

## How Independent Sponsors Are Gaining Ground in the Lower Middle Market



By John J. Koepfel

April 5, 2026 | **CORPORATE**

As many committed funds struggle to raise capital, why is the independent sponsor thriving?

- **OPPORTUNITY:** Entrepreneurial spirit and talent from hundreds forming new groups each year (coming from PE, investment banking/consulting, industry)
- **EDGE:** Isponsors are sourcing proprietary / semi-proprietary deals and bringing a differentiated angle to business owner sellers (building relationships, creative win / win deal structures, deep industry knowledge)
- **CAPITAL:** good deals find capital - with a dozen+ leading conferences, 319+ SBICs, lenders, family offices, UHNWs, HNWs, wealth advisory firms, and placement agents supporting the isponsor ecosystem
- **FLEXIBILITY:** while the direct deal model is not absent of challenges, the ability to quickly pivot on targets / deal size / strategy is higher than the committed fund model.
- **LEGITIMACY:** 27% of buyers of lower-middle-market companies are iSponsors (Axial). The direct deal market is growing at a 53.8% growth rate (Houlihan Lokey). No longer the stepchild of the deal space. See attached article for more details.

John J. Koeppel's commentary on "[Independent Sponsors Seen as Material Buyers for Single-Deal Private Companies](#)," *Prosek*

**Disclaimer:** *The information in this post is provided for general informational purposes only, and may not reflect the current law in your jurisdiction. No information contained in this post should be construed as legal advice from our firm or the individual author, nor is it intended to be a substitute for legal counsel on any subject matter. No reader of this post should act or refrain from acting on the basis of any information included in, or accessible through, this post without seeking the appropriate legal or other professional advice on the particular facts and circumstances at issue from a lawyer licensed in the recipient's state, country or other appropriate licensing jurisdiction.*