Trip
Insights

Europe

July 2026

4D infrastructure

A Bennelong boutique

This is the 23rd edition of our Trip Insights series, where we share our travel experiences and on-the-ground perspectives from our company meetings and regional visits. It follows a recent research trip by Tasneef Rahman, Senior Investment Analyst, through France, Germany, Italy, Spain, Greece, Switzerland and the United Kingdom. During the trip he met with management teams from regulated utilities, communications, airports, and diversified infrastructure companies.

Overall, the trip reinforced our conviction in the European infrastructure opportunity, with an increasingly clear distinction between companies and countries navigating the economic environment well versus those facing structural and political headwinds. Political noise was elevated across the region while infrastructure fundamentals remained structurally supportive. As always, stock selection remains paramount given divergent regulatory outcomes, political risks, and capital allocation decisions.

This piece outlines the key themes and takeaways from the trip, and how these have shifted our investment strategy across the region.

Contents

Trip agenda

Investor meetings included the following companies/brokers:

Company	Sector	Location
Engie	Utilities	Paris
Getlink	Rail	Paris
ADP	Airports	Paris
Vinci	Diversified	Paris
RWE	Contracted Generation	Frankfurt
Hochtief	Diversified	Frankfurt
Fraport	Airports	Frankfurt
Enav	Airports / Utilities	Rome
Enel	Utilities	Rome
Inwit	Communications	Rome
Redeia	Utilities	Madrid
Ferrovial	Diversified	Madrid
AENA	Airports	Madrid
ACS	Diversified	Madrid
Sacyr	Diversified	Madrid
Cellnex	Communications	Madrid
Gek Terna	Diversified	Athens
Athens Airport	Airports	Athens
Endesa	Utilities	Madrid
Enagas	Utilities	Madrid
Iberdrola	Utilities	Madrid
Flughafen Zurich	Airports	Zurich
United Utilities	Utilities	London
Morgan Stanley	EU Utilities	London
UBS	Infrastructure	London
Santander	Infrastructure + Utilities	Madrid

Politics and Economics

MEGA – make Europe great again?

This time last year, European momentum was strong. There was an aura of optimism driven by the Draghi reform agenda and newfound confidence from Germany's massive fiscal stimulus, expected to reignite its economy, bolster defence spending and stimulate growth. Economically the Southern Europeans, Spain, Italy and Greece continued to outshine their Northern peers, while inflation across the region was normalising following the difficulties through and post the European Energy crisis.

12 months on, the optimism is still there but has waned. Germany's €500b infrastructure fund is committed, and the debt rules have been relaxed, but as several corporates pointed out, executing on the actual spend is easier said than done and questions remain about how much of this stimulus is genuinely driving growth versus being purely a wealth transfer. Additionally, procurement bottlenecks, planning constraints and shortages in labour continue to be challenges, which is why companies haven't yet started to see the German tailwind translating into order book revenues.

Similarly, while the Draghi competitiveness agenda continues to be talked up, in reality there has been a lack of meaningful legislative progress.

Southern Europe continues its upward trajectory but like most of Europe and the rest of the globe, growth expectations have been revised downwards and near term inflation expectations have shot up.

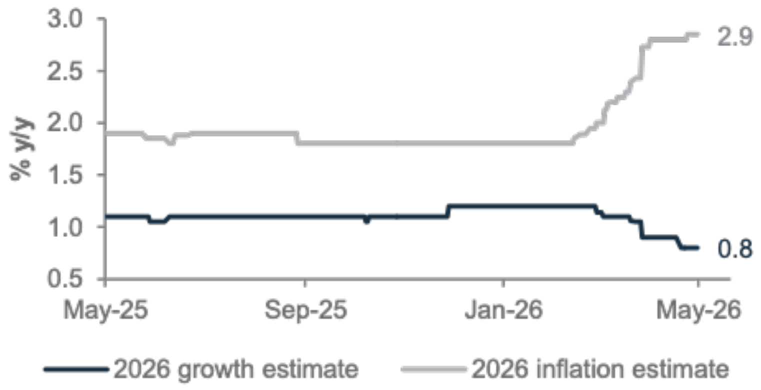
The one area where the mood has genuinely improved over the last year is on strategic autonomy. Defence, energy and technology investment have all accelerated amid the hostility of the Trump administration toward its European allies.

