

KEYNOTE INTERVIEW

Realising the potential of core-plus platforms



*Europe's lower mid-market provides fertile ground for building scalable, institutional-quality platforms, say Infranifty's **Jaime Hector** and **Verena Rathgeber***

Europe's infrastructure market is entering a new phase. As the energy transition matures and government support gradually gives way to market-based models, investors are increasingly focused on identifying businesses capable of generating resilient, long-term cashflow without relying on subsidies.

At the same time, the rapid expansion of renewable energy is creating new challenges – from grid constraints and power price volatility to curtailment – reinforcing the need for more sophisticated, multi-technology infrastructure platforms that combine renewable power generation with

assets that provide flexibility to the system, such as battery storage.

The transition towards a subsidy-free environment represents a significant structural shift, says Jaime Hector, investment managing director and co-head of investment equity at Infranifty. The ability to combine contracted revenues with carefully managed merchant exposure will be key to building more efficient and resilient business models, adds Infranifty investment director Verena Rathgeber.

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Q How has the core-plus lower mid-market segment evolved, and what are the most attractive opportunities today?

Jaime Hector: The European lower mid-market remains the largest source of opportunities in the infrastructure sector, with around 1,500 transactions, worth a total of more than €500 billion annually. Many mid-sized companies have significant growth potential but face a funding gap, while larger infrastructure managers are increasingly moving upmarket. The lower mid-market segment is therefore relatively underpenetrated, which creates an attractive opportunity for investors

to partner directly with founders and management teams.

We believe the most attractive core-plus opportunities today are concentrated across the four key themes we focus on: energy transition, digital infrastructure, green mobility and the circular economy.

Within energy transition, the opportunity set extends beyond renewables to areas such as biomethane, electric vehicle charging, district heating and energy efficiency. We see particular potential in areas such as decentralised renewable generation, where businesses can support self-consumption, energy security and cost management.

Digital infrastructure is also a promising focus, particularly data centres and indoor connectivity, while green mobility (including fleet charging, rail leasing and urban mobility) and environmental infrastructure (such as waste management and recycling) are likewise becoming increasingly attractive areas.

The most compelling opportunities are typically growth platforms with existing operating assets and contracted revenues – both key features providing the downside protection we seek at the centre of our core-plus strategy – as well as the potential to scale through organic expansion or consolidation. As infrastructure assets become increasingly complex to manage – due to power price volatility and grid constraints in renewables, and technical challenges in areas such as biomethane – these businesses need to demonstrate proven operational capabilities.

Q What are the biggest challenges when investing in emerging infrastructure segments such as batteries and energy transition technologies?

JH: A key challenge in newer infrastructure segments is the lack of long-term contracts providing visibility on volumes and pricing. However, this can also create opportunities for investors who enter early, particularly when



Q How can investors manage policy uncertainty and grid constraints in emerging energy transition markets?

VR: Battery storage is becoming an important tool in addressing grid challenges caused by rising renewable penetration, including congestion, curtailment and negative pricing. That being said, significant investment is still required to modernise Europe's electricity grids. While batteries are becoming a more established infrastructure asset class, broader grid upgrades will likely require continued policy support to attract private capital over the next five to 10 years.

In view of these challenges, it's vital to engage closely with policymakers, utilities and developers to stay close to market developments and identify opportunities early. While we are comfortable with battery storage as part of integrated renewable platforms, standalone grid infrastructure investments still require greater policy clarity before they can scale.

Progress in supporting investment in energy transition infrastructure varies by market. The UK has been an early mover in battery storage, while Germany is catching up with the introduction of longer-term tolling contracts. Italy has provided greater visibility through its capacity auctions, while the Benelux region is also seeing positive policy developments. Other markets, including Ireland, the Nordic countries and Spain are moving forward, although battery storage remains at an earlier stage and require further policy support.

merchant exposure allows businesses to capture upside before markets mature and contractual models become more established.

In line with our core-plus mandate, our approach to these emerging opportunities is disciplined and selective: we prioritise proven, commercially validated business models and technologies where we have genuine visibility on cashflow, underpinned by an existing asset base as well as with clear contracting models, rather than assuming early-stage technology or development risk.

