

KEYNOTE INTERVIEW

The building blocks of growth



*Crafting a diversified asset pool, building a strong management team and optimising capital structures are all key pillars underpinning a successful growth strategy, explains Tiger Infrastructure Partners' **Emil W Henry, Jr***

For many players in the infrastructure space, growth has been hard to come by for some time. Understandably, regulatory shifts, rising costs and the absence of a long-term vision have deterred some investors and asset managers from entering the space. However, these challenges are far from insurmountable.

Mid-market infrastructure assets – whether core, core-plus, or value-add – can form part of a successful growth strategy. If investors take the time to build a diversified portfolio, work with the right management team and examine capital structure carefully, there is no reason why growth cannot

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be achieved. Emil W Henry, Jr, CEO and founder of Tiger Infrastructure Partners, outlines why the mid-market continues to offer a range of opportunities to investors.

Q What are some of the key building blocks for a successful infrastructure growth strategy?

The mid-market, where we focus, is a good starting point for infrastructure

investors seeking growth. When you look at the history of private equity, the largest firms moved towards large-cap deals very quickly. This created an opportunity in the mid-market, where PE investors found compelling prices, more proprietary deals and less competition. All of this leads to a greater ability to control and create value.

For us, growth doesn't mean being overly opportunistic, either. It's not necessarily a different risk paradigm, but it absolutely requires a different mindset. Ours is defined by our value creation playbook. It's the lens we apply to every one of our investments.

Our playbook is built on three core building blocks: building a diversified asset pool, creating a strong management team and optimising capital structures. For instance, when we're looking to build a strong management team, we recognise that many growing companies may not have a fully built-out management team or C-suite in place from the start. We need a team that shares our vision and can execute our value creation playbook.

Our portfolio company International Aerospace Coatings (IAC) provides a good example of the impact we feel our building blocks can have. We were attracted to IAC because of its core infrastructure characteristics: asset-rich, providing an essential service, operating under long-term contracts and the firm's a dominant player in a niche market. We optimised the capital structure so that, for the first time in its history, IAC was able to secure investment-grade financing earlier this year.

Q How important is it to keep the nuances of different geographies in mind?

It's absolutely critical. As a mid-market firm with a platform in both North America and Europe, we see significant value in having a dual presence. While the assets themselves might be similar, the markets are very different.

Our approach allows us to leverage significant learnings from one market to inform our decisions in another. For example, we spent years studying battery storage in both the US and Europe. Those learnings led us to initially avoid US investments in favour of European assets. We're now using this knowledge to potentially pursue opportunities in the US. Similarly, we saw that European assets were a better fit for our strategy when we first began looking into electric vehicle charging.

We believe our geographic presence makes us a more attractive partner for companies with an international



Q How can digitalisation be incorporated into investors' growth strategies?

It's hard to overstate the importance of digitalisation, particularly the impact of artificial intelligence. The hundreds of billions of dollars being invested by the hyperscalers is creating a massive mega-trend that's changing the world. While much of this capital is going to large data centres, there's a plethora of other opportunities for mid-market players.

For example, we have a company, Unison Energy, that's seeking to disrupt the data centre power and interconnectivity paradigm. The firm provides 24/7, fully contracted power directly to data centre complexes, obviating the need for grid interconnectivity. We believe that you'll see more and more outsourcing of infrastructure services around these data centres, creating opportunities for specialised players like us.

Although decarbonisation and digitalisation are sometimes seen as opposing trends, we also believe it's possible for investors to support both. When it comes to sustainability, the key is to find investments that can stand on their own without subsidies. One of our three target sectors has always been energy transition. However, we gravitate toward investments that can drive returns even without government support.

As a case in point, Unison Energy, which I mentioned earlier, delivers power with a 20-25 percent lower carbon footprint than a standard grid connection. This shows that we can successfully support both digitalisation and decarbonisation.

"The mid-market is a good starting point for infrastructure investors seeking growth"

footprint, like our portfolio company IAC. Our platform allows us to help these companies expand into new geographies.

Finally, having a presence in multiple markets gives us a competitive advantage in terms of pricing. We can compare asset prices across regions and choose to invest where the value is most compelling. For example, we've seen price disparities in assets like telecom towers, allowing us to pursue them

in one geography while avoiding the overpriced assets in another.

Q What impact have macro challenges had on investor strategies?

The most obvious macro challenge is the significant slowdown in M&A activity and exits since the US Federal Reserve began raising interest rates. Statistics show M&A activity in 2023 and 2024 was about 40-50 percent of the previous decade's average. This has been a major elephant in the room, exacerbated by recent global trade tariffs.

For our growth strategy, however, the impact has been less significant. We're able to exit our investments to large asset owners, and we had some of our most significant exits in 2023 and 2024, despite the slowdown in activity.

Admittedly, for many core and core-plus investors, the macro environment has caused a major strategic rethink. Investors grew accustomed to a zero-interest-rate environment. But when risk-free returns on government bonds are 4.5 or 5 percent, it's hard to justify allocating capital to a core strategy that might only return a high single-digit percentage.

Even so, we believe our strategy is well-insulated from these challenges for two main reasons. First, our entry multiples are typically very low because we're building, expanding and acquiring assets. This protects us from significant purchase price risk, which is a major concern for many investors in this market. Second, we often start with all-equity investments and layer in debt later. This means we're less exposed to classic leverage risk at the point of acquisition.

Q How can investors pursue diversification without spreading themselves too thin?

Diversification is a watchword for us. We build it into our portfolio at multiple levels to ensure a cohesive strategy. We focus on diversifying in terms of

the asset, geography, sector and growth pathway. Each level of diversification presents different considerations for investors to keep in mind. For instance, regarding growth pathway diversification, we diversify in three ways: building new assets, expanding existing assets and acquiring or consolidating assets.

Each of these pathways presents a different risk profile and we look to spread our capital fairly evenly across all of them. By diversifying across these dimensions – asset, geography, sector and growth pathway – we're not tied to any single macro theme or subsidy. This approach insulates us from a variety of risks and gives us a broader opportunity set.

Q Which investments, technologies or themes should investors be looking into?

I'm very optimistic about the future of mid-market infrastructure growth. There are substantial tailwinds driving opportunities in our three core sectors – digital, energy transition and transportation. There's simply less competition from other growth practitioners in this corner of the market.

When considering a successful infrastructure growth strategy, our approach is shaped by our experience as the first growth infrastructure investors in this asset class. We've been doing this now for over 15 years, and that experience has given us a very specific and unique skill set. While others are now embracing growth as a sub-strategy, we believe our long tenure gives us a significant edge.

Our three most recent investments, the tyre recycling company Bolder, healthcare transport firm EMED, and student transport provider MNC Transportation, offer a good window into what we believe the future holds. Bolder has an energy transition play that drives positive unit economics without the need for subsidies. EMED

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is a company in the UK that provides non-emergency transportation to individuals under long-term contracts with the NHS. It's a market-leading player offering a recession-resistant, essential service. And MNC Transportation provides school transportation for children. It's stable and, again, provides an essential, recession-resistant service.

The common thread among all of these businesses is that they allow us to deploy our value creation playbook. We believe we can build them into blue-chip, world-class infrastructure assets that large asset owners will want to own. They're all essential services with diversified asset bases and resilient in the face of economic downturns. These types of opportunities, where we can create significant value in essential, recession-resistant businesses, are what we believe will define the next three to five years. ■