised of the 100% owned Cold Lake, Corridor and Polaris pipeline systems. Oil sands transportation services are generally provided to shippers pursuant to long-term contracts that provide for a defined annual capital fee and the recovery of all or substantially all operating costs, and do not involve exposure to commodity price fluctuations.

Shipper	Project	Primary Term Expiration	Capacity Commitment (b/d)
FCCL Partnership	Foster Creek Narrows Lake	2034	500,000
Canadian Natural	Kirby South Kirby North	Not disclosed	90,000
Osum	Orion	Not disclosed	14,000
<b>Total</b>			<b>604,000</b>
Shipper	Project	Primary Term Expiration	Capacity Commitment (b/d)
Imperial Oil	Kearl	2037	120,000
Husky/BP	Sunrise	2033	30,000
FCCL Partnership	Foster Creek Christina Lake Narrows Lake	2034	350,000
Canadian Natural	Kirby South Kirby North	Not disclosed	24,000
JACOS/CNOOC	Hangingstone	2036	7,000
AOC	Hangingstone	2040	4,500
<b>Total (to nearest thousand)</b>			<b>536,000</b>

Source: IPL

#### NGL Processing Business Segment

- Inter Pipeline's NGL processing business segment is comprised of straddle plants, offgas extraction facilities and the Heartland Petrochemical Complex. The straddle plants consist of a 100% ownership interest in the Cochrane and Empress II straddle plants and a 50% ownership interest in the Empress V straddle plant (collectively, the "Straddle Plants"). The Straddle Plants at Cochrane and Empress are located on the western and eastern legs, respectively, of the Nova Gas Transmission Limited and Foothills pipeline systems (collectively the "TC Energy Alberta System"), near export points from the Province of Alberta. Natural gas entering the Straddle Plants is processed to extract NGL which are sold to buyers pursuant to long-term contracts. As noted above, Inter Pipeline has entered into definitive agreements to divest its ownership interest in the Empress II and Empress V straddle plants, with such transaction expected to close in the first half of 2021.
- Offgas extraction facilities consist of 100% ownership interests in (i) the Pioneer 1 and Pioneer 2 offgas plants located near Fort McMurray, Alberta adjacent to oil sands upgrading facilities owned by Suncor and Canadian Natural, respectively (collectively the "Offgas Plants"), (ii) an ethane-plus fractionation plant and related cavern storage facilities located near Redwater, Alberta (the "Redwater Olefinic Fractionator"), and (iii) a pipeline system which connects the Offgas Plants to the Redwater Olefinic Fractionator (the "Boreal Pipeline System"). Offgas entering the Offgas Plants is processed to extract an ethane-plus mixture of NGL which is transported to the Redwater Olefinic Fractionator via the Boreal Pipeline System before being further processed into products which are sold to buyers pursuant to both long-term and short-term contracts.
- The Heartland Petrochemical Complex is a world-scale integrated petrochemical complex comprised of a propane dehydrogenation plant ("PDH Plant") and polypropylene plant ("PP Plant") being constructed in Strathcona County, Alberta, near the Redwater Olefinic Fractionator. The Heartland Petrochemical Complex will be designed to convert locally sourced, low-cost propane into 525,000 tonnes per year of polypropylene, an easy to transport plastic used in the manufacturing of a wide range of finished products. Propane feedstock for the PDH Plant will be sourced from the Redwater Olefinic Fractionator as well as other third party fractionators in the region. Electricity, steam and other utilities will be provided to the Heartland Petrochemical Complex by an on-site Central Utility Block to be constructed by Inter Pipeline. During the third quarter of 2018, Inter Pipeline sold the Central Utility Block to Fengate, a privately held infrastructure and real estate investment firm. Under the terms of the sale, Inter Pipeline recovered all of its development capital and Fengate assumed responsibility for funding the Central Utility Block capital cost. Fengate also entered into long-term agreements to supply core utilities to the Heartland Petrochemical Complex in exchange for structured capital and operating recovery fee payments from Inter Pipeline. Inter Pipeline will manage construction and operation of the facility.

