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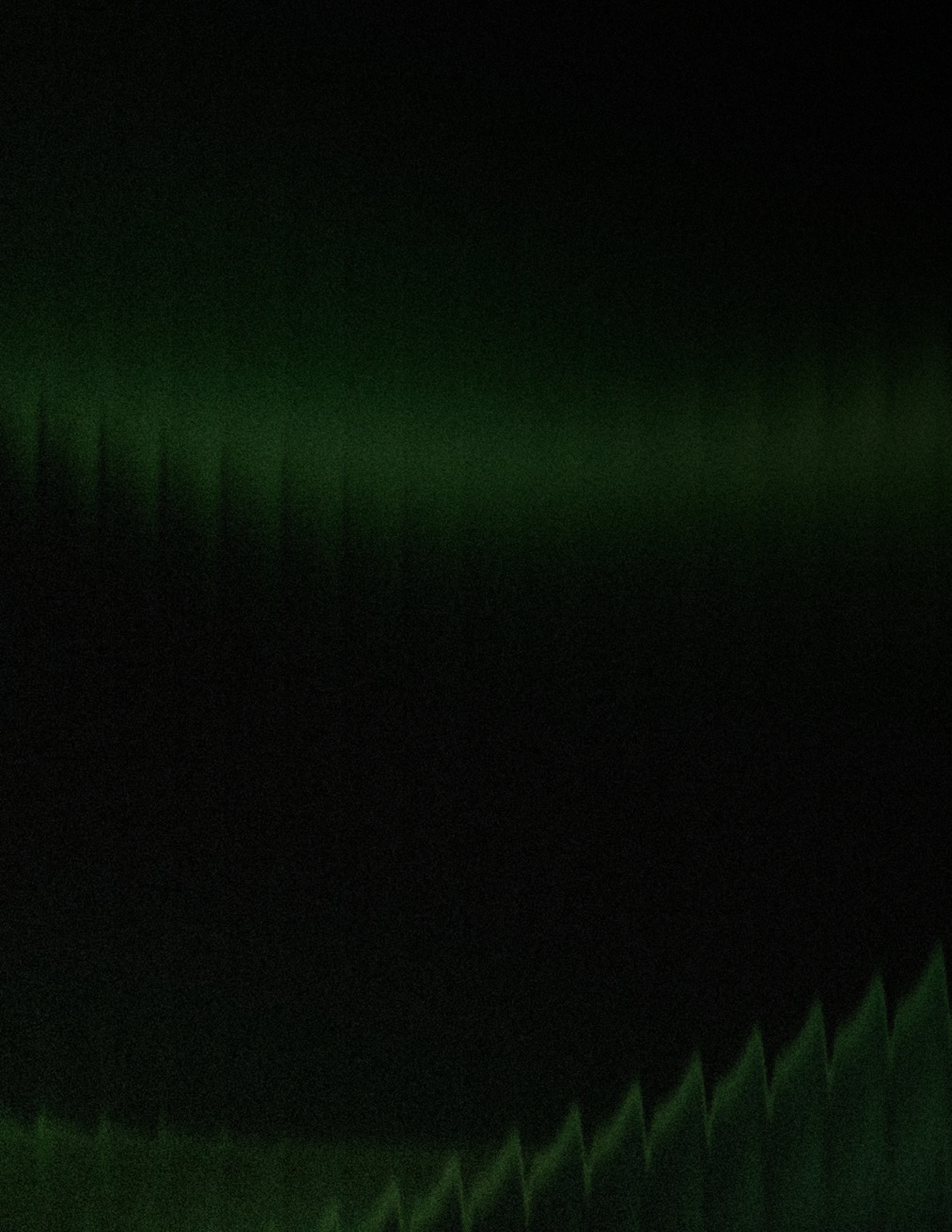
EDITION 1.0
RELEASED NOV. 2026

THE INDEPENDENT SPONSOR MARKET STUDY 2026

What Independent Sponsors building deal by deal are seeing on sourcing, capital, structure, and the road ahead, in their own numbers and words.

In partnership with CohnReznick

Lippes Mathias LLP
ATTORNEYS AT LAW



INSIDE THE STUDY

ISN surveyed Independent Sponsors (Managing Partners, Founders, Presidents, Principals, and Managing Directors running their own deal-by-deal platforms) on background, sourcing, capital, structure, governance, value creation, technology, and sentiment. These included solo operators and multi-partner firms, first-year Sponsors and twenty-year veterans.

