

KEYNOTE INTERVIEW

Bridging the investment gap



*As government budgets tighten, private capital is stepping in to capture an expanding array of mid-market infrastructure opportunities worldwide, says I Squared Capital's **Mohamed El Gazzar***

From upgrading ageing infrastructure to expanding grids for a more reliable energy future, mid-market investors are playing an increasingly pivotal role in ensuring that energy, transport and data systems remain resilient and ready for tomorrow's demands.

Typically, mid-market investments fall within a range that allows investors to pursue meaningful positions – large enough to generate impact but small enough to access a broad variety of opportunities. The ability to deploy capital across several subsectors instead of concentrating it in a select number of large investments represents a structural advantage, says Mohamed

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El Gazzar, senior partner at London-based I Squared Capital.

Q How do these structural advantages translate into real-world investment opportunities?

For many investors, the mid-market segment is becoming increasingly important. For I Squared, it's always been a core part of our strategy. Mid-market opportunities typically offer entry valuations that are more attractive

than those of very large, mature assets. And they often face less competition. At the same time, smaller-scale assets come to market more frequently across sectors and regions than large infrastructure assets, like major airports or hyperscale data centres.

But the real differentiator in the mid-market is that it's still possible to build as much as you buy. The most attractive returns are often created through hands-on operational improvement and platform strategies, combining organic growth with targeted bolt-on acquisitions. That's difficult to replicate with more mature assets, for which there are fewer operational levers to

pull, growth is structurally capped and the buyer universe at exit narrows as cheque sizes grow.

In contrast, mid-market businesses provide the opportunity for investors to drive long-term value creation through operational levers such as revenue optimisation, procurement improvements, sharper geographical focus, cost efficiency and stronger sales capabilities.

The mid-market also benefits from a global perspective. By investing across regions and sectors, opportunities can be selected based on growth potential, rather than being limited to a single geography. Over time, platforms can scale from modest starting points into larger operators that benefit from broader economic trends.

At I Squared, we've built more than 40 platforms worldwide across different infrastructure sectors, typically with equity investments of around \$500 million-\$700 million per asset. We consider this the sweet spot for scaling businesses. Take for example Cube Highways, which I Squared established in 2014 to acquire and operate a diversified portfolio of toll roads in India. The firm scaled from a single asset to a portfolio of 27 assets by 2025 and today is India's largest professionally managed operator of national and state highways.

Q How is the EU's competitiveness agenda, with its focus on digital sovereignty and energy independence, transforming the infrastructure landscape?

It's accelerating two powerful investment themes: digital build-out and energy security. Digital sovereignty is driving demand for more data centre capacity within Europe, including smaller edge data centres located close to end users. These facilities support low-latency services and AI applications, complementing larger hyperscale sites that handle intensive computing and model training.

Crucially, the availability of power has become the defining constraint.

Q What is the role of government versus private capital in funding infrastructure?

In many regions, governments simply don't have the financial capacity to fund all necessary infrastructure projects themselves. Public budgets are constrained and much of the existing infrastructure, particularly in Europe, is ageing. Systems often date back to the post-World War II era.

Private capital plays a critical role in filling that funding gap. Upgrades and maintenance alone require significant investment; from power grids and water systems to roads and safety equipment. Our recent investment in Ramudden, a global traffic management and infrastructure safety platform, is a great example of this.

Governments are generally receptive to responsible, fair private investment, especially when it's structured as a win-win partnership. This allows for funding essential upgrades, expanding capacity and introducing modern technologies without overburdening public finances. Infrastructure investment today is therefore a mix of maintaining and improving existing assets, as well as selectively expanding capacity across a wide range of sectors, from roads and public safety systems to utilities and digital infrastructure.



Securing reliable power is essential for new data centres, often involving new grid connections, substations or dedicated generation before operators commit to building a new facility.

Energy security is another key focus. In response to the Ukraine conflict, Europe is diversifying its energy supply, investing in LNG infrastructure, expanding renewable generation and strengthening grid capacity. The intermittent nature of renewables is increasing the importance of storage solutions like batteries, while regulatory mechanisms, such as long-term revenue contracts, are emerging to

encourage private investment in these stabilising technologies.

Q Where are the main mid-market opportunities globally?