#### Conventional Oil Pipelines Business Segment

- Inter Pipeline's conventional oil pipelines business segment involves the transportation of petroleum products and related blending, handling and storage services, and includes the Bow River pipeline system, the Central Alberta pipeline system, the Mid-Saskatchewan

pipeline system and all midstream marketing activities. In aggregate, Inter Pipeline's three conventional oil pipeline systems have total ultimate throughput capacity of 429,600 b/d and transported 161,600 b/d of Crude Oil in 2020.

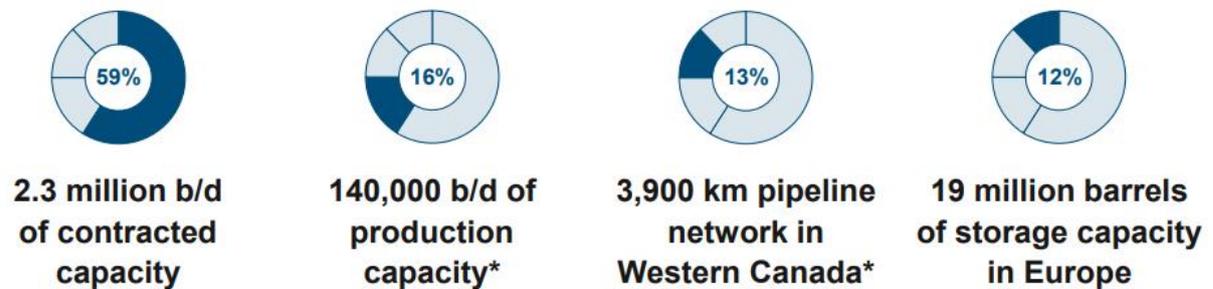
**Bulk Liquid Storage Business Segment**

- Inter Pipeline continues to own 8 bulk liquid storage terminals located in Sweden and Denmark which have approximately 19 million barrels of aggregate storage capacity.
- Refinery and chemical complex operators and oil traders own a significant portion of the bulk liquid storage infrastructure in Europe and use much of that capacity for their proprietary storage needs. Independent storage providers such as Inter Terminals receive, store and redeliver bulk liquids and gases on behalf of third parties and, as such, do not own the products that are stored.

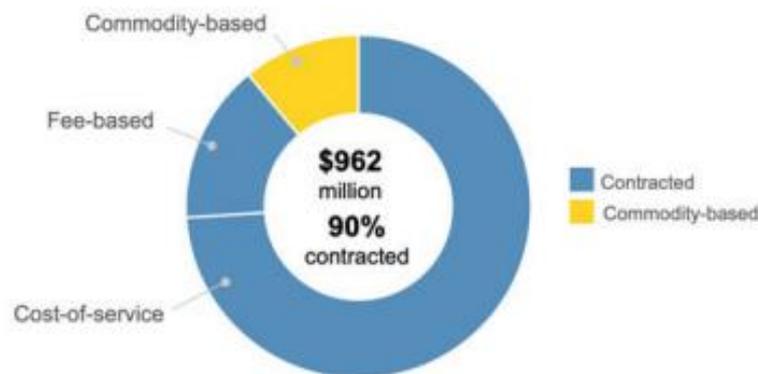
Country	Location	Terminals	Aggregate Storage Capacity (million bbls)
Denmark	Various, coastal	4	11.72
Sweden	Various, coastal	4	7.42
<b>Total</b>		<b>8</b>	<b>19.14</b>