04 SIX THINGS TO KNOW

05 FOUR THEMES LED THE STUDY

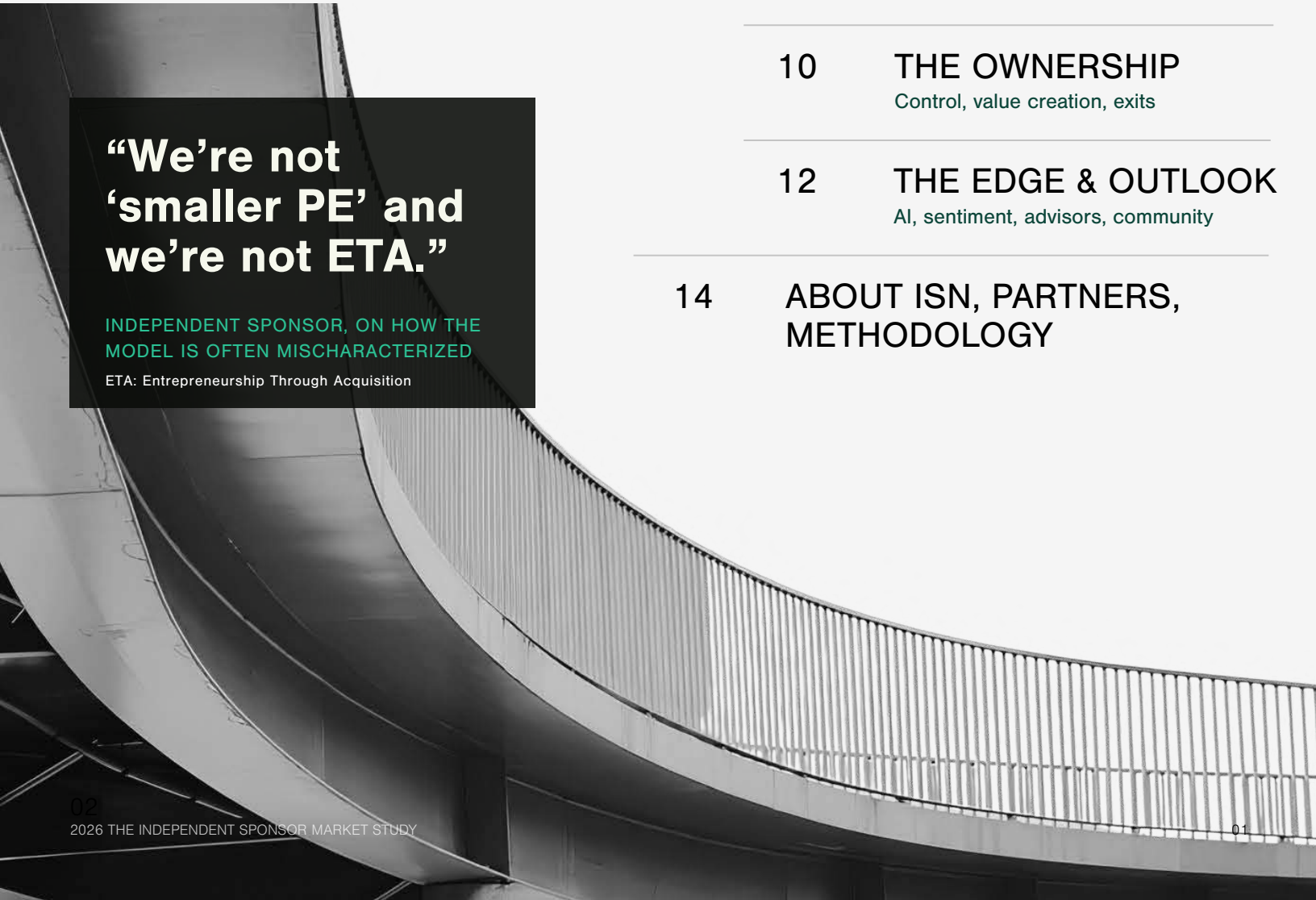
06 THE SPONSOR
Background, team, focus, deals, sourcing

08 THE CAPITAL
Equity, fit, debt, structure, carry

10 THE OWNERSHIP
Control, value creation, exits

12 THE EDGE & OUTLOOK
AI, sentiment, advisors, community

14 ABOUT ISN, PARTNERS, METHODOLOGY



“We’re not ‘smaller PE’ and we’re not ETA.”