The most compelling mid-market opportunities sit at the intersection of power, digital infrastructure and energy security. From drivers like rising renewable penetration and explosive AI-driven demand, power systems globally are under pressure. Technologies such as battery storage, flexible generation and other backup systems are critical for maintaining

reliability, while investment in existing grid assets, including substations, is increasingly important alongside new construction.

Investments must balance system reliability, scalability and cost, making a gradual, multi-technology approach the most viable path for supporting a lower-carbon energy system.

In the US, this translates into significant opportunities across gas pipelines, LNG infrastructure and power assets. In Asia, particularly India and Southeast Asia, renewables and transport infrastructure offer strong GDP-linked growth dynamics. Australia is another attractive mid-market environment, with opportunities across solar energy, transportation and environmental services.

There's also growing interest in deploying private capital for infrastructure that strengthens supply chains and logistics, particularly in ways that enhance resilience and security. Cold storage is a prime example. Our CubeCold platform now plays a pivotal role in delivering a one-stop, temperature-controlled distribution and logistics solution for food and pharmaceuticals across Europe, including in Ireland and the UK.

More broadly, assets supporting supply chain infrastructure continue to attract attention as companies and governments place increasing emphasis on reliability and efficiency. Beyond Europe, the US remains a major market for both logistics and infrastructure investment, with its growing focus on reshoring supply chains and strengthening domestic production.

Public transportation is another key theme as governments increasingly focus on expanding and modernising bus and rail networks. Rail infrastructure remains a priority across Europe, with Germany advancing the electrification of its rail network, while France, Spain and other countries continue to upgrade and expand their own systems.

Through Arriva – which operates trains and buses across 11 European

countries, and supports more than 1.5 billion passenger journeys annually – we see clear potential to enhance and scale essential transport services as electrification and network upgrades accelerate. These developments reflect a broader shift toward electrification in public transit where it's often more feasible to electrify trains and buses than private vehicles.

Q Is the mid-market better suited to independent managers versus global mega-funds?

The mid-market tends to reward focus, deep expertise and discipline – independence can be a real advantage in that context. Infrastructure is a complex, highly technical asset class and an independent manager can remain laser-focused on infrastructure and specific subsectors within it, leveraging specialist knowledge, maintaining a strong culture and answering solely to its LPs, rather than external shareholders. This allows for a long-term approach and disciplined decision-making, which can be particularly important when building platforms and managing mid-market infrastructure assets.

Without doubt, large diversified managers have a role to play, especially in large-cap transactions. The mid-market is less about deploying the largest cheque and more about executing consistently, sourcing proprietary opportunities, scaling businesses and driving operational improvement. In that environment, specialisation, alignment and long-term commitment often matter more than size.

Q How is geopolitics affecting where and how mid-market investors deploy capital?

Geopolitics is always a feature of the investment landscape, but for long-term investors in infrastructure, investment decisions are typically driven more by long-term fundamentals rather than near-term geopolitical shifts.

Infrastructure assets, such as power plants, utilities and transport systems, are inherently long-term investments, often spanning 10 to 30 years, and are critical to economic growth. This makes them resilient even when political conditions change.

That said, discipline is critical and investments must stand on their own economic merit. For example, some renewable energy projects may appear attractive, but if they rely heavily on subsidies that could be withdrawn or if costs are prohibitively high, the investment may not make sense regardless of the political environment. Investors navigate this by assessing where returns are sustainable and where regulatory or economic frameworks are supportive.

Sector and geographical diversification are also key tools for managing geopolitical risk. By spreading investments across regions and sectors within infrastructure, investors can mitigate volatility in any one region or policy regime. In that sense, geopolitics is something to navigate, not something that prevents long-term capital from being deployed.

Q What is the outlook for the mid-market infrastructure sector in 2026 and beyond?

The mid-market infrastructure sector is set to remain one of the most compelling parts of the asset class. Competition will keep rising as more capital chases the infrastructure opportunity, but success in the mid-market relies on having the operational toolkit, experience and discipline to create value where others can't.

In short, the mid-market is likely to get more crowded, but it should also get more interesting.

The managers best positioned are those that can consistently execute, source proprietary opportunities, build platforms and drive operational value creation, rather than simply competing for the largest assets at the highest multiples. ■