Tiger Infrastructure Partners

Transformational growth in the middle market

A Q&A with CEO and founder Emil Henry about opportunities for growth in infrastructure's middle market

Why does Tiger focus on the middle market?

At Tiger's founding, my team and I realized there was enormous opportunity in the real economy in certain high-growth areas within classic infrastructure verticals. Sectors such as digital – we called it communications at the time – energy transition and transportation were benefiting from massive tailwinds, but middle-market and lower-middle-market businesses in these areas were attracting limited capital compared with the volume of sophisticated, institutionally backed capital devoted to large-cap infrastructure.

We drive growth in the middle market in three ways: creating new assets from scratch, expansion capital and classic private equity–style rollups.

This imbalnce has grown even more pronounced in the intervening years. Quite simply, the middle market for infrastructure is less competitive than ever in terms of attracting capital, and so we've been able to exploit this market dynamic and pursue our growth strategy and capitalize on these trends driving demand for new infrastructure.

With middle-market businesses, we're also able to have the kind of transformational impact not typically seen in infrastructure by providing not just the growth capital, but also the hands-on expertise to help our companies expand, acquire or construct new assets.

What does Tiger mean by "transformational growth capital"?

It's still such a unique concept that I'm often asked what exactly "growth" means in infrastructure. And I have always explained that we drive growth and create value in the middle market in three ways.

The first is **asset creation,** creating new assets from scratch, which by definition is all about growth. Some call this path "greenfield," a term we don't especially favor because it implies greater risk than we're actually taking. In fact, in the current risk-off environment, one benefit of our growth positioning is that it involves very little leverage, so solvency risk, even in our early-stage companies, doesn't keep us up at night.

The second way we create growth in the middle market is providing **expansion capital** for entrepreneurs and management teams with existing platforms. Those infusions of capital help them take their existing assets, grow them to the next level and create real scale.

The third path where we find growth is through **consolidation,** classic private equity–style rollups, backing teams that often do not own assets at the outset but have targeted an area ripe for multiple acquisitions and consolidation. We realize growth on this path by rolling up individual assets or companies to create scale and then applying our operating expertise to help find efficiencies and squeeze out synergies. Then, we can capitalize on a valuation arbitrage, which is the difference in multiples where we might sell a company of scale versus the prices we pay for the individual assets.

Can you give some examples of capturing growth along these different paths?

A good example of our approach to creating assets is Summit Carbon Solutions (SCS), which is today developing the largest carbon-capture and sequestration project in the world. We incubated SCS in our third fund back in 2020 in partnership with Summit Ag, led by highly successful developer-operators of agriculture and related projects that we've known for decades. In fact, we previously partnered with Summit Ag in our first fund in 2013 to create FS Bioenergia from scratch and build it into a multi-billion-dollar company that today produces the world's lowest carbon-intensity transportation fuel at scale.

With SCS, we've worked closely with Summit Ag to significantly de-risk and advance key aspects of the project before we exposed any significant amount of our investors' capital. As a compelling proof point for our efforts, SCS was able to raise $1 billion of follow-on equity in 2022 from TPG Rise Climate, Continental Resources and SK, a Korean energy conglomerate.

Zenobe is a great example of how strategically deployed expansion capital can be transformational. In our second fund, we partnered with Zenobe's founders, who had a few small battery-storage assets in the United Kingdom but needed capital to execute on their project pipeline. Battery storage is all the rage today, but back in 2017, Tiger was Zenobe's first institutional investor – which is a thread throughout our investments – and we were one of the first infrastructure funds to back a grid-scale storage company. Today, Zenobe is approaching "Unicorn" status, with gigawatts of transmission-connected battery-storage projects in operation, construction and development, and it has also become a major player globally in vehicle fleet electrification.

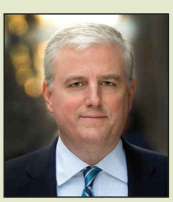
Finally, I'd point to Modern Aviation as an example of value creation through a rollup strategy. The segment of airport infrastructure serving the general aviation market is called fixed-base operators, or FBOs for short. And for many years, a number of large infrastructure funds have owned two big FBO businesses, called Signature and Atlantic Aviation, which own hundreds of FBOs across the United States. But much of the rest of the market is highly fragmented with lots of small, family-owned businesses operating just one or two FBOs. In our second fund, we backed a pair of talented entrepreneurs to execute a differentiated, middle-market business plan focused on acquiring such FBOs one at a time, squeezing out synergies and creating scale. Today, Modern is the fourth-largest FBO operator in the United States.

When Tiger recently acquired IAC, you emphasized the firm's trans-Atlantic footprint. How does that footprint complement your middle-market thesis?

We've always had a local presence in both North America and Europe, which is unique for a firm of our size, and which has allowed us to maximize opportunities in both regions. We deliberately staff deals across offices to facilitate knowledge-sharing across geographies. Our investment decisions are better informed by our awareness of emerging trends, new business models and evolving pricing dynamics in both markets. IAC, in particular, was a complex multi-jurisdictional transaction where fielding a multinational team provided an enormous advantage.

In other instances, such as our Fund III investment in Forsa, we recognized that the case for grid-stabilizing assets was similar in both North America and Europe, but it would be far easier to build a business in that space in the United Kingdom rather than the United States, where there were more regulatory and other barriers. In the end, we believe that Tiger's trans-Atlantic scope, alongside our focus on middle-market growth investing and our hands-on approach to adding value, is a source of differentiation and competitive advantage.

CONTRIBUTOR



Emil W. Henry Jr.
Founder and CEO
Tiger Infrastructure Partners

A recognized innovator in private equity and public policy, Emil Henry led Gleacher Partners' expansion into a sophisticated array of innovative alternative investments as a partner and managing director between 1990 and 2005. As assistant Treasury secretary from 2005–2007, Henry oversaw the Office of Critical Infrastructure Protection. One of the first officials to identify how concentrated subprime mortgage holdings could create a systemic crisis, he also saw the vast unmet need for private investment in America's infrastructure. Beginning in 2007, as Lehman Brothers' global head of infrastructure private equity, he assembled the core team that today manages Tiger's infrastructure funds.

CORPORATE OVERVIEW

Launched in 2010, **Tiger Infrastructure Partners** is an innovative private equity firm focused on providing transformational growth capital to middle-market infrastructure companies. Tiger's value-added approach targets growth investments across the digital infrastructure, energy transition and transportation sectors in North America and Europe, where Tiger believes strong tailwinds are driving demand for new infrastructure. Tiger maintains offices in New York and London.

Tiger Infrastructure Partners

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