INDEPENDENT SPONSOR, ON HOW THE MODEL IS OFTEN MISCHARACTERIZED

ETA: Entrepreneurship Through Acquisition

WHERE THE NEXT GENERATION OF LOWER MIDDLE MARKET INVESTING IS FORMING

The growth of the Independent Sponsor market has outpaced the data behind it. Most of what gets published describes Sponsors from the outside, through the lens of the capital providers, lenders and advisors who work with them. This study starts from the other side of the table and is intended to be a useful guide and benchmark for all participants in the ecosystem, whether you are an Independent Sponsor, capital provider, lender or service provider.

Between August and October 2026 we asked Independent Sponsor principals how they find, finance, structure, govern, grow and exit deals. The picture painted was one of a professionalizing market: multi-partner teams, recognizable carry economics, standardizing structures, third-party QoE on nearly every deal, and AI built into diligence.

It is also a market with one stubborn friction point. Ninety-six percent of respondents rank finding the right capital partner among the three hardest parts of executing deals as an Independent Sponsor.

Thank you to every principal who gave us sixteen minutes of their time to create this market snapshot, and to CohnReznick and Lippes Mathias for partnering with ISN from the outset. We will run this report every year, so this report is just the beginning of a consistent source of dedicated data this ecosystem has needed for decades.

We hope you find it as useful as we found it fascinating to produce.



SAM TIDSWELL-NORRISH

Founder & Chair of
Independent Sponsor News (ISN)

CohnReznick

"What was once a scrappy, entrepreneurial, and highly opportunistic corner of the private capital market has evolved into an increasingly institutionalized asset class that is helping shape the lower middle market and steadily extending its reach into the core middle market. Despite this growth, the ecosystem remains young.

In my more than 12 years in this ecosystem, obtaining reliable market data has always been challenging. The inaugural ISN survey represents an important step toward addressing this gap. Independent sponsors remain committed to the deal-by-deal model; competition is increasing; accessing the right equity partners remains a challenge; and artificial intelligence is becoming an important tool. As the market matures, the ecosystem will need to work deliberately to preserve its collaborative spirit."



CLAUDINE COHEN

Managing Partner, CohnReznick
Member of the ISN Advisory Board

Lippes Mathias LLP
ATTORNEYS AT LAW

"I've been around direct deals for 25+ years, and few things have been as rewarding as watching independent sponsors grow from a niche into one of the most active players in lower middle market M&A.

ISN's 2026 Annual Independent Sponsor Market Study provides valuable insights into various topics that I have the privilege of seeing firsthand every day. Serving as a trusted legal advisor to over 200 independent sponsor transactions, I've met and worked with so many of them... each bringing their own thesis, strategy, and partnership style with sellers and capital providers to every deal.

Many thanks to ISN and the survey respondents. Hopefully this survey is one more insightful lens into the direct deal space."



JOHN KOEPPEL

Partner, Lippes Mathias
Member of the ISN Advisory Board

SIX THINGS TO KNOW

01 · CAPITAL

The hardest money to raise is the right money.

96%

of Sponsors rank finding the right capital partner as one of their three biggest fundraising challenges. For 64%, finding the right capital partner is the single hardest part of raising capital.

02 · TENURE

Exits come to those with time in the seat.

100%

of Sponsors with ten or more years in the model have exited a deal.

03 · GOVERNANCE

Most Sponsors keep board control after close.

56%

of Sponsors hold majority board control post-close, and 24% of all respondents would walk away from a deal that required ceding control.

04 · ADVISORS

Lawyers on retainer, operators on demand.

78%

of Sponsors use the same law firm across deals. Only 26% have a go-to firm for integration and operations; most hire a new provider each time.

05 · DEBT

Deal size splits the debt market.

$25M

in enterprise value marks a shift in financing. Above it, deals rely on bank debt, private credit, and mezzanine. Below it, seller notes and SBA loans play a much bigger role.

06 · SENTIMENT

Confident, and expecting competition.

