

# KEYNOTE INTERVIEW

Acquire with purpose, grow with precision, exit with intent



*The lower mid-market offers compelling advantages at every stage of the investment lifecycle, says Ridgewood Infrastructure's Ross Posner*

The lower mid-market is the most active part of the infrastructure ecosystem, but also the least heavily competed. Structural inefficiencies at this end of the market mean it is possible to enter at attractive valuations and be highly selective about sourcing.

Meanwhile, there are myriad routes to value creation, starting with the ability to professionalise management teams and business infrastructure. Once these essential foundations have been laid, assets can be scaled through both organic and inorganic growth strategies.

Finally, the lower mid-market offers superior exit optionality, with both strategic and financial buyers offering routes to realisation. As a result, lower mid-market managers have been able to generate distributions to investors

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despite the challenging macro backdrop, explains Ross Posner, managing partner at Ridgewood Infrastructure.

### **Q** What makes the mid-market attractive when it comes to the origination phase?

It's important to clarify what we mean by the mid-market. Today, there are managers raising \$10 billion funds that characterise themselves as mid-market investors. Our focus is intentionally narrower. We concentrate on the lower mid-market, which we define as enterprise values below \$500 million, and our fund size is under \$2 billion.

That positioning is deliberate. It places us in a segment of the market where it remains possible to acquire high-quality businesses at attractive valuations, create meaningful operational improvements, and ultimately exit to larger strategic or financial buyers.

Within our target geography – the US – the lower mid-market represents one of the most active segments of the infrastructure asset class, accounting for a significant portion of overall transaction volume. Yet despite this activity, it attracts a disproportionately smaller share of institutional capital, particularly as fund sizes across the industry continue to expand.

The result is a structural imbalance: a large universe of essential infrastructure businesses serving inelastic

demand, with comparatively less capital competing for those opportunities.

That imbalance creates choice in origination. We're not dependent on broadly marketed auction processes; instead, we proactively originate opportunities through longstanding sector relationships and direct engagement with owners.

This approach enhances selectivity and allows us to focus on businesses where we see clear pathways with multiple levers to pull to drive value. It also provides time – time to conduct thorough diligence, to develop comprehensive value creation plans and to begin executing immediately upon closing.

In addition, transactions in the lower mid-market are often less intermediated and more relationship driven. Many of our investments involve owner recapitalisations in which we acquire a controlling stake while prior owners retain a meaningful minority interest. These owners are typically seeking long-term partners rather than pursuing a maximised short-term valuation.

Combined with the essential nature of the businesses and the sound regulatory or contractual frameworks in which they operate, these dynamics often allow us to enter at valuations that are attractive relative to larger, more competitive segments of the market; for example, where sellers are typically focused solely on value maximisation.

### **Q How much of a challenge is filtering through large quantities of dealflow in the mid-market?**

It's important to have a clearly defined sector mandate and the experience to evaluate opportunities efficiently within it. For us, that means concentrating on areas including water, transportation, utilities and energy infrastructure.

Sector specialisation allows us to assess risks, regulatory dynamics, competitive positioning and growth potential quickly as we consider opportunities. It also enables us to differentiate between businesses that are merely



### **Q What are the advantages of the mid-market when it comes to exiting, particularly in the context of a protracted period of low liquidity?**

Exiting successfully is not an afterthought; it's an intentional component of our strategy. A central reason we focus on the lower mid-market is to ensure that our assets remain saleable across market cycles. We design investments from the outset to appeal to multiple buyer constituencies – strategic operators and financial investors alike.

In the lower mid-market, differentiation matters. When a business is regionally embedded, mission-critical and operationally enhanced, it becomes a scarce asset rather than a commodity. That distinction is particularly important in periods of constrained liquidity. Assets that are one of many similar offerings are more exposed to broader capital market conditions.

By contrast, businesses that offer unique positioning, essential services and clear growth pathways can attract buyer interest even in less accommodating environments.

Our ability to exit to a broad universe of buyers is a key advantage. We sell to strategic acquirers seeking tuck-in acquisitions, product extensions or entry into new geographies. We also sell to financial buyers – both fund managers and direct investors – who view our platforms as scalable foundations for continued expansion. The breadth of this buyer universe enhances exit optionality and reduces dependence on any single capital source.

available and those that are strategically aligned with our investment thesis.