Middle East conflict

The escalation of conflict in the Middle East brought back painful memories of the Energy crisis of 2022. For Europe, which had spent the best part of three years normalising inflation and building energy resilience, the timing hurt. The ECB has now paused its rate cutting cycle and instead become more hawkish, emphasising upside risks to inflation and downside risks to growth. The European Commission's Spring forecast revised eurozone growth down to just 0.9% for 2026 from 1.2% prior. As mentioned, the silver lining is that the conflict has injected fresh urgency into the strategic autonomy, defence and energy security agenda. Importantly, for our utility names this has increased the political will to accelerate network and generation capacity, while our diversified infrastructure companies are benefiting through the increased defence spend via their contracting arms.

Europe inflation vs growth consensus estimates

ECB to hike once to counter inflation risks. Euro area consensus 2026 growth and inflation estimates.



Source: Bloomberg, Standard Chartered.

Election season returns to Europe

A recurring theme throughout the trip was the re-emergence of election risk as a key factor shaping sentiment towards European economies including the infrastructure names. While this is not a new phenomenon, the concentration of elections over the next 12–24 months with the associated heightened vote rhetoric (e.g UK) makes the political backdrop more topical and relevant over the coming 12 months.

France

In France, election campaigning for the 2027 presidential contest is already gathering pace. Against a backdrop of persistent fiscal strain, political fragmentation and a deeply unpopular incumbent in President Macron, none of the credible electoral outcomes, whether it be a far-right, centre-right or centre-left government appear a good outcome for the country nor for the domestic infrastructure operators. There is a clear case of populism on the rise as a vote winner will find it difficult to execute on all their election promises. As such we think it is probably time to revisit our 2019 Global Matters Populism & perish as we head into this election.

French companies were all cautious in their commentary, particularly around the outlook for toll road concessions and ongoing tax burdens within the corporate tax environment, which has already seen a sharp step-up to over 36% for the largest companies, with no certainty of reversal.

UK

In the UK, while no election is formally due until 2029, the unpopularity of the reigning party and its leader coupled with emergence of Andy Burnham as the left wing successor to the centrist Keir Starmer has heightened near term risk. Burnham carries a historically stronger pro-nationalisation stance than Starmer, with particular implications for utilities, particularly water utilities. Here adverse intervention through dividend restrictions, increased fines, or tighter regulation are all possible. Also, Reform's growing polling traction adds further uncertainty, with potential implications for renewable energy subsidies given their well-publicised opposition to clean energy. While we expect much of the rhetoric to be noise with little legal, fiscal or economic support, as with the 'Corbyn' era, this noise is expected be a headwind for the UK names in the near term.

UK leadership timeline

Milestone	Potential dates	Notes
Nominations open	July 9	Labour Party NEC will officially open nominations for the leadership contest.
Nominations close	July 16 (before recess)	Nominations must be submitted before Parliament goes into recess.
Coronation possibility	July 17 or following Monday	If Andy Burnham secures enough support and no rivals enter, he could be elected unopposed by this date, potentially becoming PM.
Parliamentary recess end	September 1	Sir Keir Starmer his likely to attend; Defence Investment Plan required by this date.
NATO Summit	July 7	Sir Keir Starmer has assured a successor will be in place by this date.
UK-EU Reset Summit (Brussels)	July 22	Potential first major international engagement for the new Prime Minister, possibly Andy Burnham.

Source: Natixis

Spain

Spain faces its own election cycle with a vote expected in 2027. The current working assumption, consistent with what we heard on the ground, is that this is likely to produce a shift to the right, which would be on balance positive for policy and listed infrastructure stocks, particularly utilities and concession operators. The Sanchez minority government continues to function but remains constrained in its ability to push through meaningful policy reform whilst being plagued by corruption scandals which could result in earlier elections.