**2020 Annual EBITDA (\$962 million)**



**Inter Pipeline's Adjusted EBITDA is Underpinned by Contracts for Cost-of-Service and Fee-Based Cash Flow**

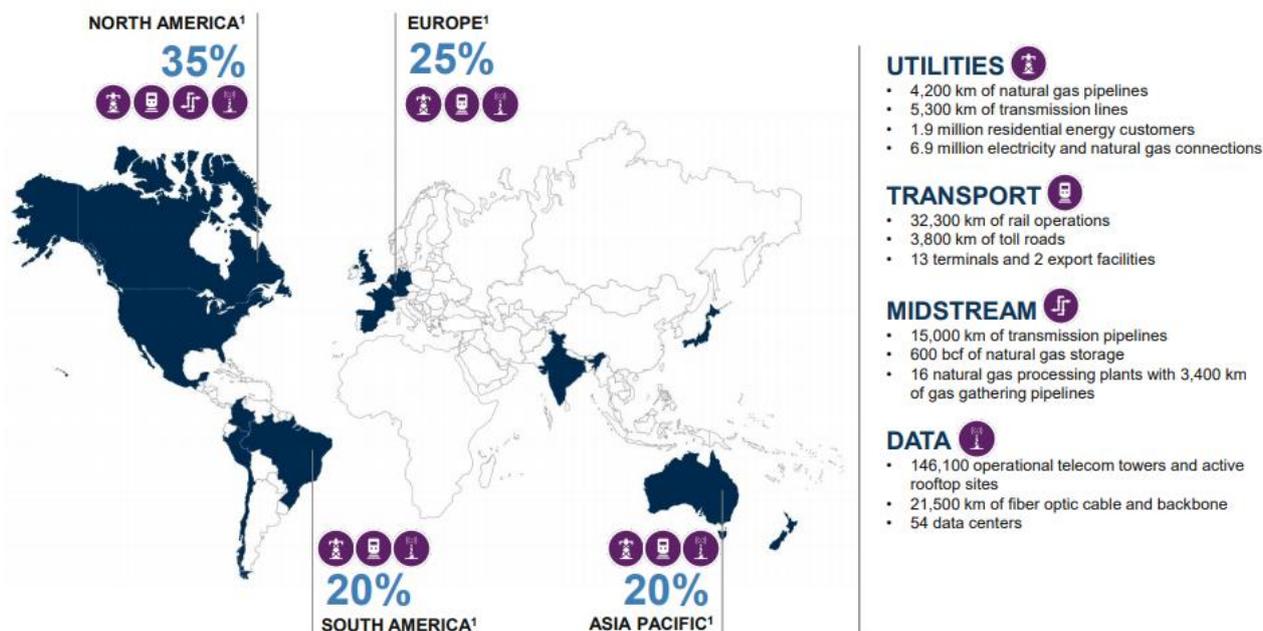


2020 Adjusted EBITDA Generation by Cash Flow Type

Source: IPL

## BROOKFIELD INFRASTRUCTURE DESCRIPTION

- Brookfield Infrastructure Corporation provides asset management services. The Company operates utilities, transport, energy, and communications infrastructure assets in North and South America, Australia, and Europe.
- Unlike consumers, Brookfield Infrastructure is looking to get more than electricity and gas out of utility companies. An investor in infrastructure-related assets, Brookfield owns and operates utility, energy, timber, and transportation companies in the Americas, Europe, and the Asia-Pacific region. It routinely acquires minority or majority interests in such companies, invests in capital and operational improvements to boost its assets' returns, and then sells off its ownership interests. Its assets include gas and electricity transmission companies in Chile, Canada, and the US; a rail system in Australia; and timberlands in the Pacific Northwest. Brookfield was formed in 2007. Australia generates 45% of the company's total revenue, while the UK accounts for 31%. Other major markets include Columbia (10%), Canada (7%), Chile (6%), and the US (1%).



Source: Brookfield

## Deal rationale

- Brookfield Infrastructure firmly believes that its Offer is in the best interests of all IPL shareholders and that shareholders should have the opportunity to determine what is best for their investment. Brookfield Infrastructure has a long and successful track record of acquiring large-scale infrastructure companies and believes its Offer is compelling for all IPL shareholders and stakeholders alike for the following key reasons:
  - Significant Premium to both IPL's Recent Trading Levels and the Company's Analyst Consensus Estimates
  - Immediate Catalyst to Surface Value in a Security that has Significantly Underperformed in the Public Equity Markets
    - Despite a strong recovery in global equity markets and a return of commodity prices to pre-COVID levels, IPL's share performance and credit profile continues to be strained.
    - IPL has delivered the lowest 1-year and 5-year total shareholder returns among its Canadian energy infrastructure peers.
  - Compelling Valuation and an Opportunity for Immediate Liquidity
    - Compelling valuation, despite the uncertainty of the timely completion and commercialization of the Heartland Petrochemical Complex ("Heartland") anticipated by the Company within the next two years.
    - IPL shareholders will have the option to elect to receive all of their consideration in cash, subject to an aggregate limit of approximately C\$4.9 billion, representing 76.2% of the Offer's total consideration.
  - Opportunity to Participate in Brookfield's Diverse Infrastructure Platform
    - IPL shareholders have an opportunity to receive an equity interest in a large-scale, global infrastructure company with a long-term track record of delivering compelling returns to shareholders.
    - Brookfield Infrastructure Partners has delivered ~10% annual distribution growth and an 18% annualized total return since inception.
  - Brookfield Infrastructure is Uniquely Positioned to Support IPL Through the Environmental Social & Governance ("ESG") Focused Transition
    - Brookfield Infrastructure is one of the largest owners and operators of critical and diverse global infrastructure networks which facilitate the movement and storage of energy, water, freight, passengers and data.