74%

of Sponsors are very confident they will close a deal in the next 12 months, and they expect bidding pressure to increase.

FOUR THEMES LED THE STUDY

THE SPONSOR

Background, tenure, team, focus, pipeline, sourcing.

51%

came up through traditional private equity

THE CAPITAL

Equity sources, fit, broken-deal risk, debt, carry.

80%

raise equity from Family Offices

THE OWNERSHIP

Board control, value creation, holds, exits.

63%

hold some level of board control post-close

THE EDGE & OUTLOOK

AI, sentiment, advisors, community needs.

84%

use AI somewhere in the deal workflow

AGE, SIZE, AND REPUTATION CUT ACROSS EVERY THEME

TENURE

Banker reliance changes

33% of newer Sponsors find most deals through bankers. 20% of veterans do.

Funds lose appeal

67% of newer Sponsors would consider a fund. 7% of veterans would.

Exits arrive eventually

No first-year Sponsor has exited yet. Every ten-year veteran has.

AI adoption is skewed

75% of newer Sponsors use AI heavily. 33% of veterans do.

DEAL SIZE

Specialization rises

15% of Sponsors under $10M focus on one or two sectors. 50% do at $100M+.

Credit moves up

40% use private credit on deals under $25M. 63% do above it.

TEAM AND TRACK RECORD

Partners close more

33% of teams have done six or more deals. 14% of solo Sponsors have.

The first deal opens doors

27% with no deals say capital is getting easier. 57% say so after one or two.

THE SPONSOR

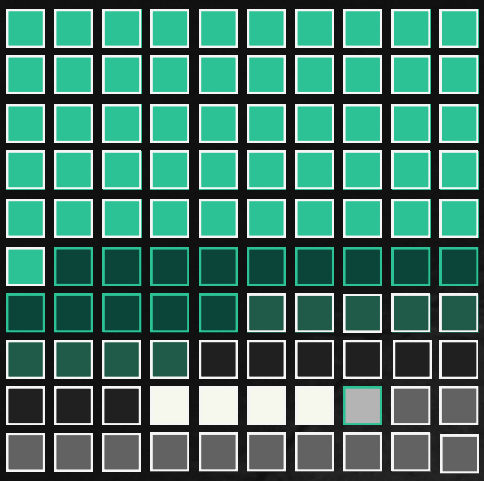
The typical Independent Sponsor is PE-trained, works with at least one partner and is new to the model: half have been at it for less than three years.

Newer Sponsors lean on referral networks, industry relationships, and online platforms, while the longest-serving find more of their deals through their own outreach.

The biggest hurdle comes before raising capital: finding the right business, winning the deal and making the price work.

THE MARKET AS 100 SPONSORS

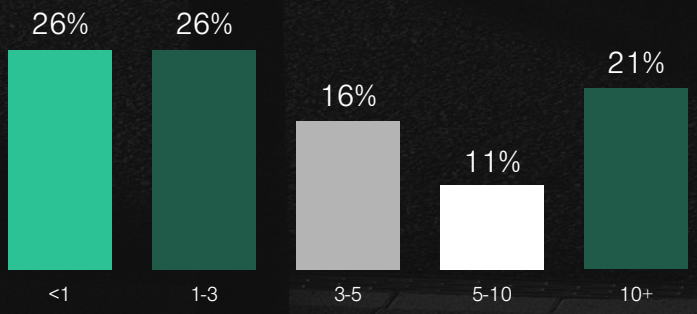
51 came up through traditional private equity



Illustrative Estimates

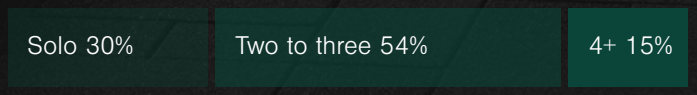
Founder, Owner	14	Banking	9
Operator	9	Other finance	4
Consulting	1	Other	12

YEARS IN THE SEAT



Tenure predicts how a Sponsor sources, whether they want a fund and whether they have exited.

LEAN TEAMS PREFERRED



DEAL PROFESSIONALS ON THE TEAM

2.4x as likely to have six or more lifetime deals with a partner (33% vs. 14% solo)

WHERE SPONSORS SOURCE DEALS

60% source nationally; 17% go international.

"Competition for quality assets is significantly higher than when we started."

