

THE EVER-EXPANDING APERTURE OF INFRASTRUCTURE

As the scope of Infrastructure applications continues to expand and evolve, capital providers must adapt their investment strategies alongside them.

Infrastructure investing is entering a new era, one defined by an increasingly dynamic set of opportunities emerging across sectors, geographies, and stages of development.

Amid this shift, the firms best positioned to lead will be those capable of meeting sponsors where they are today, while evolving to where the asset class is heading next.

THE EVOLUTION OF LEGACY SYSTEMS

In recent years, Infrastructure's opportunity set has expanded in multiple directions, driven by governments, municipalities, and private sectors searching for fiscally strategic ways to address critical Infrastructure needs. Instead of a direct evolution, however, the changes in the Infrastructure landscape more closely resemble exaptation: the adaptation of existing technology for new uses.

Energy markets offer a clear illustration of this dynamic. Over the last decade, conventional wisdom predicted a linear transition away from traditional energy sources; however, the variability of renewables, combined with geopolitical pressures, has underscored the continued importance of maintaining traditional energy Infrastructure. Rather than being displaced, these legacy systems have become complementary technologies, supporting economic resilience and national security alongside the development of renewable energy Infrastructure.

Geothermal power offers a compelling example of this symbiosis: over the course of the last 15 years, techniques used in traditional oil and gas extraction—such as horizontal drilling and fracking—have been adapted to increase geothermal efficiency, expanding its geographic reach and application to previously inaccessible areas.

In short, the Infrastructure sector is no longer defined by legacy assumptions. Its boundaries shift alongside technological progress, geopolitical dynamics, and structural economic needs, and the capital models that support it must adapt accordingly.

THE IMPORTANCE OF ADAPTIVE CAPITAL

Historically, infrastructure portfolios primarily centered on mature, scaled assets, such as airports, toll roads, or large utilities, where cash flows were long-dated and predictable. However, recent years have seen investors increasingly seeking opportunities to create value during an asset's development phase, where there's higher potential for scaling up and creating value through a "buy and build" model.¹

¹ Source: PGIM Internal

This trend is visible across global markets, where early-stage Infrastructure financing needs are emerging across logistics networks, regional transportation assets, storage and terminal facilities, and a wide range of renewable platforms. Similar trends are appearing in small scale or regionally managed Infrastructure, where bundling multiple assets can create scale and diversification.

For lenders, this environment emphasizes the importance of breadth and flexibility as crucial differentiating capabilities of their Infrastructure financing platform:

- **Scale**

Lenders with expertise across Power, Energy, and Lease can support the full spectrum of Infrastructure needs, allowing them to address the interplay of legacy systems with newer technologies. This also enables these lenders to work with sponsors to tailor financings that meet specific needs of an asset as opposed to relying on a single structure.

- **Lifecycle Adaptability**

The ability to deliver capital from early-stage development through long-term, de-risked maturity allows lenders to maintain a stable financing relationship through the asset's lifecycle.

- **Early-Stage Partnership**

As more small or emerging assets require financing, lenders who can engage early rather than waiting for scale gain an opportunity to build deeper, longer-term partnerships instead of needing to develop a new credit relationship as the asset develops.

- **Public & Private Capabilities:**

As public and private markets continue to converge, sponsors can benefit from a partner able to leverage private side capabilities while accessing broader platform relationships. This combination widens the scope of deployable capital and aligns private credit with the market's trajectory toward larger, more integrated Infrastructure ecosystems.

CHANGING CIRCUMSTANCES, STEADY PARTNERSHIP

Infrastructure is no longer defined by what existed ten—or even five—years ago.

As technological innovation and shifting global priorities continue to expand what constitutes investable Infrastructure, the importance of flexible capital solutions will only grow. Firms capable of combining varied sector experience with multistage financing platforms will be best positioned to guide this next phase of growth.

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RO# 5490333