- Brookfield is a responsible Canadian-headquartered company, and IPL will remain a standalone company based in Calgary.
- Brookfield Infrastructure recognizes that ESG sentiment among public investors is evolving at an unprecedented pace and we are confident that, as part of a larger, more diversified organization, IPL will benefit from Brookfield's proven capabilities and stewardship around ESG transition investing.

## Key risks

### BOARD STANCE

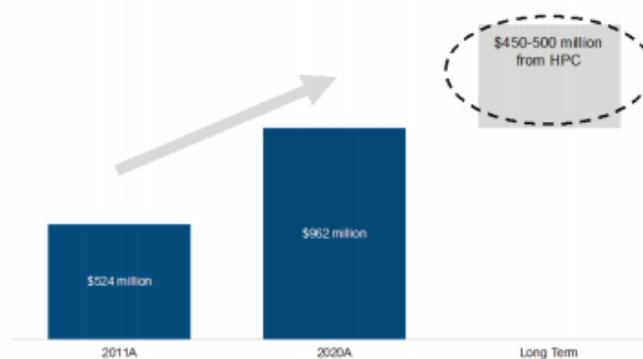
- **Inter Pipeline has rejected Brookfield's bid.**
  - Inter Pipeline Ltd. announced that the Board of Directors has unanimously determined that Brookfield's hostile takeover bid (the "Hostile Bid") is not in the best interests of the Company or its shareholders.
  - "Our business continues to perform strongly and we continue to expect that our nearly completed Heartland Petrochemical Complex, the largest growth project in our history, will deliver a step change in cash flow starting next year," said Margaret McKenzie, Chair of the Special Committee. "We have launched a comprehensive strategic review process focused on maximizing value for Shareholders and we believe superior offers or other alternatives may emerge."
- The Board of Directors recommendation to reject is based on:
  - The hostile bid is highly opportunistic and does not reflect IPL's full and fair value.
  - IPL's stand-alone plan is worth substantially more than the hostile bid.
  - A strategic review of alternatives is already underway.
  - There are significant risks to the value of the share consideration being offered by Brookfield.
  - IPL has taken a leadership role in ESG.
  - The hostile bid is highly conditional.
- The Board believes that superior offers or alternatives may emerge prior to the scheduled expiry of the Hostile Bid, which is not until June 7, 2021.
- However, we note IPL's chief executive officer said the company is open to an acquisition by Brookfield Infrastructure Partners LP should the suitor sweeten its takeover offer.
  - **"Our disagreement is solely about value," Inter Pipeline CEO Chris Bayle said** in a phone interview. "If they were to offer a value that was compelling, that would change the nature of the conversation."
- Brookfield said it welcomes the board's "efforts to market test the offer against other take-private proposals", adding that its offer is in the best interest of the Canadian company's shareholders.