Equally important is the evaluation of management teams. Lower mid-market infrastructure businesses often lack the fully built-out executive suites found in larger companies. Growth at this stage requires a somewhat different skill set – leadership capable of evolving with the organisation, further institutionalising the business and having the

ability to be both strategic and more tactical in their management practices. Assessing alignment, adaptability and depth of talent is therefore central to our underwriting process.

We've developed repeatable evaluation frameworks and proprietary processes that guide investments through our screening and diligence funnel. These systems allow us to maintain selectivity while efficiently handling

significant dealflow, ensuring that capital is allocated to only the most compelling opportunities.

### **Q What are the advantages of the mid-market when it comes to adding value?**

A principal advantage of the lower mid-market is agility. Smaller infrastructure businesses typically operate with fewer layers of complexity and less organisational inertia than large, fully built-out enterprises. That allows for more direct engagement with management and a clearer line of sight to – and shorter timeline to – growth, operational improvement and material value creation.

In many cases, there's meaningful opportunity for professionalisation – both in leadership and in the underlying infrastructure of the business. That may involve strengthening management depth, refining strategic focus, implementing systems and reporting frameworks, or improving governance and operational discipline. Establishing these foundations is critical before pursuing expansion, ensuring that the business can absorb growth in a controlled and sustainable manner.

When executed effectively, these initiatives can materially enhance the scale, capabilities and competitive positioning of a company over a relatively defined period. In the lower mid-market, the impact of thoughtful operational execution can be disproportionately meaningful relative to the initial base business at our entry. When this approach is applied consistently across a portfolio, it can produce attractive value creation outcomes for investors.

### **Q Is the current macro backdrop impacting mid-market sourcing or value creation in a meaningful way?**

The current macro backdrop remains fluid, with geopolitical tensions, policy shifts and trade uncertainty contributing to periodic market dislocation. In

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this environment, disciplined investment selection becomes even more critical. We focus on businesses that provide essential services and serve inelastic demand profiles. That foundation materially reduces exposure to cyclical swings and supports operating stability during periods of broader economic uncertainty.

We also maintain a conservative approach to capitalisation. We capitalise our investments with relatively less debt, as the primary value creation drivers are through attractive origination, compelling growth and selling our investments into one of the most competitive parts of the market.

This approach also provides flexibility and resilience, particularly when external conditions become challenging. Careful investment and security structuring as well as a consistent emphasis on downside protection are similarly central to our underwriting process.

As it relates to value creation and downside pressures, we seek to anticipate potential macro related pressures rather than react to them. The global pandemic and subsequent supply chain disruptions provided a clear example. During that period, we worked proactively and very early with management

teams to manage inventory levels, preserve liquidity and ensure appropriate capitalisation. That forward-looking discipline remains embedded in our playbook.

While no strategy is entirely insulated from broader economic conditions, through thoughtful selection, prudent structuring and active operational engagement we can meaningfully mitigate risk and support long-term performance.

### **Q To what extent would you say LPs have recognised the advantages of buying well, building well and selling well in the mid-market?**

As the infrastructure market continues to mature, we believe investors increasingly appreciate the role of size stratification within portfolio construction. The lower mid-market represents a distinct segment of the asset class, with different competitive dynamics, sourcing advantages and value creation pathways compared with larger transactions. That differentiation can enhance diversification and create a more balanced exposure across the infrastructure spectrum.

In this segment of the market, the avenues for repeatable value creation are clear. Essential assets with inelastic demand provide durability, while operational enhancement and disciplined scaling can meaningfully increase strategic relevance over time. The combination of structural resilience and operational upside has produced attractive realised returns, as evidenced by recent exit transactions across our portfolio.

For many investors, this blend of downside protection, operationally driven value creation and demonstrated exit outcomes is increasingly compelling. As fund sizes across the broader market continue to expand, the lower mid-market offers a differentiated opportunity set, and we've observed growing interest from LPs seeking that exposure. ■