Global Listed Infrastructure

Earnings Momentum Trumps Rates & AI Angst

by William Thackray, Senior Investment Analyst

First Sentier Investors

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The GLI universe is delivering broad-based earnings upgrades

Earnings momentum continues in utilities and energy midstream, while rail and waste are just warming up

In a reporting season dominated by bond yields and AI-angst, global listed infrastructure earnings powered ahead.

Utilities: Hold my Beer

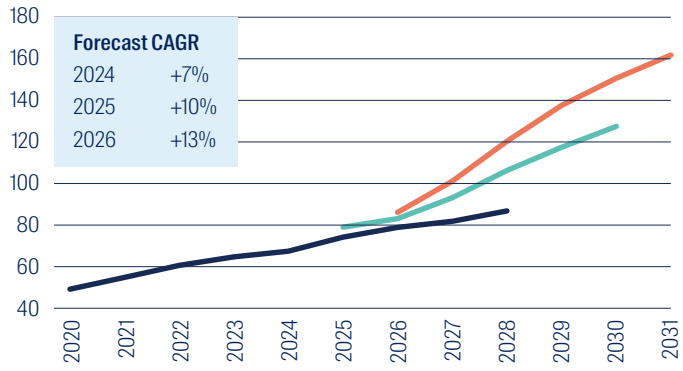
US utility earnings have exceeded expectations across the board with nine US utilities[1] upgrading their 5-year investment and earnings outlooks and several more[2] likely to provide positive revisions in early 2027.

US utility earnings remain in a super-cycle that shows little sign of slowing. Demand for power continues to build well into the 2030s, and utility capital expenditure plans are growing in tandem.

As a result, we are seeing continued upgrades to medium-term EPS[3] growth expectations, with several utilities now guiding toward 10%+ earnings growth. Improved visibility is also allowing utilities to extend their growth forecasts into the 2030s, providing the market with confidence that this growth runway remains long and durable.

While the market continues to debate how much of the Artificial Intelligence (AI) opportunity will ultimately accrue to technology companies, the impact on utilities is far clearer. Power demand continues to meaningfully outpace supply, providing a favourable backdrop for sustained and secure earnings growth for these companies.

American Electric Power rate base (US$ billion)



Source: First Sentier Investors, American Electric Power. Data as at 30 September 2026.

Energy Midstream: Build Baby Build

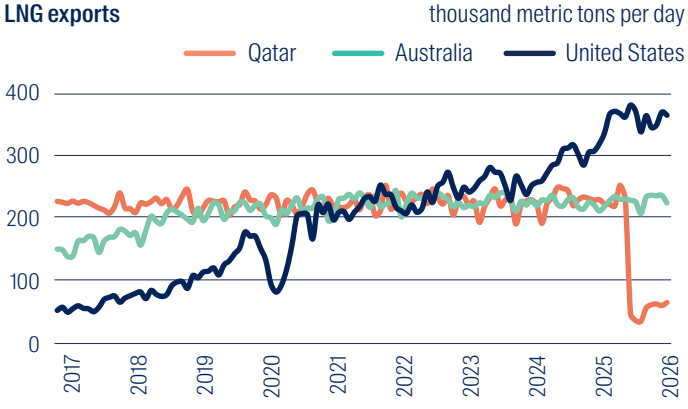
Energy midstream giants Targa Resources, Williams, Kinder Morgan and Cheniere Energy all upgraded guidance at Q3.

The sector continues to benefit from multiple growth tailwinds, with accelerating power demand from AI-related investment fuelling demand for natural gas and ongoing disruption across global energy markets supporting LNG and NGL[4] exports.

This growing demand is creating substantial investment opportunities for North American midstream companies. New projects to expand existing gathering & processing, storage, transportation and export infrastructure are continuing to emerge.

On the export side, North America continues to assert itself as the reliable supplier of global LNG. In an extraordinary turn of events the world's largest supplier of LNG, Qatar Energy, recently announced its first external long-term LNG supply contract, signing a 20+ year agreement with the largest exporter of US LNG, Cheniere Energy. At the same time, elevated spot LNG prices are allowing Cheniere's surplus production volumes to be sold at attractive margins. These dual tailwinds are supporting earnings upgrades both in 2026 and over the longer term.

LNG exports thousand metric tons per day



Source: First Sentier Investors, Bloomberg. Data as at 31 October 2026.