### MINIMUM ACCEPTANCE / COUNTER-BID

- We believe the key risk is the minimum acceptance condition:
  - 50% of outstanding shares excluding shares held by offeror
  - 66 2/3% shareholding post-offer including shares already held by offeror
  - **Brookfield owns 19.6% interest in IPL**
    - The Brookfield Circular discloses that the Offeror Group owned 41,848,857 Common Shares at the date of the Hostile Bid, being approximately 9.75% of the issued and outstanding Common Shares.
    - However, Brookfield claims to own and have an interest in 19.6% of IPL's shares. This is a result of an agreement that Brookfield and with an ISDA swap dealer has entered into that gives Brookfield further economic ownership without legal ownership of an additional 9.8% of IPL's shares (the Total Return Swap Shares - "TRS Shares"). For the TRS Shares, Brookfield receives all the economic upside but cannot vote those shares. ("The Total Return Swap affords economic exposure to Common Shares, but does not give any member of the Offeror Group any right to vote, or direct or influence the voting, acquisition, or disposition of any Common Shares.")
  - We note Brookfield is the largest shareholder, other significant shareholders are institutional investors. So far, two minority shareholders of IPN said they were optimistic Brookfield Infrastructure Partners will sweeten its bid for the company. Other shareholders are seemed to be split.
    - Ryan Bushell, portfolio manager at Newhaven Asset Management, which owns shares in both companies, said Brookfield's offer undervalued IPL but the pipeline company would likely struggle to attract another bidder in time.
    - "The market is playing a bit of a game of chicken with Brookfield. If they walked away, the stock would probably go a fair bit lower," Bushell said.
    - Brookfield's offer is low, but serious enough that Inter Pipeline should negotiate, said Rob Thummel, managing director of TortoiseEcofin, Inter Pipeline's eighth-largest shareholder according to Refinitiv.

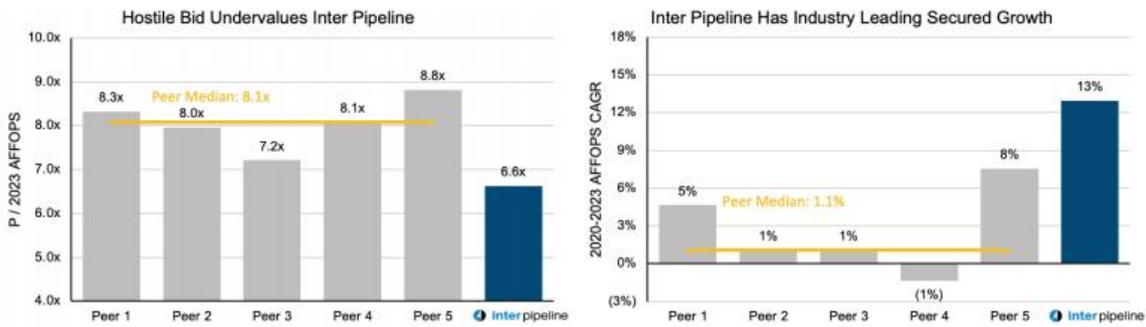
- "I think they should absolutely look at it and consider it," he said. A rival bid seems unlikely given that the energy sector is focused on repaying debt and buying back shares, not acquisitions, he said.
- Even so, Keyera Corp, another Canadian energy infrastructure company, may now attract some interest, said Thummel, who manages shares in that company as well.
- Several analysts have said they expect IPL will eventually accept an offer from Brookfield.
- Based on our valuation, we believe the offer does not undervalue IPL on a peer or a precedent comparison, although IPL has unique upside potential.
  - IPL's valuable pipeline systems can generate significant revenues for IPL as crude oil price emerges.
  - In January 2021, IPL sent a letter to BIP indicating that a valuation of at least C\$24.00/share would be required to further pursue a potential transaction.
  - We believe IPL predicates its C\$24/share valuation on the potential earnings of the Heartland Petrochemical project (HPC). HPC is almost complete with approximately 80% of forecast project spend incurred. HPC is expected to be mechanically complete by the end of 2021, with the in-service date targeted for early 2022. Inter Pipeline expects HPC to generate long-term EBITDA of C\$450-500 million per year, an increase of approximately 50% from 2020 Adjusted EBITDA. The Company expects to issue a material update on the commercial progress at Heartland before 1Q21 results.
  - The estimated cost of the complex, meanwhile, was increased to \$4 billion last May from the original \$3.5 billion, in part due to the affects of the pandemic. According to the company, HPC is almost complete with approximately 80% of forecast project spend incurred. However, we note IPL's incurring high leverage levels increased its financial risk profile in the eyes of rating agencies. On March 31, 2020, S&P downgraded its issuer credit rating on IPL to 'BBB-' from 'BBB+' with a negative outlook, lowered its issue-level rating on IPL's then \$3.325 billion of senior unsecured notes to 'BBB-' from 'BBB+', and lowered the issue-level rating on IPL's subordinated notes to 'BB' from 'BBB-'. However, the Company claims its business plan is fully financed and IPL forecasts no capital markets activities prior to the completion of HPC.
  - We note however, Brookfield's takeover offer came as Inter Pipeline struggled to find an investor for Heartland. The search for a JV partner on Heartland continues but with oil and petrochemical prices rising, interest in the project has increased. Inter Pipeline CEO Chris Bayle said that there are a number of active parties in the process.
  - Last month, Inter Pipeline initiated a strategic review of options following the Brookfield bid, which could range from the full sale of the company to the sale of some assets, including its \$4 billion HPC.
  - Better-than-expected Q4 results: BBG: Inter Pipeline was slightly below Bloomberg consensus for 4Q adjusted EBITDA, as persistent weakness in marketing activity and pipeline volume in the conventional segment and soft NGL processing results offset the stability of the oil sands transportation business. BBG analysts expect continued stability in the oil sands, while higher commodity prices drive better expectations in NGL and conventional.

