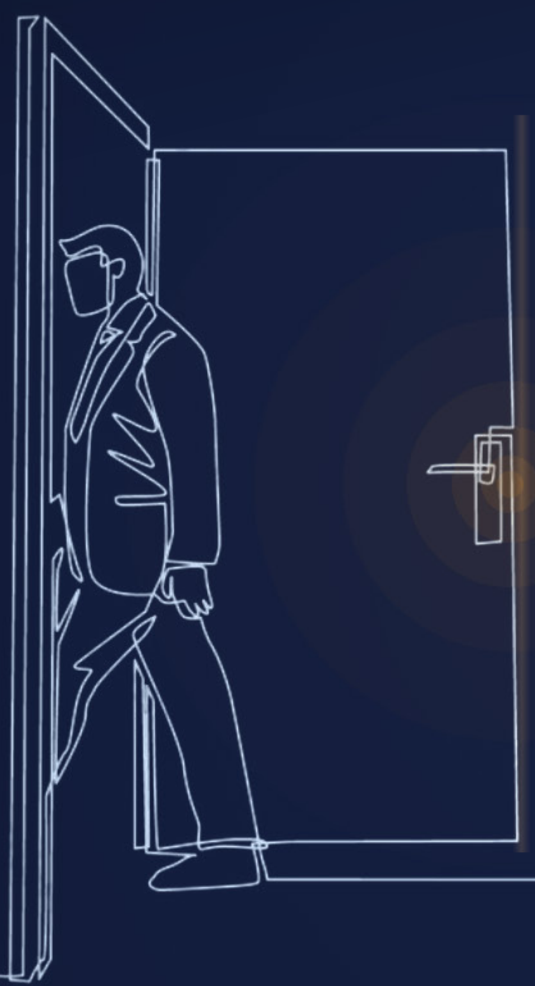
OMNIGENCE ASSET MANAGEMENT



Beyond the Exit:

Can LMM Buyouts Generate Institutional Returns Before a Single Business Is Sold?

August 2026

INTRODUCTION:

The standard private equity playbook treats the holding period as a cost – years of illiquidity endured while waiting for the sale that hopefully delivers the return. The exit is the primary return driver. But this approach is driven by something that need not be true: acquisition multiples so high that a sale is required for the return math to work. At sub-6x EBITDA entry multiples, a different set of mechanics becomes available which can fundamentally change the return calculation.

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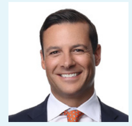

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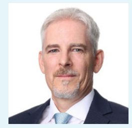

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Arvore Partners is a fund platform of Omnigence Asset Management, launched in 2013 with a mandate to acquire, consolidate, and operate lower middle market businesses across North America. With active operations across five industry verticals – building products, light industrial, environmental services, master franchising, and auto maintenance – Arvore remains industry-agnostic in sourcing, focusing instead on sectors aligned with its broader macroeconomic thesis. The fund targets businesses with $1M-$10M of EBITDA, sources most deals through its own portfolio company networks and operates them through Omnigence's proprietary EquiONE operating and integration platform to drive consistent organic earnings growth. Arvore is designed for income-oriented investors seeking private equity returns without the illiquidity profile of traditional closed-end PE. It suits portfolios requiring current yield, diversification away from rate-sensitive fixed income, and exposure to private equity economics with monthly liquidity events.

Where Arvore fits in portfolios:

- ~12% current annualized yield – distributed monthly, no reinvestment required
- No capital calls, no J-curve – LP income begins from the first month of ownership
- Platform had 10.6% maximum drawdown since inception – through COVID, rate cycles, and 2022
- 13-year track record across North American lower middle market businesses

HOW ENTRY MULTIPLE CREATES AN INCOME FLOOR:

A business acquired at 6x EBITDA generates an unlevered earnings yield of approximately 17% on acquisition cost. That yield – before debt service, fund-level expenses, reserves, working capital requirements, and maintenance capital expenditures – is the foundation for LP distributions from the first month of ownership. No growth assumed or exit required. The income floor is created by the purchase price, a floor that traditional buyout – purchased at 11-12x EBITDA – structurally cannot replicate. That is why traditional buyout must fall back on leverage, multiple expansion, and exit timing to generate returns. The Arvore model seeks to generate return from the moment of acquisition and sustain it throughout the hold period regardless of how exit markets may be functioning.

Acquisition at 6x EBITDA generates approximately 17% unlevered earnings yield on cost.

After 3x leverage at 7.5% cost of debt and fund-level expenses, monthly ~12% LP distributions are funded from portfolio company operating income from day one.

Meaningful LP returns can be generated prior to any exit event. The return profile is substantially shaped at acquisition.