1 American Electric Power, Xcel Energy, CenterPoint Energy, NiSource, Alliant Energy, WEC Energy, Black Hills Energy, Atmos Energy and Ameren.
2 FirstEnergy, Entergy, Pinnacle West Corporation, Southern Company, Sempra
3 Earnings Per Share
4 Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGL)

Railroads: What the Truck

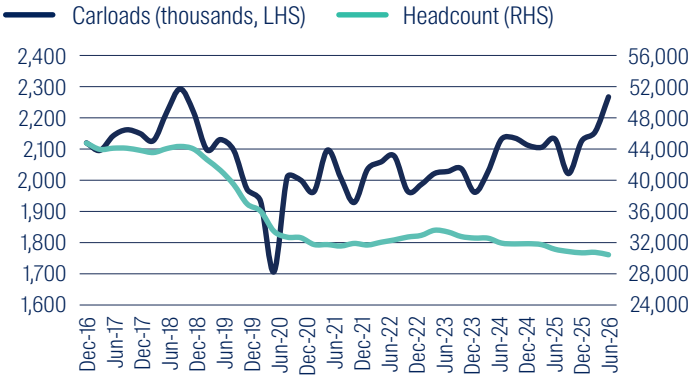
Four of the five Class I freight railroads beat expectations in Q3, with CSX also raising its full-year guidance.

Railroads are emerging from a prolonged freight recession with earnings momentum continuing to strengthen. As freight demand recovers and trucking capacity becomes more constrained, the North American freight rail industry is increasingly well positioned to deliver both volume growth and pricing gains.

At the same time, management teams remain focused on efficiency, with productivity initiatives and disciplined cost control driving lower operating ratios and stronger incremental margins. Balance sheets are very healthy and free cash flow generation remains high, providing significant surplus capital for share buybacks.

Looking further ahead, industry consolidation would allow for a more compelling freight solution for customers, expanding rail's competitive advantage over trucking and supporting a multi-year cycle of volume growth, pricing strength, and earnings expansion.

Union Pacific labour efficiency



Source: First Sentier Investors, Union Pacific. Data as at 30 September 2026.

Waste: Taking Trash and Delivering Cash

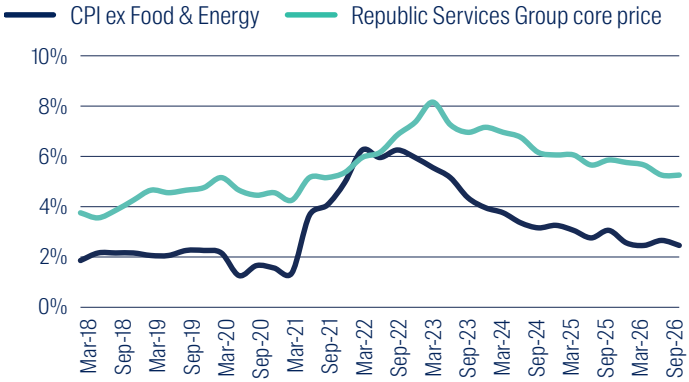
Three of the four major waste management companies beat expectations in Q3 and raised full-year guidance.

Waste management represents one of the most attractive business models in infrastructure. While volume growth remains modest, highly inelastic demand continues to support above-inflation pricing. We also see scope for volume growth to accelerate as US industrial activity improves, with any recovery in the US housing market providing further upside.

Capital intensity is moderating across much of the industry, driving stronger free cash flow conversion and creating additional capacity for buybacks. Meanwhile, industry consolidation is enhancing strategic positioning and extending the earnings growth trajectory of the sector. With roll-up M&A continuing to deliver scale and efficiency benefits for operators earlier on in their journey such as GFL Environmental and Waste Connections.

We see the sector continuing to benefit from its combination of defensive earnings, strong pricing power and free cash flow growth.

Pricing remains strong and above inflation



Source: First Sentier Investors, Bloomberg. Data as at 30 September 2026.

Wireless Towers: Stuck in Neutral

Unlike most infrastructure sectors, wireless tower earnings growth remains stuck near cyclical lows.

Carrier spending is subdued and organic growth remains limited. While valuations are attractive, fundamentals are yet to provide a meaningful trigger for a sector re-rating.

While things are yet to improve, they're also not getting worse. Ultimately, the sector is 'bouncing along the bottom' waiting to see if Elon Musk's SpaceX will generate the next wave of investment.

Transport: The Lone Downgrade

Toll roads and airports stand out as the only major infrastructure subsectors experiencing earnings downgrades in Q3.

The culprit is clear: higher oil prices and the associated impact on fuel prices and airfares. We have seen toll roads display higher demand elasticity in response to these price moves, relative to airports. We attribute this relative resilience in air travel to leisure travel, with consumers prioritising travel at the expense of other discretionary demand spending items.

We expect a recovery in toll road volumes and stronger airport traffic growth as oil market capacity continues to recover over the next 12 months. Unlike most earnings disappointments, this appears fundamentally cyclical rather than structural, and we anticipate a re-acceleration of growth in these segments of our opportunity set in 2027.

Conclusion on next page →

Conclusion

Positive earnings revisions are becoming broader and more persistent across the global listed infrastructure universe.

Utilities remain the stable and secure AI beneficiary, midstream is riding the LNG wave, rail is emerging from a prolonged freight downturn, and waste continues to benefit from pricing power and consolidation.

While towers remain stuck in neutral and airports face short-term pressure, the balance of evidence suggests that infrastructure earnings momentum is improving, not slowing.

The dominant story in global listed infrastructure is not rates, it is earnings.

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