Needham Funds
The Growth Factor
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Growth Factor: Investing in Infrastructure

Skilled Labor — Part 1 of 4

I've previously written about our *Hidden to Quality Compounders* investment strategy, which is the framework we use to analyze companies. Where we choose to invest can shift as we see new opportunities, but in practice it has not changed much in my almost 17 years managing the Needham Aggressive Growth Fund. I've focused on infrastructure, broadly defined. The United States has underinvested in infrastructure for decades. For most of my industry and investing career, anything related to global trade was viewed as a positive. Only in the last ten years have we recognized the need for self-sufficiency in critical areas, a shift that has reinforced our infrastructure thesis.

This is the first in a series of four *Growth Factors*, each covering one of our core areas of focus within infrastructure.

The Four Areas

- Skilled Labor — training and equipping the next generation of electricians, welders, HVAC technicians, electrical linemen, auto techs, CNC operators, and shipbuilders, along with the equipment they use and the companies that train and employ them.

- Technology and Manufacturing — semiconductors, pharmaceuticals, process and general manufacturing and data centers

- Traditional Infrastructure — concrete, roads, bridges, the grid, "inside the walls" electrical, water and energy

- Defense — ship and submarine building, unmanned and counter-unmanned systems, directed energy, specialty materials and critical minerals, cyber and public safety

Skilled Labor: The Bottleneck Behind Everything Else

We're starting with Skilled Labor, because nothing else on this list can be built without it. Re-industrialization doesn't happen without skilled labor, and the U.S. has a significant shortfall across the trades:

- Annual new hires - 81,000 electricians, ~40,000 HVAC installers and maintenance techs, ~70,000 auto techs, 26,500 diesel techs and 46,500 welding techs.[1]

- Shortfalls over next few years - ~360,000 welders and ~250,000 shipbuilders

[1] Lincoln Educational Services, 1Q26 Investor Presentation, slide 12

In 2025, we invested in the two largest publicly-traded skilled-labor trade schools, Universal Technical Institute, Inc. (UTI) and Lincoln Educational Services Corp. (LINC). After visiting both companies' campuses in northern New Jersey, I concluded I did not need to pick one over the other, the campuses are 30 miles apart and draw from their own local communities, so they hardly compete. We have since visited many more campuses around the country, and it is genuinely a pleasure to meet the campus leaders, instructors and students.

A couple of stories stand out. The faculty are often retired or partially retired skilled laborers looking to pass it forward to the next generation. At UTI's Motorcycle Maintenance Institute Avondale, Arizona campus, I met Duff, who teaches the Classic Harley class. He may know more about Harleys dating back to 1936 than anyone in the country. Outside a Lincoln Tech campus, I met a student who, three years after high school graduation, was inspired by his uncle to study HVAC. The uncle said that upon graduation, he'd be glad to offer his nephew a position at his own HVAC business. These courses are hard work, but can provide life-changing opportunities.

Together, UTI and Lincoln Tech will graduate about 7,500 auto and diesel techs and about 6,000 electrical, HVAC, and welding students this year. Their competition is community colleges, local for-profit schools, union apprenticeship programs and on-the-job training. We need all of them, and more. Both companies also offer healthcare programs, which address even larger, growing markets.

Both companies are investing in new programs and campuses. Over the past year, quarterly earnings were positive but paired with larger investment plans, and therefore lower near-term cash generation. The market has typically misunderstood that these investments are positive for the long-term which has given us opportunities to add to our positions.

As the skilled labor workforce grows, so does the need for their safety equipment. Starting in 2024, we invested in Blackline Safety Corp. (formerly BLN-TSE). Blackline makes connected, wearable, hazardous gas detection devices. They are particularly useful in helping the lone worker who has had an accident. The company's lifesaving stories are amazing.[2] Regretfully, on June 30, Francisco Partners closed its acquisition of Blackline. While the acquisition price was a nice premium to the market, we believe Blackline had years of growth ahead. We wish we'd be given the chance to be a 10-year plus shareholder.

Beyond the schools themselves, we have also invested in a number of EPCM (engineering, procurement and construction management) firms, which both train and employ skilled labor. We'll cover this sector in more detail in a future piece: *Investing in Infrastructure — Traditional Infrastructure, Part 3.*

For readers interested in learning more, Mike Rowe — creator of *Dirty Jobs* — is a strong advocate for skilled labor and has started the Mike Rowe Works Foundation to fund trade scholarships.

Conclusion

As long-term investors, we like to watch our companies and their markets evolve over years, not quarters, and we try to tune out the short-term financial noise. Our investments in the picks and shovels of U.S. infrastructure, broadly defined, go back years. We believe these trends still have years to run and remain a great place to be invested. As always, we urge investors to exercise caution: what has worked for us in the past may not work in the future.

[2] https://www.blacklinesafety.com/blog/real-life-incident-rapid-response-saves-childs-life

UTI: 1.85%; LINC: 2.53%; BLN-TSE: 0.00%.

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