Verena Rathgeber: Battery storage and renewable energy platforms illustrate this evolution. The traditional renewable independent power producer model was largely subsidy-driven, built around long-term feed-in tariffs or other government subsidies that provided predictable revenues. These businesses were often focused on maximising generation from a single technology.

The next generation of IPPs is far more complex. In a post-subsidy environment, the focus is shifting from simply maximising output to

optimising value through integrated, multi-technology platforms that combine solar, wind and battery storage. Our Energy Solutions Group (ESG), a renewables IPP operating across the Benelux region, is a good example of this evolving model that combines multi-technology renewable generation with battery storage, both co-located and standalone.

Starting as a rooftop solar developer over 10 years ago, ESG has nearly 1GW of solar PV, onshore wind and batteries in operation in Belgium and the Netherlands today, and over 100MW under construction. With Infranity's investment in 2025, the company is looking to further expand its wind and battery asset base to become a well-diversified, multi-technology, multi-jurisdiction platform of generation and storage assets.

Another example is our portfolio company Power Capital Renewable Energy (PCRE), a renewables IPP in Ireland that combines solar PV with battery storage assets. PCRE is now also considering expanding into additional areas of electricity generation.

While these next-level platforms are benefiting from growing demand for energy independence and security of supply, they require strong operational capabilities and experienced management teams to navigate increasingly complex business models. This is why our focus is on multi-technology platforms capable of combining and optimising complementary generation and storage assets, rather than single-technology businesses dependent on a single revenue stream.

Q How does the lower mid-market compare with larger-cap infrastructure assets?

VR: Mid-sized companies are becoming increasingly important players in Europe's energy transition because they are often the ones closest to the early stages of developing new energy projects. They combine local market knowledge, developer expertise and

access to project pipelines that larger companies may not be able to reach. Their agility also allows them to deploy capital more flexibly.

JH: The lower mid-market is also typically less crowded, which means it offers greater opportunities for bilateral or exclusive transactions, as well as more attractive entry valuations. In this segment, investment decisions are driven less by price alone and more by the ability to establish long-term partnerships, so it is often possible to avoid an auction.

Smaller platforms also often offer greater growth potential than larger infrastructure assets through a combination of organic growth and consolidation strategies. The trade-off is that these investments generally require a more hands-on approach.

Q Are lower mid-market investments therefore more complex to manage?

JH: Smaller companies often need support in areas such as governance, reporting systems and operational frameworks. This is not always a straightforward process, as it requires aligning different perspectives. Founders bring deep sector expertise and a strong personal commitment to the business, while investors contribute financial discipline, operational experience and strategic oversight. Successfully combining these strengths is essential to navigating the challenges that come with scaling a growing company.

Founders also typically have both a financial and emotional connection to their businesses, making it essential to build close and trusted partnerships. As companies move through the next phase of growth, investors need to combine further institutionalisation of the business with preservation of the entrepreneurial culture that underpinned its success.

Ultimately, this hands-on approach gives investors deeper insight into the business and the opportunity to actively

support its development, creating long-term value and the potential for stronger returns than those typically available in larger, more competitive infrastructure assets.

Q Can you provide examples of the type of expertise that investors need to bring to these types of businesses?

JH: A key area where investors can add value is by introducing greater financial discipline and operational control. Robust reporting systems and access to timely, reliable information are essential to making informed decisions and ensuring that strategic choices remain focused on long-term value creation.

Beyond financial reporting, investors can also support companies in assessing whether their existing management structure is best positioned to deliver the next phase of growth. In some cases, the team that successfully built the business may need additional support or different roles as the company scales and becomes more institutionalised.

VR: Founders are often highly effective at building the platform from scratch, but scaling the company requires additional expertise to drive growth, strengthen processes and prepare the business for its next phase, including a potential exit. Investors such as ourselves bring broader networks and relationships that help companies access financing and pursue strategic acquisitions that may otherwise be more difficult to execute.

We also advise our portfolio companies on financial strategy, ie what projects they should develop or acquire at what price and with what financial structure. We help them achieve the best terms and best use of leverage to drive value creation, which is often not well understood by entrepreneurs and founders. This helps to shape a company to make it better aligned with the key investment criteria of large financial infrastructure investors. ■