Shining a spotlight on leasing-as-a-service

Guest comment by **Paul Gill**

Mid-market equipment leasing is attracting investors due to a combination of factors including fragmentation, appealing entry valuations and features reminiscent of core infrastructure

Within mid-market contracted infrastructure, the equipment-leasing space has emerged as an attractive opportunity for institutional investors. Its appeal is driven by the increasing use of "equipment-as-a-service" models, which convert capital expenditures into operating expenditures. The result is that investors can access asset-backed platforms that offer downside protection while generating durable, contract-supported cashflows with growth vectors to scale.

This sector also plays into the inherent benefits of the mid-market, as there is a wide selection of opportunities, attractive entry valuations and potential for operational value creation. The sector remains structurally fragmented, and only a limited number of businesses have reached the scale required to attract large-cap investors.

These factors combined support a robust pipeline of long-duration, inflation-linked and service-embedded assets that display all the hallmarks of essential contracted infrastructure.

The value proposition extends well beyond leasing the equipment itself: providers bundle operations, maintenance, monitoring and uptime guarantees, moving customers towards an "asset-as-a-service" model where they pay for dependable performance rather than ownership. Multi-year contracts, often with fixed or CPI-linked escalators, combined with high renewal rates, diversified customer bases and the long useful lives of installed assets, can provide stable, uncorrelated and long-term cashflows that benefit from inherent inflation protection.

Check the meter

An example of this can be seen in the sub-metering sector. Companies typically fund the upfront capital and installation costs of new sub-metering systems on behalf of developers and, in return, enter into long-term agreements to become the building's outsourced utility services provider. Providers in this segment often achieve exceptionally high contract renewal rates, supported by reliable service and accurate and timely billing, as well as strong customer service.

Another good example can be seen in the perimeter security industry. Companies in this space design, install, own and operate perimeter security systems, such as electrified fencing and integrated video monitoring, for commercial and industrial customers. Under this model, the company typically covers the capital cost of installation and then delivers ongoing monitoring, maintenance and rapid-response support under evergreen contracts.

These businesses serve customers that have large outdoor sites with physical assets that require continuous protection and a highly effective and cost-efficient solution. Failures in perimeter security can immediately lead to material losses or operational disruption, so it can be crucial for customers. This essentiality underpins stable, long-duration contracts that generally start with multi-year terms and renew automatically thereafter. Pricing models often include built-in escalators, producing inflation-protected revenues.

These sectors illustrate how mid-market equipment-leasing businesses have become one potential source for attractive, risk-adjusted returns. Their models combine downside protection through essential-service delivery with long-duration, inflation-linked contracts – features traditionally associated with core infrastructure – while still potentially benefiting from a variety of value creation levers that can drive meaningful outperformance. ■

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