INDEPENDENT SPONSOR OF 7+ YEARS

ALWAYS WORKING. RARELY CLOSING.

86% RAISE CAPITAL PURELY DEAL BY DEAL

THE TYPICAL SPONSOR'S YEAR

IOIs	7.3
LOIs	3.2
Close	0.8

~9:1

IOIs per close. Illustrative, from midpoints of banded answers.

WHAT THEY BUY

66% Business services	**53%** Industrials
24% Tech-enabled services	**24%** Healthcare
21% Distribution	**16%** Consumer
16% Construction	**9%** Education

66% have a live deal at IOI or beyond

49% closed nothing in the last 12 months

HOW DEALS ARE FOUND

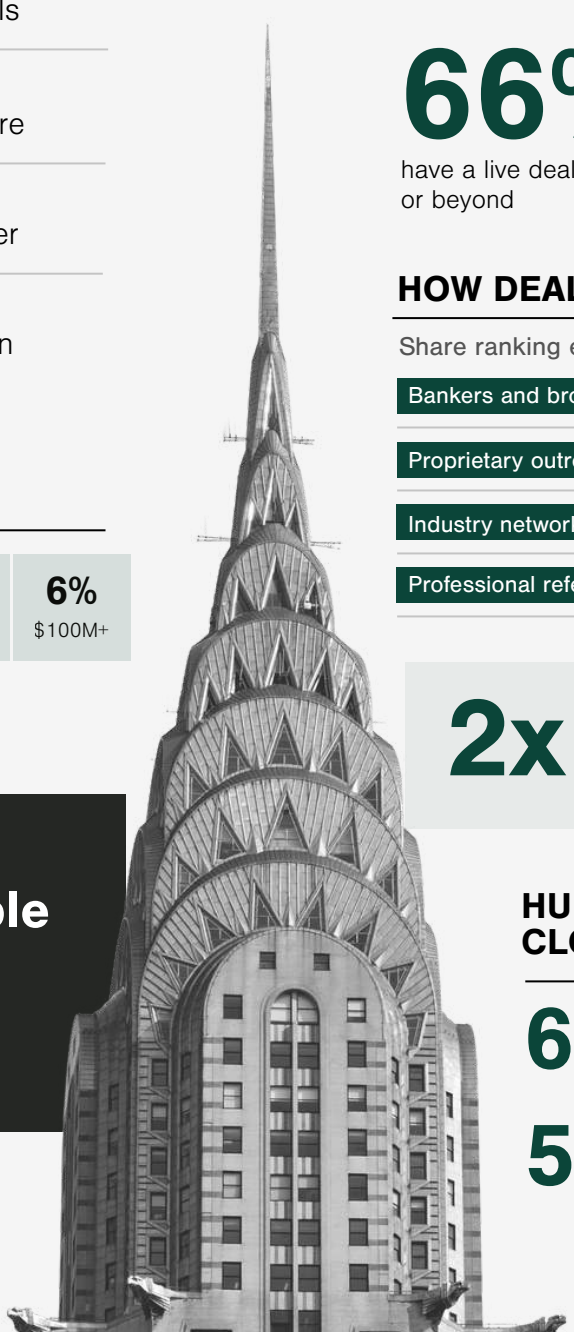
Share ranking each channel in their top three

Bankers and brokers	74%
Proprietary outreach	59%
Industry networks	56%
Professional referrals	40%

TYPICAL TARGET EV

<$10M	$10-25M	$25-50M	$50-100M	$100M+
19%	31%	33%	11%	6%

64% target $10-50M



2x Sponsors 10+ years in name proprietary outreach their #1 channel at twice the rate of those under three years (40% vs. 19%).

"Access to good deals at reasonable prices."

ON WHAT THE COMMUNITY NEEDS MOST

HURDLES TO CLOSING

60% seller price expectations

57% finding quality targets

THE CAPITAL

Capital is available from a wide range of sources, led by Family Offices and dedicated Independent Sponsor capital providers. Finding the right partner is harder: 96% rank it among their top three challenges.

Independent Sponsors remain cautious about debt and what they pay for a business. Carry structures are starting to look similar across deals, even without a formal industry standard.

WHO WRITES THE EQUITY CHECK



26% keep 50+ capital relationships warm. 66% keep 11 or more.

