

2025

Annual Letter

The Craft of Permanent Ownership



To our partners, operators, and friends:

This is our first annual letter. We write it not to impress, but to be understood. To share what we are building, how we think, and why we believe this model works.

Lab One Capital is a permanent holding company. We acquire small businesses, partner them with proven operators, and hold them indefinitely. We are nearly three years into our first platform, and our conviction for our unique approach has only grown with each passing year.

2025 was a year of building. Not the dramatic kind that makes headlines, but the quieter kind that compounds: fully integrating our bolt-ons, professionalizing operations, and formalizing the structure that will carry us forward for decades.

What we are building

Lab One is not a traditional blind-pool fund with a fixed life and a required exit. We are a long-term holding company built by operators and entrepreneurs, not by professional capital.

Our model is simple:

- 1) Partner with proven operators.
- 2) Buy exceptional businesses.
- 3) Compound through a long hold, organic improvement, and selective M&A.

We believe the very bottom of the lower middle market (\$1M-\$3M EBITDA) offers a rare imbalance: real businesses with real cash flow that are often too small for institutions and too complex for most individual buyers. We call this the Nano Gap. In this segment, we often see quality businesses trading around ~5.0x EV/EBITDA whereas while in larger, institutionally competed lower middle market processes, comparable assets more commonly trade at ~7.5x or higher EV/EBITDA.

The math is straightforward. We can acquire a smaller business at two-thirds of the cost, with significant runway to create further alpha by taking advantage of numerous low hanging fruit operational improvement opportunities as well as plentiful bolt-on acquisitions within the fragmented markets we adore. The alternative is competing with every other private equity firm for deals at 7.5x that

require significantly more leverage to generate equivalent returns. For us, this decision is simple: source A-player operators, use our deep M&A rolodex to reverse engineer a business search based on their skills, and pair them with an exceptional business they can lead and grow over the next couple decades.

The lower end of the middle market is often overlooked by institutional investors because traditional 2/20 private equity economics don't make sense at this scale. We have taken a different path: remaining entirely bootstrapped without raising money from outside equity investors. This allows us to enjoy 100% of the economic upside rather than the typical 20% carry, focus on a segment with far less competition, and select the crème de la crème of opportunities. While larger firms fight over competitive middle-market deals, we operate in a market where relationships, reputation (including clear ability to close), and operational excellence matter more than auction processes. Quite honestly, we are also having a lot more fun rolling up our sleeves and getting involved. Working alongside our first Operating Partner, Taylor Love, we are having the time of our professional careers stewarding businesses much bigger than ourselves—businesses that provide us a remarkable opportunity to continue doing what we love: building.

When we pair a high-quality business with the right leader, we believe the outcome can be exceptional. Not because of financial engineering, but because of sustained, capable ownership.

With this foundation in mind, we take the long view with no intention to ever sell. We can invest in improvements that pay off over years, not quarters. We can build relationships with employees, customers, and communities that deepen over time. We can say no to deals that might look good on paper but do not fit who we are.

Nearly three years in, we are more convinced than ever that permanent ownership is a competitive advantage. It attracts better sellers. It attracts better operators. It produces better outcomes.

How we structure partnerships

Our model centres on mid-career Operating Partners. These are experienced professionals who want to own and operate a business with patient capital behind

them. They bring operational depth and local knowledge. We bring capital, deal flow, and the infrastructure to help them scale.

At Bottle Depot, Taylor Love serves as Operating Partner and CEO, leading the business day-to-day. Our job at Lab One is not to run operations. It is to support Taylor with real leverage: bolt-on sourcing and diligence, financing, and the systems and reporting that help a platform scale without losing focus.

We call this the Lab One Resource Centre. It handles the work that compounds value but distracts from operations: finding and underwriting acquisition targets, arranging financing, managing integration, and building the KPIs and reporting that make complexity manageable. The operator runs the business. We provide the bench strength that lets them stay focused on what they do best.

