

## The Lower Mid-Market PE Advantage:

Valuation, operational control, and  
structural complexity

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# The Lower Mid-Market Advantage

LMM buyouts outperform through valuation discipline, operational control, and structural complexity

The lower middle market is where complexity is the moat. Smaller companies trade at lower multiples and offer more levers for value creation — but require hands-on operational expertise that most capital providers cannot deliver. The premium persists precisely because the barriers to entry are real.

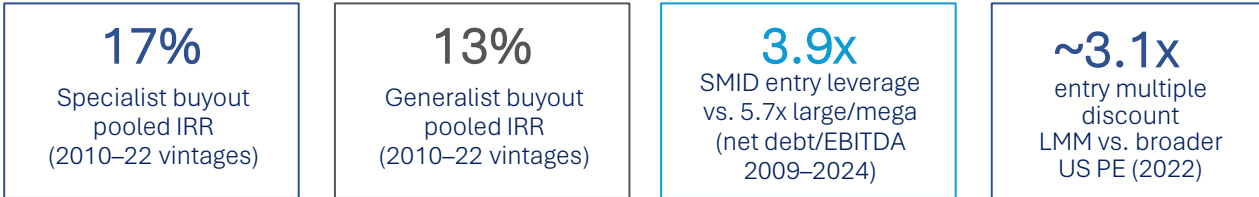
## The Valuation Gap

Median entry EV/EBITDA by deal size



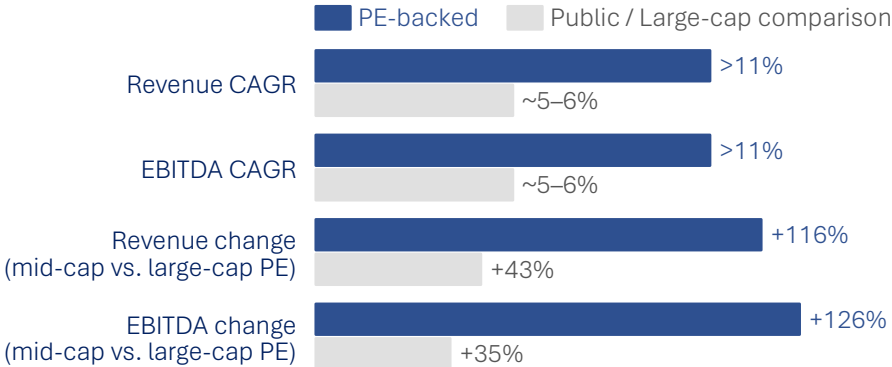
## The Size Premium

Specialist and smaller buyout strategies outperform



## The Operational Alpha

PE portfolio company operating metrics vs. public market comparables



The lower middle market's structural advantages — lower entry multiples, less leverage, more operational levers, and a fragmented seller universe — persist because they require the one thing most capital allocators cannot scale: operational expertise applied deal by deal. The premium is not a market inefficiency. It is the fair compensation for complexity.

Sources: RCP Advisors/GPScout (<\$100M EV entry multiples, 2005–2022); GF Data M&A Report (Q1 2025, \$25–100M segments); Pantheon internal data/Morgan Stanley (2009–2024, 3,723 companies); McKinsey Global Private Markets Report 2026 (specialist vs. generalist, 2010–22 vintages); Cambridge Associates (PE operating metrics, 2000–2020 realized companies); PitchBook (broader US LBO median multiples). SMID is Small, Mid-Cap. Compiled by Omnigence Asset Management.



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