

Why Are Independent Sponsor Deals Often Driving Such Strong Performance?



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Why are independent sponsor (IS) deals often driving such strong performance (often ahead of traditional lower middle market (LMM) funds)?

- Ability to be more nimble (i.e., smaller target size, can pivot their thesis quickly, enhanced capital stack flexibility).
- The IS deal-by-deal capital dynamic dictates that they source attractive deals at compelling enterprise values/structures.
- Seasoned sponsors driving real value creation - using their networks and skills for organic and strategic growth
- 83% of IS deals are \$50M of EV or less -> hence independent sponsors can pursue LMM opportunities at a scale below that of many buyout funds (i.e., due to their min. check size).
- Only 15% of IS deals fall between \$50M and \$100M, and just 2% over that
- The incredible power of capital gains tax exemptions for many IS deals that use Qualified Small Business Stock.
- Deal structure advantages using roll-over equity often in combination with a seller note or earn-out to drive alignment and reduce cash at close.

John J. Koeppel's commentary on "[The Independent Sponsor Paradox: Smaller Capital Pools, Bigger Return Potential](#)," by Santiago Morazzani, August 3, 2026.

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