KEYNOTE INTERVIEW

Mighty oaks from little acorns grow

Value creation opportunities and exit optionality mean the lower mid-market is increasingly where investors want to be, says Ridgewood Infrastructure's Sam Lissner

Investor appetite for lower mid-market infrastructure in the US is mounting given the scale of the deployment opportunity, enhanced ability to add value and superior exit dynamics.

Furthermore, as the infrastructure asset class continues to mature, investors are increasingly choosing to supplement allocations to large global managers, with GPs specialising by sector, geography and size.

Compelling investment opportunities in the lower mid-market also exist across multiple industries. In the transportation space, the reimagining of global supply chains with an emphasis on onshoring is particularly driving attractive deals. Meanwhile, despite a notably less supportive political environment, the energy transition continues to deliver for lower mid-market investors.

While the messaging has inevitably shifted to match a new political reality, the business case for sustainable investment remains as strong as ever, argues Sam Lissner, a partner at New York-headquartered lower mid-market specialist investor Ridgewood Infrastructure.

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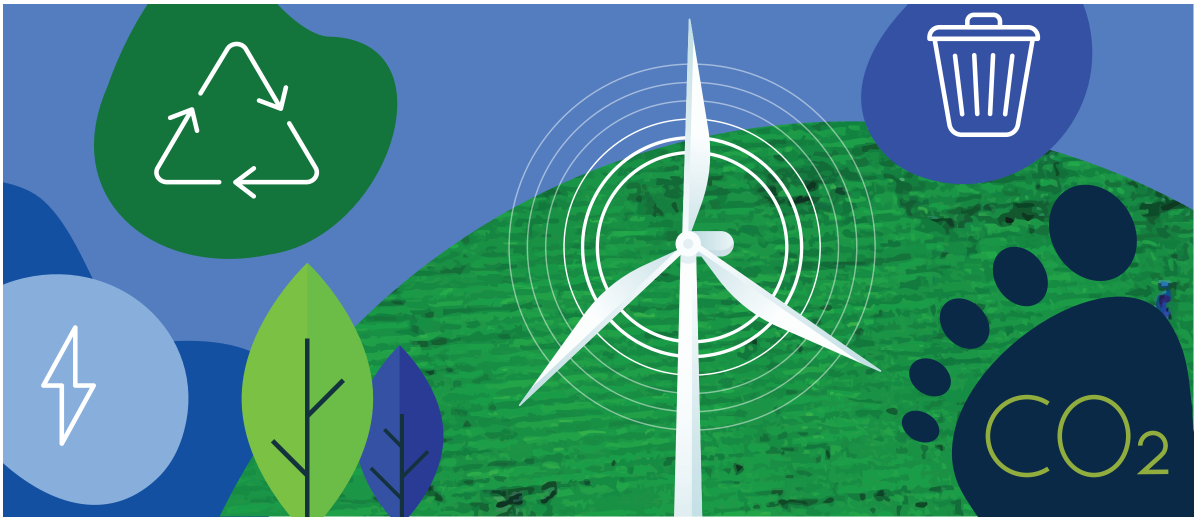
Q How strong has investor appetite for the lower mid-market been and what are your expectations for the year ahead?
In our view, investor appetite for the lower mid-market is well positioned to strengthen in 2026 and beyond. Several factors underpin this outlook. Against a backdrop of heightened uncertainty, investors are increasingly prioritising strategies that offer downside protection and more controllable value creation. Within that context, the lower mid-market is widely recognised as a particularly attractive segment. Structural inefficiencies persist at the smaller end of the market, with greater fragmentation



Q How has the energy transition space and sustainable investing been impacted by the changing political environment in the US?

While the political tone in the US has shifted and policy support for green energy has become less consistent, we continue to see a compelling opportunity set within sustainable infrastructure. Many solutions are now structurally low cost and high impact from a purely commercial and economic perspective, independent of political support.

Our focus is on the financial fundamentals – where sustainability-related initiatives can mitigate downside risk, lower operating costs and ultimately enhance profitability. Viewed through this lens, the business case for sustainable investing remains strong and, in many cases, increasingly compelling.

Businesses that invest in long-term durability and efficiency are better positioned to perform across a range of economic and regulatory scenarios, which is critical to preserving long-term value. Reducing energy consumption directly lowers costs, particularly in an environment of elevated power prices across much of the US.

Renewable energy – whether through rooftop solar, community-scale projects or commercial and industrial deployments – has become one of the fastest and most cost-effective ways to deliver incremental power.

