

The dawn of the mid-market age

For years, the mid-market has been viewed as infrastructure's secret sweet spot. However, that description is no longer entirely accurate. The market has evolved into one of the most dynamic and strategically important segments for investors. As infrastructure has matured into a more mainstream asset class, capital has gravitated toward scale. Larger funds have grown, competition for major assets has intensified, and entry valuations have followed.

In parallel, the mid-market has developed in a different direction. It has deepened, diversified and, critically, when managed correctly, proven its ability to deliver higher returns that are increasingly difficult to achieve at the top end of the market.

The result is a segment that is home to the most compelling infrastructure opportunities for investors.

Demand is rising

The macroeconomic case for infrastructure investment is well established, but it is evolving. Aging assets in developed markets require renewal. Across Europe alone, an estimated €12 trillion (\$14 trillion) will be required by 2040, according to BCG's 2025 analysis of European infrastructure investment needs.

The energy transition is also creating a significant demand for capital. The expansion of renewable power is driving investment in generation, storage and grid infrastructure, while more frequent extreme weather events are increasing demand for climate-resilient systems.

Geopolitical fragmentation is reinforcing the importance of national resilience. Rising protectionism and global tensions are placing greater emphasis on secure, domestic energy.

Demographic and technological changes are also reshaping infrastructure needs. Continued urbanization is expanding demand for core services, while aging populations are increasing pressure on healthcare systems. At the same time, advances such as generative AI are creating significant demand for additional power and supporting infrastructure, including water and cooling capacity.

Together, these dynamics are creating sustained, long-term demand for both new infrastructure and the upgrade and renewal of existing assets. This demand for capital cannot be met by governments alone – it requires significant private investment. Much of the infrastructure required to support these demands – particularly in areas such as energy transition, digital infrastructure and specialized industrial services – sits firmly within the mid-market.

A market defined by scale and diversity

The mid-market stands out for both its scale and diversity, offering investors a greater number and breadth of opportunities that serve this changing environment.

Mid-market transactions – with an enterprise value between \$50 million and \$1 billion – represent the majority of infrastructure activity. According to Infralogic data, between 2023 and 2025, more than 11 times as many mid-market transactions were completed globally compared with deals above \$1 billion.

However, these assets are frequently overlooked by larger pools of capital, either because they do not meet minimum check sizes or because they require a level of engagement and active management that does not align with larger fund manager models for the required equity investment.

For mid-market investors, this creates a significantly broader and more diverse opportunity set. It enables exposure across different subsectors that are often inaccessible at the large-cap end of the market.

Importantly, many of these assets retain the key characteristics that define infrastructure – downside protection, inflation linkage and cash generation – but without the same level of competition.

Ancala portfolio company Avincis, Europe's largest aerial emergency services operator, is a clear example of this. The business required a highly complex carve-out from a listed parent, deterring potential buyers. Yet it exhibits all the characteristics investors seek in infrastructure. It provides critical services to governments, supported by availability-based contracts typically ranging from five to seven years and usually inflation-linked. The company also has a substantial asset portfolio.

Sustained deal flow

One of the most attractive features of the mid-market is the consistency of deal flow. This is not driven by a single factor but by a wide range of situations that lead to a steady flow of opportunities. Corporates continue to divest non-core assets, governments are advancing privatization programs, developers are recycling capital by selling operational assets, and founder-led businesses are approaching questions of succession or require capital to continue growing.

Traditional transport, utilities and energy assets are in need of capital for renewal while at the same time, the energy transition and digitalization are creating emerging categories of infrastructure, many of which start at smaller sites before scaling.

This all culminates in a consistent pipeline of opportunities that is less reliant on market cycles than the larger end of the market and many other asset classes.

Opportunity for greater returns

The mid-market can offer more attractive entry points when executed by a manager with the right approach. Lower competition and a greater willingness among sellers to engage in bilateral or less intermediated processes can result in more favorable pricing, creating a stronger foundation for enhanced risk-adjusted returns.

However, attractive entry valuations are only part of the story. The real advantage of the mid-market lies in what happens after the investment is made. Unlike large, mature infrastructure assets – where operational optimization is often incremental – mid-market businesses typically offer a wider range of levers for value creation. These businesses often present opportunities to enhance operations, refine commercial strategies and strengthen governance structures.