Italy

Italy continues to enjoy unusual political stability under Meloni, but cracks are beginning to show ahead of an election that must be held by December 2027. Meloni is actively weighing whether to call an early election as soon as April, concerned that her approval ratings could continue to slide. This has been driven by a resounding defeat in the March referendum on justice reform and through the emergence of a new far-right challenger in Roberto Vannacci and his 'National Future' party. The latter is stealing right wing votes and raising some questions about her conservative coalition. A Meloni re-election is still seen as the most probable outcome, but there is now a tail risk of a fractured right coalition or the outside chance of a centre-left government.

Infrastructure

Toll roads: French uncertainty persists

The outlook for expiry/renewal of French toll road concessions remains a significant overhang for Vinci, Eiffage & Atlas Arteria. The conversation has not progressed since our last trip with no significant dialogue between concession operators and the government. While there is arguably no urgency as the earliest concession is not due to expire for over 5 years, the operators and market alike would welcome clarity on how, when and what model will be used for renewal/retendering. At this stage companies are preparing for a full retendering process prior to expiry. In the meantime, concession life continues to shrink with no value upside able to be attributed to these assets beyond expiry.

Company	Parent group	Network	Concession expiry
Sanef	Abertis (Spain)	1,396 km (North/East France)	31 December 2031
Escota	Vinci	~460 km (Cote d'Azur)	29 February 2032
SAPN	Sanef/Abertis	372 km (Normandy)	31 August 2033
Coflroute	Vinci	~1,100 km (Centre/Île-de-France /West)	30 June 2034
APRR	Eiffage (50%)	~1,890 km (Paris-Rhône)	31 January 2035
ASF	Vinci	~2,730 km (South France)	30 April 2036
AREA	Eiffage (APRR subsidiary)	(Rhône-Alpes)	30 September 2036

The French fiscal strain also continues to be a major drag with existing infrastructure taxes and the likelihood of continued higher corporate tax rates impacting profitability. As it stands currently, the long-distance transport infrastructure tax introduced in 2024, imposes a 4.6% levy on French revenues above €120m while the corporate surtax was extended for another year and takes the French effective corporate tax rate up above 36%. It is probable the tax gets extended again which further heightens the tax burden on large French corporates. While these additional taxes are now well understood and incorporated into valuations, it continues to impact the relative attractiveness of French assets over their global peers.

Additionally, these fiscal pressures have meant that unlike other governments throughout Europe, the French government hasn't been able to offer material support to consumers through the middle east crisis, which has ultimately been a headwind for road traffic as consumers and businesses have struggled with high petrol and diesel prices. Positively however, the fiscal situation has all but ruled out any nationalisation risk for these assets and reaffirmed the view that they will be re-concessioned.

Naturally given the pressures on their domestic toll roads the messaging from Vinci around France was more cautious than historically and they continue to highlight the strength and diversification of their concessions outside of France and the abundant opportunities in concessions globally. It is a relative strength of Vinci over some of its domestic peers.

US managed lanes favours incumbents, but challenges remain on contracting

Upcoming US managed lane tenders remain a key growth opportunity for several European Infrastructure companies including Ferrovial, ACS, Sacyr, Vinci and Acciona who are all leaders in developing transport infrastructure globally. The near-term pipeline of deals is imminent with the I-285E (Georgia) award expected this month and the i-24S (Nashville) expected only a few months later in September. The consistent message is that incumbent operators with existing US managed lanes assets and established local contracting platforms / relationships continue to hold a structural advantage in the bidding process. There is however an emerging risk around availability of labour which may further complicate bidding dynamics and impact targeted returns. Positively, competition from construction-focused operators is being tempered by resource constraints from the competing demands of US data centre construction which continues to grow exponentially in the US. We continue to favour those operators with a history of disciplined bidding and successful execution in the space.

Greece stands out for infrastructure development

The scale of the Greek infrastructure investment opportunity is significant and our visit to Athens reinforced the view that it is materially underappreciated. This is driven by Greece's economic renaissance, the influx of EU fiscal stimulus and the Greek governments strong support for accelerated infrastructure investment as a structural driver of GDP and productivity growth.