This represents a meaningful shift from the past, when renewables were often pursued for aspirational reasons. Today, they offer tangible bottom-line benefits that can be captured irrespective of the political backdrop.

and fewer dedicated pools of capital competing for assets, creating a more favourable opportunity set.

As lower mid-market investors, we typically invest in good businesses that are under-managed or under-commercialised. By introducing institutional practices and active operational oversight, specialist managers like Ridgewood can drive meaningful improvements in margins, customer outcomes and overall business quality. These levers tend to be significantly more impactful at the smaller scale than in larger, more optimised businesses – as we often note, it's easier to turn a speedboat than a cruise ship.

Exit optionality is another important consideration. This part of the market offers multiple pathways to realise value, often positioning assets at a point where others are just beginning their ownership journey. Over the past 18 months, we've exited investments to both financial and strategic buyers, and recently announced the sale of another portfolio company to a large global sponsor where the platform we built is the starting point for their entry into this sector.

Finally, as the infrastructure asset class has matured, investors that initially allocated to large, global managers are increasingly seeking complementary exposure. This is being achieved through allocations to sector and regional specialists, as well as through portfolio construction by size.

Taken together, these dynamics are driving growing recognition of – and interest in – the opportunities available at the smaller end of the market.

Q Is there a danger that too much money is being redirected to the lower mid-market because of those benefits, and that is impacting competitive dynamics?

We've not seen competitive dynamics in our segment of the market change in any meaningful way. In infrastructure, the definition of "mid-market" varies widely. Some managers raising funds in excess of $5 billion still describe themselves as mid-market investors, which can blur comparisons.

Our focus is firmly on the lower mid-market, typically targeting companies with enterprise values below $500 million, often acquired from family or founder-owned businesses. In many cases, we're the first institutional partner with which these companies have engaged.

As a result, we rarely participate in broadly marketed, investment bank-led auctions. Instead, we prioritise bilateral origination, leveraging long-standing relationships to create differentiated transaction dynamics. This approach has allowed us to remain largely insulated from broader competitive pressures, even as overall investor interest in the segment has increased.

Q Where have you seen the most interesting deployment opportunities in 2025, and do you see that changing in 2026?

We operate with a broad investment mandate and seek to build diversified exposure to the smaller end of the US infrastructure market. As a result, our portfolio spans water, energy, transportation and utilities, and we continue to see attractive investment opportunities across each of these sectors.

> *"The realignment of global supply chains… are creating compelling opportunities at the highly fragmented, lower end of the transport market"*

In water, we see sustained opportunity across both system expansion and asset renewal. Population growth and community development in parts of the US are driving the need for new infrastructure, while a significant portion of the existing water network is ageing and requires substantial investment to maintain reliability and meet modern standards. A current example is Prospect Lake, a new PPP water treatment facility we're building in Fort Lauderdale, Florida. The facility will replace a plant operating well beyond its useful life, which wasn't designed to meet the needs of a modern community.

Within the energy transition, we continue to focus on working with counterparties seeking tailored, practical solutions to specific challenges. In Hawaii, for instance, we've invested in microgrids, solar, battery storage and EV charging infrastructure in partnership with the Department of Transportation, which is focused on decarbonising its buildings and vehicle fleet. We're exploring similar opportunities with commercial and industrial counterparties, where integrated solutions can include traditional renewables, smart infrastructure and energy efficiency, alongside bridging fuels such as natural gas. The latter continues to play an important role in the global energy mix.

We've also remained active in the transportation sector. Last year, we acquired a cold storage platform, and we're currently in the process of finalising an investment in the railroad sector. These businesses primarily transport agricultural and industrial end-use products. The realignment of global supply chains and ongoing onshoring trends are creating compelling opportunities at the highly fragmented, lower end of the transport market. Businesses here often benefit from long-standing customer relationships and differentiated infrastructure footprints.

> *"Structural inefficiencies persist at the smaller end of the market, with greater fragmentation and fewer dedicated pools of capital competing for assets, creating more favourable opportunity set"*

Across these sectors, we see meaningful potential not only to acquire high-quality assets, but also to expand operations, deepen customer relationships and improve service levels. Looking ahead to 2026, we expect these themes to remain firmly in place, with continued opportunity driven by structural demand rather than cyclical conditions.

Q How optimistic are you about the year ahead?

We remain cautiously optimistic about the outlook for the US economy. Our strategy is focused on segments of the market that are inherently more stable and less correlated with broader economic cycles. We invest in infrastructure assets and businesses that provide essential services and generate high-quality, durable cashflows. By concentrating on these foundational parts of the economy, we believe we're well positioned for the year ahead. ■