Unlike traditional private equity, which typically generates no income and has a J-curve, Arvore has distributed to LPs monthly since inception without interruption and has remained fully invested at all times; excess cash is either deployed into portfolio companies or used to reduce debt. There are no capital calls: investors deploy once and receive monthly distributions continuously thereafter. The strategy's maximum drawdown since inception was 10.6% during COVID. For advisors managing client expectations through volatile periods, this is a structurally different profile from other PE alternatives.

ORGANIC GROWTH CREATES BORROWING CAPACITY WITHOUT ADDING TO LEVERAGE RATIOS:

The second return mechanism follows directly from the portfolio's leverage structure. At a constant 3x EBITDA leverage ratio, every dollar of organic EBITDA growth creates three dollars of new debt capacity. When portfolio EBITDA compounds at 6% annually – consistent with Arvore's 13-year operating track record – total portfolio debt capacity grows by 18% of EBITDA each period.

A portfolio growing EBITDA at 6% annually can distribute that same 6% to LPs via debt recapitalizations while maintaining constant leverage metrics.

That incremental capacity can be pushed directly to LPs as a special distribution – the leverage ratio stays at 3x EBITDA throughout.

The two engines together – approximately 12% operating income yield plus growing debt recap proceeds – can approach or exceed 20% total LP return without the sale of a single business.

The chart and tables below assume $42M portfolio EBITDA, $120M LP capital, an average acquisition multiple below 6x EBITDA, portfolio leverage maintained near 3x EBITDA, approximately 6% annual organic EBITDA growth, stable maintenance capital expenditure requirements, continued lender support for recapitalizations, and no material working capital disruptions.

Table 1. Illustrations are hypothetical and provided for explanatory purposes only. Traditional PE max drawdown per Cambridge Associates US Buyout Index GFC peak-to-trough, via Neuberger Berman (2023). LMM PE DPI benchmarks per PitchBook and Cambridge Associates. Past performance not indicative of future results.

	Arvore Platform	Traditional LMM PE
Current yield	~12%	0% (J-curve)
Capital calls	None	Recurring
J-curve	None	3-5 years
Monthly distributions	Yes	No
Max historical drawdown	-10.6%	-28%
DPI at year 5 (est.)	~0.95x	~0.2-0.5x
Exit market dependence	Low	High

Figure 1. Annual LP distributions from operating income (blue) and debt recap proceeds (green), years 1-7. Dashed line = 20% yield target ($24.0M on $120M LP capital). Year 5 highlighted in data table: 20% threshold crossed without asset sales. Assumes $42M EBITDA, 6% annual organic growth, 3x EBITDA leverage held constant. For illustrative purposes only. Targets not guaranteed.

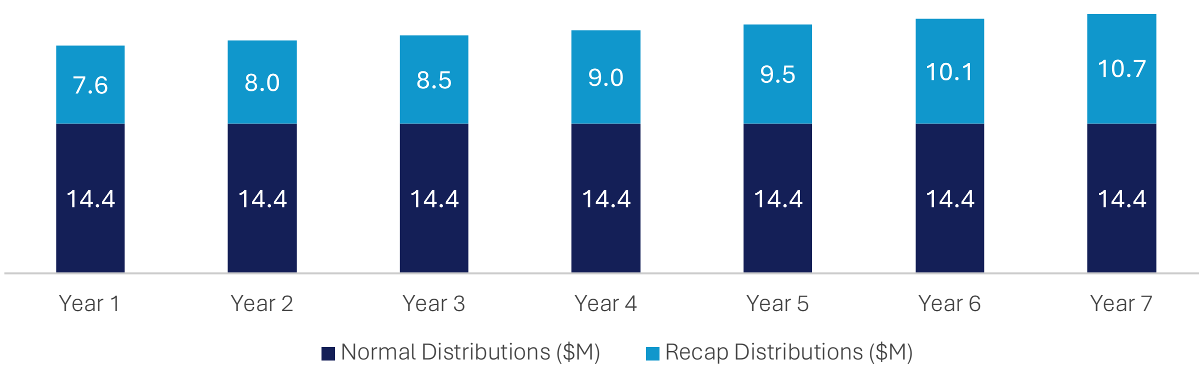

Table 2. All figures CAD. Normal distributions = 12% annual yield on $120M LP capital ($14.4M/year). Recap distributions = incremental debt capacity from 6% annual EBITDA growth at constant 3x EBITDA ratio. Cumulative DPI = total distributions to date divided by LP capital. Year 5 row highlighted: total yield first reaches 20% target. For illustrative purposes. Targets not guaranteed.