On our European trip in 2025 we were introduced to Gek Terna, a company that had recently morphed into what we consider to be a top class diversified infrastructure player. It is now one of our top five holdings, and this trip reaffirmed our view, that they are in a strong position to capitalise on this domestic infrastructure opportunity, with a leading position in concessions and construction. On our trip we got a tour of the company's and Greece's premier toll road asset, the Attiki Odos Motorway. Gek Terna is not only bidding for new concessions but pushing for additional investment in existing concessions like Attiki Odos. Having seen the state of traffic on this road and throughout Athens in general, we believe the company's proposals are more likely to be approved, given the currently adverse impact congestion has on GDP. We remain supportive of their ongoing expansion and investment in this sector.

Photos from Attiki Odos the most important toll road in Athens and Greece

Source: 4D Infrastructure.

Utilities

UK political risk ramps up (again) but fundamentals intact

Fundamentally UK regulated utilities remain one of the most attractive investment propositions in our universe with high growth, unprecedented investment plans, supportive regulation, insulated from economic headwinds (inflation hedge and GDP immune) and strong management teams. However, the resignation of Keir Starmer and emergence of Andy Burnham have again increased near term risk premiums in the UK. Andy Burnham's appointment would make him the sixth Prime Minister in seven years and solidifies political instability as the base case in the UK. Burnham's strong views around government control and nationalisation have compounded the negative sentiment towards UK Utilities, much like what was experienced under the similar Corbyn era of pro nationalisation. Whilst nationalisation is unlikely and has been talked down by Burnham himself, the rhetoric around greater government intervention on utilities and push for affordability has seen UK Utilities underperform. We believe UK Electricity networks are relatively insulated from government intervention but see greater risks for the UK water sector, via dividend restrictions, increased fines, or tighter regulation. As highlighted by United Utilities, these risks are greater for unlisted operators, given the relatively higher customer satisfaction and stronger operational performance by the listed operators. However, the noise will impact the sector as a whole.

Renewable auctions and ED3 regulatory determinations are key catalysts

The key near term catalyst for UK Generators is the AR8 CfD auction (renewables auction) which opens late July. This has particular significance for SSE, which could bid up to 3GW of new capacity. Orsted and Iberdrola are also expected to be major bidders.

Across UK networks, RIIO-ED3 will be key this year with the final regulatory determination for distribution networks due at year end. This determination has implications for several utilities in our coverage including National Grid, SSE, Iberdrola (via Western Power Distribution/SP Energy Networks) and Engie (via UKPN). The regulatory framework continues to offer highly visible, well-protected returns that are comparatively more attractive than many of their continental European peers and we believe the regulator will again be constructive on returns to support much needed grid investment.

Data centres are coming to Europe… slowly

There remains a significant divergence in views on data centre demand in Europe. The US story has been well publicised with hyperscaler demand for datacentres driving an expected exponential increase in power demand. In Europe the picture is more mixed with European data centres growing at half the global rate. There are several reasons for this including significant grid congestion, grid connection timelines of up to 10 years and regulatory complexity with permitting. Structurally higher energy costs in some European markets are also a significant disadvantage for European data centres vs US peers. These were all reinforced by our meetings with European Utilities and generation companies, most of whom were tempering market expectations around the data centre theme. Similarly, the consensus view was that EU data sovereignty considerations could drive some structural demand growth alongside the EU Cloud and AI Development act. This is expected to be adopted in 2027 with aims to triple EU data centre processing capacity over 5 – 7 years. Even then, the scale and pace are expected to remain well below what the US has experienced. Whilst electricity demand continues to grow in Europe, the majority of that is still driven by EVs, heat pumps, and broader electrification trends.

To date the fastest immediate monetisation strategy in Europe for generators remains sales of grid connected land. This is something that RWE and most other European generators are actively pursuing given the premium value that hyperscalers place on time to market and delays on getting grid connections.

While the European data centre theme remains lack lustre relative to the US, this was not a surprise and continues to be a reiteration of the utility narrative of 2025. In fact, if anything, there was probably increased discussions around data centres as a future opportunity than there was last year.

US renewables environment remains mixed

European utilities and renewable energy developers including ENEL, Iberdrola, RWE, Engie, Ørsted, and EDPR are among the largest players in the U.S. renewables market. After being dented by Trump's opposition to offshore wind and changes to onshore renewable incentives via the Inflation Reduction Act (IRA), the market has been revitalised by data centre demand for power.