THE HARDEST MONEY TO RAISE

96% rank finding the right capital partner top three. 64% rank it #1.

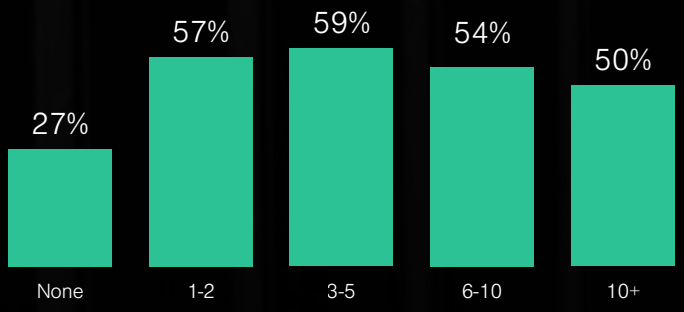
CHALLENGE, BY AVG RANK	TOP 3	AVG
Finding the right partner fit	**96%**	**1.6**
Speed of execution	54%	3.2
No formal track record	64%	3.5
Partner diligence burden	26%	4.1
Relationships before a live deal	36%	4.3
Negotiating economics	20%	4.6

"Capital partners need to stop underwriting to perfection. They want no complexity, no meaningful weaknesses and a bargain valuation. That combination rarely exists."

ON DEAL UNDERWRITING

THE FIRST CLOSE IS THE CREDENTIAL

Share of Sponsors who say capital is getting easier, by lifetime deals closed.



MODEST LEVERAGE. BIG TARGETS.

THE MEDIAN DEAL

ENTRY
$10-50M
Target Enterprise Value
SHARE: 64%

ENTRY
4-6x
EBITDA (31% pay 6-8x)
SHARE: 59%

LEVERAGE
2-3x
Debt/EBITDA (71% at 3x or below)
SHARE: 57%

ROLLOVER
75%+
of deals
SHARE: 51%

EARNOUTS
<25%
of deals
SHARE: 36%

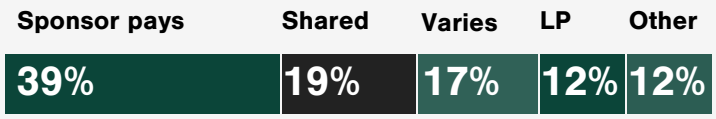
MOIC
3-4x
(26% target 4x+)
SHARE: 44%

HOLD
5-7
years (29% set no clock)
SHARE: 37%

EXIT
DEPENDS ON THE DEAL
(PE recap 21% · strategic 20%)
SHARE: 47%

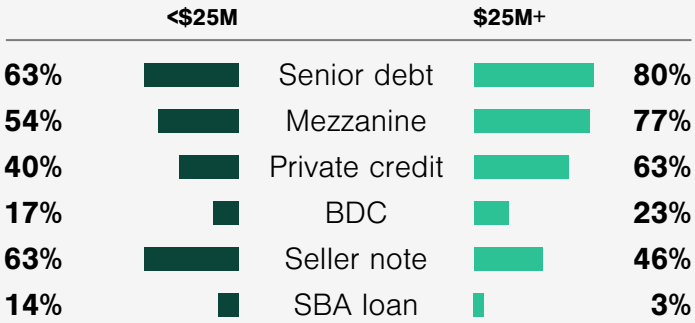
A DEAD DEAL AFTER LOI

Who absorbs the costs when a deal breaks.



TWO CAPITAL STACKS

Share of Sponsors using each type of debt, split by the enterprise value of the deals they target.



THE LONGER SPONSORS STAY, THE LESS THEY WANT A FUND

67% 0-3 YRS
53% 3-10 YRS
7% 10+ YRS

% of Sponsors open to raising a committed fund

OVERALL, 50% PREFER TO STAY DEAL BY DEAL.

“The typical ratcheted carry structure that seems to be market is 8% hurdle, 10% carry between 1.0-1.5x, 15% between 1.5x and 2.0x, 20% above 2.0x. Now it varies deal to deal, but that’s a good place to end up for an attractive deal and a quality sponsor.”

ON WHAT CARRY LOOKS LIKE IN PRACTICE

THE OWNERSHIP

Governance is worked out deal by deal. Most Independent Sponsors keep majority control after close, and a quarter would walk away from a deal rather than give it up.