**Significant Adjusted EBITDA Growth Since the Common Shares  
Last Traded at \$16.50, With More to Come**



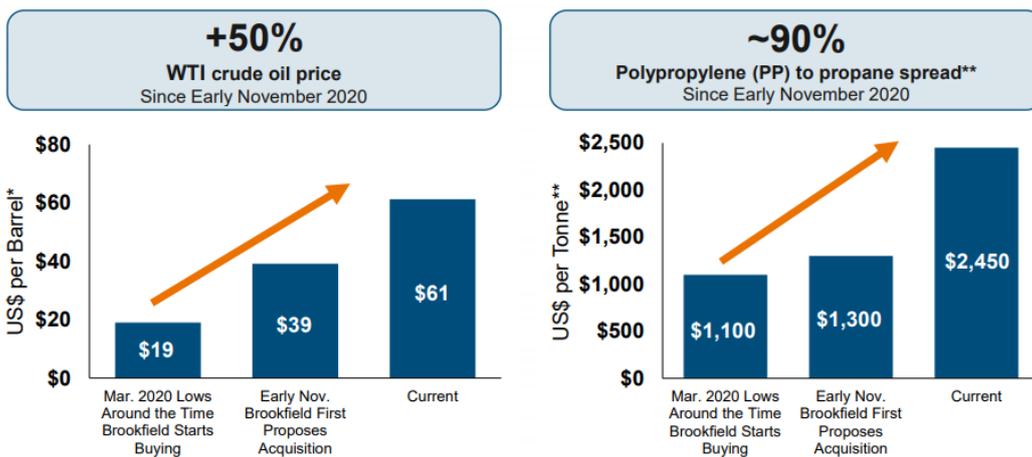
Source: Company Disclosure

**The Hostile Bid Values Inter Pipeline Well Below Peers and Ignores Future Growth<sup>1</sup>**



Source: IPL

- Downside risk appears to be limited.
  - During the first wave of the COVID-19 pandemic (March – April 2020), IPL shares has fallen to C\$5.80, but since then it has been emerging as crude oil and other petrochemical commodity prices are also rising. The commodities are benchmark West Texas Intermediate (WTI) crude oil and the spread between polypropylene (a fully recyclable plastic to be produced by the Heartland Petrochemical Complex) and Alberta propane. WTI is up by more than 50% and the spread between polypropylene and Alberta propane (the feedstock for HPC) is up by approximately 90%.
  - Pre-COVID IPL was trading around C\$20.



Source: IPL

- In case no counterbid emerges, we believe shareholders might tender into an improved bid around C\$20-21 per share range.
  - Brookfield said its offer was based on publicly available information. Brookfield previously said it is willing to sweeten its offer to between C\$17 and \$18.25 a share if it is granted access to due diligence.
- The offer of C\$16.50/share is structured as a cash or stock transaction: Shareholders may choose to receive Cash Consideration for some of their Common Shares and Share Consideration for their remaining Common Shares. The maximum amount of cash available under the Offer is C\$4.9 billion (~76% of the offer). The maximum share consideration is 19,040,258 BIPC share.
  - We believe shareholders might prefer an all-cash bid without the risk of switching their IPL to BIPC shares.

