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Lower Middle Market Private Equity: Resilience, Fragmentation, and Independent Sponsor Opportunity

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Top three (3) lower middle market (LMM) highlights for private equity / independent sponsors:

1. **Resilience**: LMM's resilience "comes less from sector selection alone, and more from the quality of management teams and the adaptability of the business model" (i.e., including targeting businesses with customer pricing power).

2. **Success**: One group's LMM success focuses on "founder-led companies operating in fragmented industries with defensible niches, durable customer relationships and recurring or non-discretionary demand" and nimble management who can "adapt when conditions change" (tariffs, interest rates, supply chain volatility, etc.).

3. **Opportunity**: LMM's biggest opportunity is fragmentation: "success-driven deal flow, attractive entry valuations and tangible opportunity to improve execution, especially with AI." The biggest challenge is "not the macro environment, but management teams failing to adapt quickly enough."

John J. Koeppel's commentary on " Fengate's Jennifer Pereira: Lower Mid-Market is Resilient, Driven by Operational Improvement," *PE Hub,* June 29, 2026.

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