Despite this clear growth agenda, we found that the onshore wind and solar strategies varied significantly across companies: Engie is focusing almost exclusively on utility-scale solar and batteries, having effectively withdrawn from onshore wind development on federal land due to permitting constraints. RWE and Iberdrola are continuing both onshore wind and solar development but avoiding federal land. Enel has stepped back from greenfield development entirely, citing inadequate returns, and is instead focused on acquiring sizeable brownfield assets. The common theme is capital discipline and a preference for returns over growth in the current environment, messaging we are supportive of.

Blackout remains topical in Spain, but Royal Decree is imminent

The aftermath of the April 2025 Iberian blackout continued to shape conversations with Spanish utilities. While the sanctioning process from CNMC (the Spanish regulator) was a topic of active discussion it remains punitive capped at €60m for the transmission system operator (TSO) Redeia and even less for distributors. Whilst regulatory liabilities are relatively small, the risk of civil liabilities remain with several lawsuits being brought against the network operator and distribution companies alike. Interestingly though, across the Spanish companies we met, no provisions have been made against potential civil liabilities which potentially supports their confidence of being exonerated from fault. In particular, Redeia continue to believe they were managing the grid system correctly within the rules and the fault lies with generators not meeting their voltage-control obligations. However, we remain cautious on the name until it is resolved.

The more significant development is the delayed Royal Decree now expected in early 2027. This aims to change the existing statutory cap on electricity network investment which limits investment to a proportion of GDP. This has long been the binding constraint on Spanish distribution, and its removal would allow over €11b of capex by distributors like Iberdrola, Endesa, and EDP. Whilst the delay in getting the royal decree approved means near-term capex has been pushed further to the right, this is something that has been well flagged by grid operators and remains a very positive sector development.

Airports

Jet fuel supply risk overstated, but fuel inflation will continue to impact

One of the most interesting messages from our airport meetings was that the jet fuel availability risk, which had been flagged prominently in airline earnings calls following the Middle East supply disruption, hasn't materialised. Multiple management teams were explicit that this risk has been overstated by airlines as a commercial negotiating tool, and that fuel supply at European airports has remained entirely functional. Whilst this risk varies across countries there was consensus that alternate supply routes, reserves and sufficient domestic refining capacity in many markets had helped mitigate the risk.

With that said, while the fears of a supply crisis were overstated, jet fuel is still up ~65% YTD, albeit down from its 150%+ increase during the peak of the crisis. This dramatic escalation is a headwind for passenger growth via increased ticket prices but varies across routes and airlines depending on various hedging policies. Many airlines have revised capacity in response to the crisis and capacity cuts across European airports look set to continue. Frankfurt has been the most impacted amongst the airports in our coverage due to its reliance on the legacy carrier Lufthansa. Lufthansa which has struggled with profitability, an aging fleet, and other staffing challenges has been amongst the fastest to cut capacity. Staffing challenges and risk of strikes have also compounded these effects, while there remains a risk that capacity is redistributed across the group to its other hub airports in Rome, Munich and Zurich. By contrast, we believe Aena remains well placed among European airports, given its main customer Ryanair has been less impacted by the crisis. Further, given rising ticket prices and continued affordability concerns, Spain remains a relatively attractive and favoured destination. Traffic has been stellar growing 4% y/y YTD, with almost 8% y/y in seat capacity growth expected over the coming months. They also, along with Fraport's Greek exposure, benefit from a tailwind of holiday demand shifting from Turkey towards Spain and the Islands from European holidaymakers. Additionally, whilst Athens airport carries the highest Middle East traffic exposure amongst listed European airports at ~7.5% of total traffic, that exposure has been offset by the strength of Aegean Airlines. Aegean which accounts for ~45% of Athens total capacity continues to grow into the summer season, alongside further contribution from Sky Express. This gives the airport a strong domestic anchor carrier base that also benefits from the shift in holiday demand away from Turkey.

