

Rollover Equity Benefits: Why It's a Must-Have Tool for Independent Sponsor Deals



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Key rollover equity benefits for private equity and independent sponsor deals:

- An optimal tool for aligning buyer/seller incentives (i.e., in deals with no rollover, there is often a concern “what does the seller know that I [the buyer] don’t know?”)
- Bridges the valuation gaps with a seller
- As the cost of debt has increased/been constrained, rollover equity can help solve the capital stack
- Rollover as a share of total EV has increased to an average 16.9% (and we have seen a few deals this past year with rolling sellers retaining 40%+)
- PE / independent sponsors and sellers have discovered that the best deals are built not only on capital, but on a shared vision/conviction of the future partnership
- Tax-efficient deal tool (i.e., both seller’s ability to defer taxable gain on the roll + parties’ ability to potentially pay no capital gains tax on up to \$15 million of gains per investor on a future sale (Qualified Small Business Stock))

John Koeppel's commentary on "[Middle Market Growth- 2026 Outlook Report // Special Edition](#)" (January 6, 2026) for *Middle Market Growth*.

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