Timing:

- The Offer is open for acceptance until the Expiry Time, which is 5:00 p.m. (Mountain Standard Time) on June 7, 2021, unless Brookfield extends, accelerates or withdraws the Offer in accordance with its terms.

Potential back-end transaction

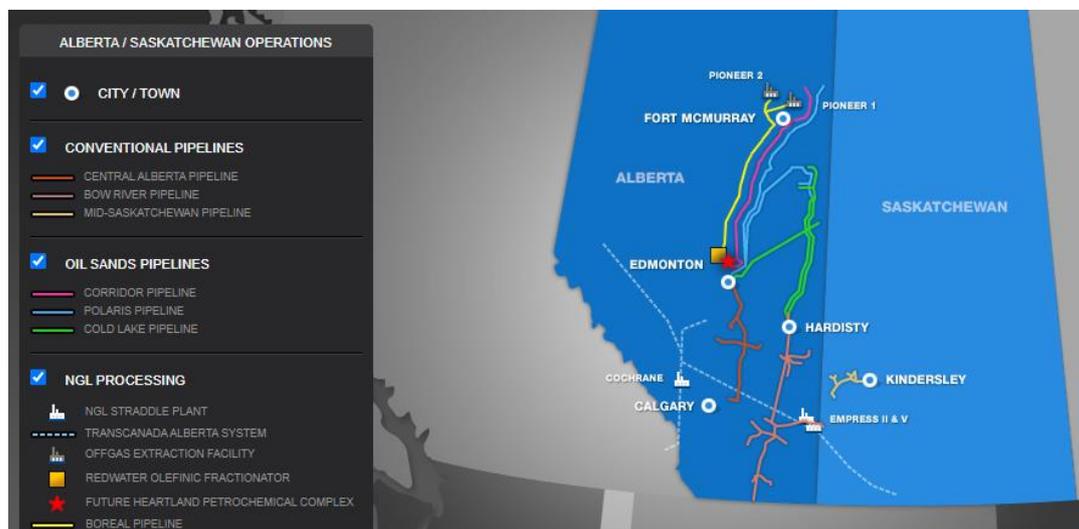
- Once the two-thirds percentage acceptance level is met, Brookfield Infrastructure intends, but will not be required, to take steps to acquire all remaining IPL Shares in accordance with applicable law.

Counterbid:

- IPL seems to be potentially looking for another bidder.
  - Before the deal announcement, Brookfield indicated it was willing to include a go-shop arrangement if any definitive agreement.
  - On February 18, 2021, Inter Pipeline announced the strategic review to evaluate a broad range of alternatives focused on maximizing value for Shareholders. The Board believes that superior offers or alternatives may emerge prior to the scheduled expiry of the Hostile Bid, which is not until June 7, 2021.
  - Inter Pipeline has established a comprehensive data room, which is being made available to interested parties wishing to transact with Inter Pipeline that execute an appropriate confidentiality agreement. Since initiating the Strategic Review, Inter Pipeline claims it has received inquiries from, and has initiated contact with a number of third parties.
- **We believe potential counterbids might emerge from strategic and PE bidders in the absence of an improved bid by Brookfield.**

**REGULATORY APPROVAL**

- Competition Act Approval, Transportation Act Approval, possibly HSR Approval, the Danish Competition Approval and the Swedish Competition Approval are required.
- IPL operations in Canada:



Source: IPL

- Brookfield's Natural Gas Midstream segment has
  - Approximately 16,500 kilometers of natural gas transmission pipelines in the U.S. and India
  - Approximately 600 Bcf of natural gas storage in the U.S. and Canada
  - 19 natural gas processing plants with approximately 3.3 Bcf per day of total gross processing capacity and approximately 3,550 kilometers of gas gathering pipelines in western Canada. (British Columbia and northwest Alberta)
- We don't expect any regulatory hurdles, as we found no overlaps between any segment of IPL and Brookfield.

**Valuation****PREMIUM / MULTIPLE**

- The offer of \$16.50 per share represents:
  - 23% premium to the closing price of C\$13.40 per Common Share on February 10, 2021, the last trading day prior to announcement of this Offer.
  - 28% premium to the 30-day volume-weighted average share price of C\$13.07 per Common Share for the period ended February 10, 2021.
- Pre-event IPL was trading at C\$13.40, at 13.1x FY1 EV/EBITDA. However, pre-COVID IPL was trading around C\$20. The 2-year-median of FY1 EV/EBITDA is 13.2x.