European Entry / Exit System (EES) will be a headwind over the coming months

Airports and airlines have become increasingly vocal about the delays and disruption expected from the EU's new digital Entry/Exit System (EES). The EES replaces manual passport checks for non-EU travellers with biometric registration, and while it was designed to improve immigration efficiency, it has so far had the opposite effect, increasing processing and waiting times for passengers. We felt this firsthand on our trip, ironically almost missing a meeting with Zurich airport itself due to massive queues caused by the biometric system not working as intended. With peak summer season now imminent, airlines and airports continue to flag the risk of extended queues, missed connections and reputational damage during the rollout period, and given our own experience, we expect this to remain an overhang for the near term.

Photos from Athens Airport Exterior and Museum inside the airport with findings from the local vicinity

Source: 4D Infrastructure.

Communications

MNO consolidation low risk, but drawn out process will impact sentiment

Consolidation amongst Mobile network operators (MNOs) has long been a key concern for TowerCos. When MNOs merge, they often streamline their networks and decommission overlapping tower sites, leading to fewer tenants. This can, in turn, put downward pressure on pricing and long-term revenues.

We have long held the view that the financial risks from consolidation are overstated given strong contractual protections, regulatory scrutiny, stronger company balance sheets and higher investment necessary to retain customers. We continue to believe this holds true as a fundamental characteristic of the asset. However following our trip, we have become wary of the negative headwind of a drawn out consolidation process. Specifically in the case of France, we feel the current French MNO consolidation continues to create an overhang for Towercos including Cellnex. This consolidation is the largest in Europe to date and involves the largest number of parties and customers. The overall process from signing MOUs, to navigating antitrust, obtaining union support and migrating customers could take several years and therefore is likely to be a drawn-out saga with negative sentiment and a potential headwind for incremental growth.

Italian market will have more clarity with imminent injunction resolution

The Italian telco market has been dominated by news of the termination notices sent to Inwit by its anchor tenants Telecom Italia and Fastweb. Inwit has brought legal cases against these notices and injunction proceedings are underway to stop further adverse impact on their business. These outstanding injunction processes with TIM and Fastweb are fast approaching a resolution with initial decisions expected by the end of July. Whilst these can be appealed, our overall expectation is for a negotiated agreement requiring some concession to the existing contract. This would be a positive outcome and remove an overhang on the Italian tower sector.

Portfolio positions

This trip reinforced our ongoing conviction in European infrastructure, while helping sharpen our views on individual names. Despite the macro and political headwinds discussed, much of it remains noise and the core fundamentals across key sectors remain intact. Our valuations have incorporated structural changes, near term economic up/down grades and views on the real political risks/opportunities inherent in the sector. This has seen both upgrades and downgrades and we have rebalanced the portfolio accordingly

In summary:

- Utilities: We remain positive on European utilities, particularly those driven by growth in electricity networks. The UK and Italy remain our preferred jurisdictions for regulated network exposure, supported by inflation protection, proactive regulators and in the case of the UK, strong Regulatory Asset Base (RAB) growth. While we remain confident in the fundamentals of UK water companies, we have grown more cautious given the near-term risk of adverse government intervention.
- Airports: Despite the ongoing Middle East conflict, select European airports remain attractive. AENA remains one of our preferred positions, supported by strong ongoing relative growth, supportive airlines and a favourable passenger mix for the current environment. Fraport, our other core pick, has been impacted by the conflict (Frankfurt negatively and Greece positively) but remains compelling having reached a critical free cash flow inflection and offering the most diversified airport base. Both the lingering effects of the conflict and Lufthansa's ongoing issues remain overhangs, but we believe this is well understood by the market and priced in.

- **Diversified**: We continue to favour a mix of growth and value in the space. One of our highest conviction positions is Gek Terna, which benefits from high quality concessions, and is leveraged to the Greek macro renaissance and compelling infrastructure opportunity. On the other hand, we see strong value in Vinci which we feel is overly penalised for being French despite generating majority of its earnings outside of France from its world class concession portfolio.
- **Communications**: We have grown more cautious in recent months, reducing our exposure to European towers with the ongoing legal battles in Italy. Cellnex remains a core portfolio position, but we recognise the French consolidation process may be a longer-term overhang than we originally appreciated.

As always, we maintain a diversified portfolio of high-quality infrastructure names globally, and currently believe Europe is offering an incredibly attractive mix of quality and value with strong thematic tailwinds.

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