This creates significantly greater potential to drive returns through operational improvement and growth. Mid-market businesses are typically more responsive to change, and investors have a greater ability to shape strategy and execution.

Having invested in mid-market infrastructure since 2010, we have seen first-hand the benefits of a proactive approach to asset management that is grounded in industry and operational experience. For example, since we invested in Liverpool Airport in 2019, we've worked closely with the management team to drive



Avincis, which is Europe's largest aerial emergency services provider, was acquired by Ancala in a highly complex transaction.

a comprehensive value-creation program and successfully manage the airport through the COVID-19 lockdowns when travel was restricted. The value-creation program included expanding and introducing new airline relationships, overhauling the retail and commercial offerings, increasing customer footfall to record levels, growing average customer spend to the highest ever, and developing on-site renewables to reduce electricity costs. Collectively these improvements have led the airport to consistently rank as one of the U.K.'s highest for customer experience, while delivering record trading performance.

Leep Utilities is an example of starting small and scaling into a national platform through proactive asset management. We first invested when the business had around 2,000 contracted connections; since then, contracted volume growth has driven a more than tenfold increase in EBITDA to £6.7 million (\$9.0 million) in the year to March 2025, with the order book now approaching 200,000 connections. This has been achieved by recruiting a high-performing management team; building out operations, sales and marketing functions; and working closely with the business to strengthen its go-to-market approach. The platform has also been expanded through bolt-on acquisitions, including SSE Water, alongside broadening into adjacent services, such as heat. Together, these initiatives have transformed Leep from a small regional operator into a leading U.K. provider serving residential developers, commercial clients, regeneration schemes and data centers.

The challenge: Execution

Despite all these advantages, delivering enhanced risk-adjusted returns from the mid-market is not for the faint hearted. The same factors that create opportunity – fragmentation, complexity and diversity – also increase execution complexity. Transactions are

more bespoke, data less standardized and due diligence challenges more pronounced. There are large opportunities for carve-outs, but these are not off-the-shelf opportunities. The manager needs to have clear conviction and ability to manage the process and create a successful company that performs better than when under its previous owner. The same applies with investing in and then improving family-owned businesses, which are likely to be less institutional in their operation.

Success therefore depends less on access to capital and more on the capabilities of the investment manager. This is where the gap between managers operating in the mid-market becomes most evident.

What LPs should prioritize

As capital continues to flow into the mid-market, manager selection is becoming increasingly important. The most successful investors in this segment have a track record of combining origination strength with genuine operational capability. Access to differentiated opportunities is critical, and managers who can source investments through proprietary origination, deep sector networks and bilateral engagement are more likely to secure attractive entry points while avoiding the most competitive processes. At the same time, discipline remains essential. The diversity of opportunities means it is essential to maintain an unwavering focus on downside protection with conservative underwriting critical to preserving capital.

Active asset management to then drive returns is equally important. This requires managers who can engage directly with businesses, bringing operational experience and a willingness to work alongside management teams to drive change.

Ultimately, what differentiates leading mid-market managers is not just where they invest, but how they execute. A clearly defined and repeatable approach to value creation – supported by strong governance and a track record of delivery – is what enables consistent outcomes in a segment where execution risk and opportunity are closely intertwined. Since Ancala invested, on average, our proactive approach has helped our portfolio of mid-market infrastructure companies to increase revenues by more than 90 percent.

A defining segment of the market

The mid-market is coming of age. It is a segment defined by scale, diversity and the ability to actively create value to drive enhanced risk-adjusted returns. As infrastructure continues to evolve, the most attractive opportunities are increasingly found by experienced managers in the space where diversity, pricing and value creation can intersect.

That space is the mid-market.

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CORPORATE OVERVIEW

Ancala is a leading independent and award-winning infrastructure manager that delivers infrastructure investment differently, focusing on sourcing unique investments, prioritizing downside protection and delivering a proactive approach to asset management.

Ancala has total AUM of more than €4.7 billion (\$5.5 billion) and manages 23 assets operating in essential infrastructure sectors including transport, utilities, renewable energy and energy transition, and the circular economy. Its proactive approach to value creation is delivered by an experienced asset management team that includes industry partners – former CEOs and chairs of major infrastructure businesses.

CORPORATE CONTACT

To find out more about Ancala's successful strategy of investing in critical infrastructure assets, visit www.ancala.com or email contact@ancala.com

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