The story so far

In March 2023, we acquired Bottle Depot, a family-owned container return facility on Vancouver Island. It was a business with strong fundamentals, loyal customers, and an owner ready to transition. We saw an opportunity to build something larger: a regional platform in an industry with fragmented ownership and predictable demand.

We also loved it for its recession resistance. Bottle Depot is one of those rare businesses that we would argue has a negative beta: demand may actually increase in a downturn as residents drink at home more and become more price elastic about getting their deposits back. That resilience made it an exceptional foundation for our first core platform.

Taylor Love came on as the inaugural Operating Partner to lead what would become the Lab One Vancouver Island Fund. Taylor is a hungry and exceptionally resourceful operator with deep local relationships and the kind of ownership mentality that cannot be taught. Over nearly three years together, Taylor has built Bottle Depot into something far more valuable and resilient than what we originally acquired.

In the summer of 2024, under Taylor's leadership, we executed three bolt-on acquisitions within 45 days: Squamish Bottle Depot, Bottle Guys Enterprises Ltd, and Sooke Bottle Depot. Each brought a retiring owner ready to pass the torch, a

complementary customer base, and employees who have become part of our growing team. These were not opportunistic purchases. They were deliberate steps in a consolidation thesis we had mapped out together from day one.

The Bottle Depot platform now employs 80 people across six locations from Vancouver Island to the Greater Vancouver area. Revenue has grown meaningfully since our initial acquisition. More importantly, we have built the operational infrastructure to integrate additional locations efficiently.

Lab One Vancouver Island Fund

In 2025, we formalized what had been emerging organically: the Lab One Vancouver Island Fund. The fund is a local conglomerate dedicated to acquiring and permanently holding Vancouver Island businesses requiring succession.

Vancouver Island has a particular concentration of family-owned businesses built by baby boomers who are now approaching retirement. Many of these owners have no obvious successor. Their children have no interest and have pursued different careers, strategic buyers often want to strip out costs and consolidate to distant headquarters, and private equity wants to flip in five years.

We offer something different: permanent ownership, local leadership, and genuine care for employees and customers. Taylor lives on the Island, knows the community, and has the drive and resourcefulness to build something that lasts. The Island is a community, not just a market. People know each other. Reputations are built over years and lost in moments. We are not passing through. We are here to stay.

Our ambition is to become the purchaser of choice for the succession of Vancouver Island businesses. This is not a marketing slogan. It is a commitment we intend to earn through every transaction, every integration, and every relationship we build.

What we learned

Every year of operations teaches us something. Some lessons confirm what we believed. Others challenge it. Here is what 2025 reinforced.

Integration is harder than acquisition

Finding and closing deals is the visible work. Integration is the invisible work that determines whether those deals create value. Adding Squamish, Bottle Guys, and Sooke in a single summer tested our capacity. We learned that the first 90 days after a bolt-on set the tone for everything that follows. Rush it, and you spend years fixing problems. Take the time to do it right, and the business stabilizes faster than expected.

Taylor and the team now have a repeatable integration playbook. It covers everything from day one communication to 90-day milestones. This playbook will only get better as we add more locations.

Density creates value

Four depots in a region are worth more than four depots scattered across the province. Shared management, coordinated logistics, and local reputation compound when locations are close enough to support each other. Our footprint now has real density, and we are building toward more.

This reinforces our geographic focus. We are not trying to be everywhere. We are trying to be the best operator in the markets where we compete.

Seller relationships matter after close

We have stayed in touch with every seller. Not because we have to, but because it is the right thing to do. These are people who built something over decades and trusted us to carry it forward. That trust is not a transaction; it is a responsibility.

The practical benefit is that happy sellers refer other sellers. Word travels in tight-knit communities like Vancouver Island. Our reputation with past sellers is our best sourcing channel for future deals. Two of our three bolt-ons came through relationships, not brokers.