- The takeover offer values IPL at 14.5x FY1 EV/EBITDA, which is just slightly lower than IPL's highest FY1 multiple of 14.7x



## PRECEDENTS

- The C\$16.50 offer represents FY1 ~14.5x EV/EBITDA, LTM ~13.7x EV/EBITDA. Based on these multiples, the offer seems to be substantially higher compared to precedents.
- Brookfield offer premium is somewhat higher compared to recent midstream deals which are valued substantially below their pre-COVID price.

Announcement Date	Target	Acquirer	Transaction value	Form of transaction	TV/LTM EBITDA	TV/FY1 EBITDA
3/26/2018	Tallgrass Energy Partners LP	Tallgrass Energy LP	4795	Stock	12.4	6.9
9/16/2019	SemGroup Corp	Energy Transfer LP	4893	Cash and Stock	13.3	10.4
8/21/2019	Kinder Morgan Canada Ltd	Pembina Pipeline Corp	3043	Stock	11.8	
5/10/2019	Buckeye Partners LP	IFM Investors Pty Ltd	10648	Cash	12.3	12.1
5/8/2019	Andeavor Logistics LP	MPLX LP	14277	Stock	11.6	10.1
2/27/2020	EQM Midstream Partners LP	Equitrans Midstream Corp	10140	Stock	7.5	7.3
12/15/2020	TC Pipelines	TC Energy Corp	4193	Stock	14.1	8.5
2/17/2021	Enable Midstream Partners	Energy Transfer	7297	Stock	7.5	7.8
3/5/2021	Noble Midstream Partners	Chevron Corp	2436	Stock	6.5	6.4
2/22/2021	Inter Pipeline	Brookfield Infrastructure	13976	Cash or Stock	13.7	14.5
Median					11.8	8.2
Average					10.8	8.7

## PEERS

- Pre-event IPL was trading substantially higher compared to peers' average based on FY1 EV/EBITDA and FY1 P/E. The C\$16.50/share offer means a 14.5x FY1 EV/EBITDA takeover multiple.
- We note IPL's EBITDA and EPS CAGR are also above peers' average, while FY1 EBITDA Margin is in line with peers.

Company	Price	Mkt Cap	EV/ LTM EBITDA	EV/ FY1 EBITDA	EV/ FY2 EBITDA	FY1 P/E	FY1 EBITDA Margin	EBITDA CAGR	EPS CAGR
MPLX LP	26.4	27 340		9.1	8.9	10.5	61%	1%	8%
GIBSON ENERGY	22.4	3 260	11.4	10.6	9.7	22.5	8%	4%	13%
ENERGY TRANSFER	8.6	23 187	11.3	7.1	6.9	7.9	21%	2%	
MAGELLAN MIDSTRE	45.0	10 041	11.3	11.2	10.6	12.3	55%	3%	4%
DELEK LOGISTICS	36.2	1 571	11.2	9.5	8.5	8.5	51%	14%	1%
ENBRIDGE INC	45.3	91 757	13.6	11.3	10.4	16.9	33%	5%	8%
TC ENERGY CORP	58.1	57 468	12.6	11.0	10.5	13.7	68%	3%	2%
PEMBINA PIPELINE	37.4	20 563		9.7	9.5	15.3	49%	3%	10%
ENTERPRISE PRODU	23.3	50 722	11.2	10.0	9.8	11.6	28%	1%	2%
KINDER MORGAN IN	16.2	36 775	19.0	10.3	10.2	17.8	56%	0%	22%
WILLIAMS COS INC	24.4	29 616	13.3	10.0	9.7	20.5	64%	2%	14%
ONEOK INC	51.0	22 672	18.8	11.8	11.4	16.7	29%	6%	19%
Median			12.0	10.1	9.8	14.5	50%	3%	8%
Average			13.4	10.1	9.7	14.5	44%	4%	9%
INTER PIPELINE L	16.50	7 082	13.7	14.5	11.1	20.0	43%	14%	27%

**Disclosures:**

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