Year	Portfolio EBITDA	Debt at 3x	Recap Dist.	Normal Dist.	Total Dist.	Total Yield	Cumul. DPI
Base	$42.0M	$126.0M	-	-	-	-	-
Yr 1	$44.5M	$133.6M	$7.6M	$14.4M	$22.0M	18.3%	0.18x
Yr 2	$47.2M	$141.6M	$8.0M	$14.4M	$22.4M	18.7%	0.37x

Year	Portfolio EBITDA	Debt at 3x	Recap Dist.	Normal Dist.	Total Dist.	Total Yield	Cumul. DPI
Yr 3	$50.0M	$150.1M	$8.5M	$14.4M	$22.9M	19.1%	0.56x
Yr 4	$53.0M	$159.1M	$9.0M	$14.4M	$23.4M	19.5%	0.75x
Yr 5	**$56.2M**	**$168.6M**	**$9.5M**	**$14.4M**	**$24.0M**	**20.0%**	**0.95x**
Yr 6	$59.6M	$178.7M	$10.1M	$14.4M	$24.5M	20.4%	1.15x
Yr 7	$63.2M	$189.4M	$10.7M	$14.4M	$25.1M	20.9%	1.36x

WHAT EXITS ADD:

Building a vertical from initial platform acquisition to lower middle market scale – the $15M+ EBITDA threshold where mid-market buyer appetite deepens and exit multiples expand – takes approximately five years in Arvore's experience of tuck-in acquisition integration and organic growth.

By the time a vertical reaches exit readiness, cumulative LP distributions from operating income and annual debt recapitalizations should approach 1x of invested capital. The LP who has held through the build period has effectively recovered their committed capital through cash distributions alone – before a single business has been sold. Exit proceeds therefore represent a structurally separate layer of return, not the mechanism by which invested capital is recovered.

When an Arvore vertical is sold, the proceeds capture two forms of value that have been accumulating throughout the hold period.

- The first is EBITDA growth: companies built from sub-$3M EBITDA platforms toward the $15M+ exit threshold carry substantially larger organic earnings bases at disposition than at entry. That earnings growth, applied to the original acquisition cost, compresses the effective purchase multiple over the hold period.
- The second is multiple expansion: businesses sold in the mid-market transact at a structural premium to lower-market entry pricing. Historical mid-market transaction multiples have ranged from 8.3x to 10.8x EBITDA across the 2018-2025 period, averaging 9.5x (PitchBook, Canada and US, sub-$750M transactions), against an average Arvore acquisition multiple below 6x – implying a potential multiple expansion spread of up to approximately three turns of EBITDA, depending on the exit year and market conditions.

> Traditional PE treats the holding period as a cost – years of illiquidity before the exit delivers the return.
>
> The Arvore model makes the holding period part of the return. The exit is simply the harvest of value already built and, in significant part, already distributed to LP accounts.

Applied to a grown earnings base, those two effects together constitute the return from the portfolio equity optionality. Under Arvore's non-discretionary sweep structure, all realized gains are returned to LP accounts as special distributions – only invested capital can be redeployed.

Arvore's next dispositions are forecast in the 2028-2029 window, with subsequent vertical realizations following on a sequential basis as each platform reaches target scale and exit conditions. These proceeds are expected to step up the cumulative IRR – on top of a distribution track record that will, by that point, already reflect years of continuous operating income and debt recap yields approaching 20% annual return on their own.

CONCLUSION:

Private equity's return model has traditionally been defined by its terminal event: capital commitments, a J-curve, a terminal exit, and back-ended distributions. The arithmetic behind the Arvore return model is different. The mechanism does not require an exit event or an increase in leverage risk to generate the return.

A portfolio acquired at sub-6x EBITDA and growing its earnings at 6% annually can distribute a base 12% yield from operating income, with additional recapitalization proceeds generated by the borrowing capacity created through EBITDA growth while holding leverage ratios constant. That mechanism, layered on top

> Sub-6x entry multiple vs 11-12x for traditional LMM buyout.
>
> Arvore returns are substantially shaped at acquisition – not at exit.

of the operating income yield generated by sub-6x entry multiples, produces a combined annual return that can approach or exceed 20% through the hold period alone.

Arvore's income engine has been tested for 13 years through COVID, rate cycles, and the 2022 period when traditional asset classes experienced simultaneous losses. The equity engine – EBITDA growth and multiple expansion building across five operating verticals – is positioned to convert to LP distributions as platform exits begin in the 2028-2029 window. Together, the two engines make the case that institutional-grade PE returns do not need to depend primarily on an open exit market or an uncompensated wait for a terminal event. They require the right entry price.

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