The right operator changes everything

Capital is necessary but not sufficient. The difference between a good investment and a great one is the person running the business day to day. Taylor has proven this

at Bottle Depot. The same playbook produces different results depending on who is executing it.

This is why we put operators first. Not as a slogan, but as an operating principle. We structure deals to attract and retain the best people. We give them autonomy. We support without meddling.

Our priorities for the year ahead

Unlike venture capital or growth equity where you can predict with some confidence how many deals you'll close in a year, permanent capital investing at our scale is unpredictable. The right opportunities appear when they appear, not according to our timeline. That said, here's where we're focusing our attention in 2026:

Vancouver Island Expansion

We're actively evaluating several high-quality opportunities on Vancouver Island. The island's combination of stable communities, environmental focus, and underserved markets makes it an attractive region for Lab One's next platform or bolt-on acquisition. We've developed strong relationships with several business owners and intermediaries in the region and expect 2026 will be an important year for our Vancouver Island presence.

Operating Partner Development

Our model only scales if we find exceptional operating partners who can lead acquisitions and oversee portfolio companies. We're currently in conversations with several potential Operating Partners interested in formally starting a search. These aren't typical "searchers" looking for a two-year stint before moving on—they're experienced operators who want to build something permanent and are willing to invest their own capital alongside ours.

Strategic Bolt-On Acquisitions

While we're always open to new platform investments, we're particularly focused on finding complementary bolt-on acquisitions in the Greater Vancouver Area that strengthen our existing bottle depot operations. This could mean additional depot locations, commercial route collection businesses, or adjacent recycling services that leverage our existing infrastructure and expertise.

Deepening Our Playbook

As we complete integrations and operations stabilize, we're investing heavily in documenting our playbook—the systems, processes, and frameworks that let us operate multiple businesses effectively. This isn't glamorous work, but it's essential foundation for scaling. We're building the operating infrastructure that will allow us to manage 10, then 20, then eventually 30+ businesses across Western Canada.

The through-line in all of this is patience. We're not under pressure to deploy capital by a certain date or generate IRR within a specific fund life. We can wait for the truly exceptional opportunities and pass on the mediocre ones. That discipline is what separates permanent capital from other buyers, and it's what allows us to compound value over decades rather than quarters.

In closing

The work of building is slow. It does not make for dramatic stories or impressive metrics. But it compounds. Each acquisition builds on the last. Each operational improvement makes the next one easier. Each relationship opens new doors.

We are nearly three years into a project we intend to work on for decades. The foundation is solid. The thesis is proven. The opportunity is vast.

We are always looking to meet people who share our values and might want to work together.

To operators: If you are a proven mid-career professional looking for a path to ownership, we want to hear from you. We provide the majority of the capital, the deal flow, and the support to help you build something lasting. You run the business. We structure partnerships where Lab One and operators invest on a pari passu basis and are completely aligned building real equity over time. Taylor's experience at Bottle Depot shows what is possible.

To bottle depot owners across BC: We are actively growing our Bottle Depot platform. If you are considering a sale, we would welcome a conversation about acquiring your depot.

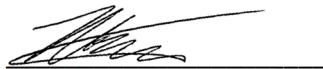
To Vancouver Island business owners: If you are thinking about your next chapter, we would be glad to have a conversation. No pressure, no timeline. We are patient

buyers who take the time to understand your business and find the right fit. The Lab One Vancouver Island Fund exists specifically to provide succession solutions for owners like you.

To advisors and intermediaries: If you work with B.C. business owners considering a sale, we are happy to be a resource. We can share how we think, what we look for, and whether a particular situation might be a fit.

Thank you to Taylor and the entire Bottle Depot team for building something we are proud of together. Thank you to the sellers who trusted us with their life's work. Thank you to our partners who believe in what we are building. And thank you to the 80 employees across our six locations who make it all possible.

Here is to another year of building.



Tyler Atkinson
Managing Partner
Lab One Capital Corp.

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