Sponsors focus on growing the business through add-on acquisitions, board involvement, and revenue growth, with less emphasis on cutting costs.

Many are still working toward their first exits. Sponsors with more years behind them have far more realizations, and much of the market is still building its track record.

WHO HOLDS THE BOARD

Who holds majority control after close.

56%	24%	13%	7%
The Sponsor	Varies	Equity Partner	Split

IF AN EQUITY PARTNER DEMANDED BOARD CONTROL

29%	30%	17%	24%
Already fine	Right partner	Reluctantly	Dealbreaker

← FLEXIBLE FIRM →

“There are companies that have stood the test of time, and need energy/new ideas to bring them into the modern era.”

ON HOW INDEPENDENT SPONSORS BRING MORE THAN MONEY

OPERATING HELP ON CALL

Access to an operating partner for portfolio companies.



Roughly four in five can reach an operating partner when a deal calls for one.

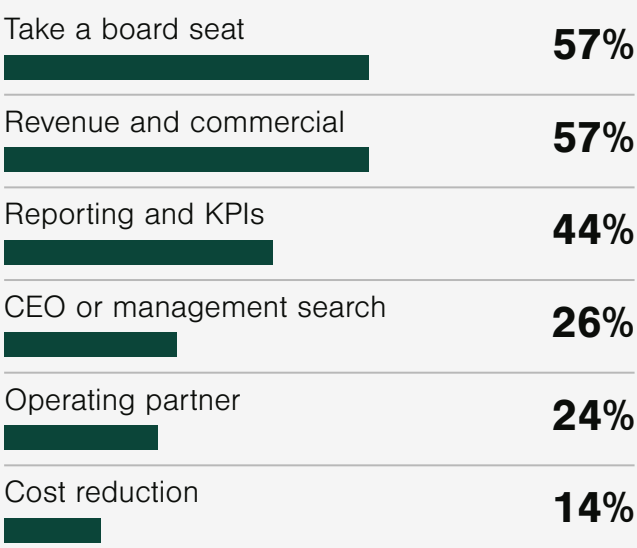
HANDS-ON OWNERS. EXITS TAKE TIME.

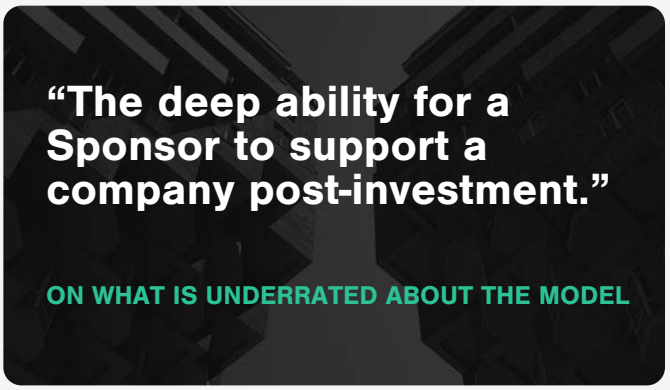
How Sponsors add value after close, how many have exited, and what those exits returned.

THE VALUE PLAYBOOK

The value creation levers Sponsors rank in their top three.

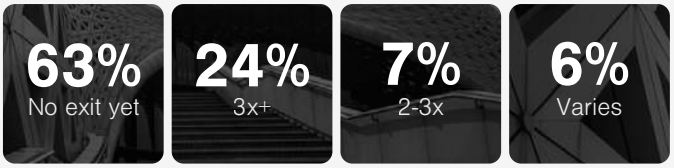
70% **rank M&A and add-ons in their top three. Buy-and-build is the default.**





REALIZED RETURNS

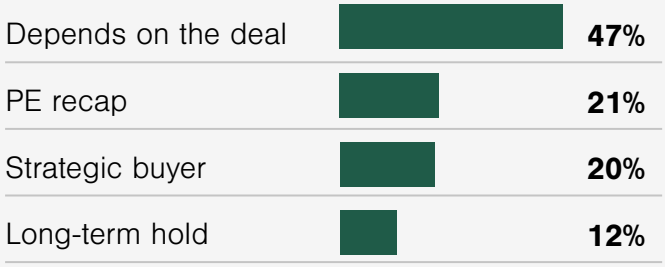
Typical multiple of invested capital on exited deals, all respondents.

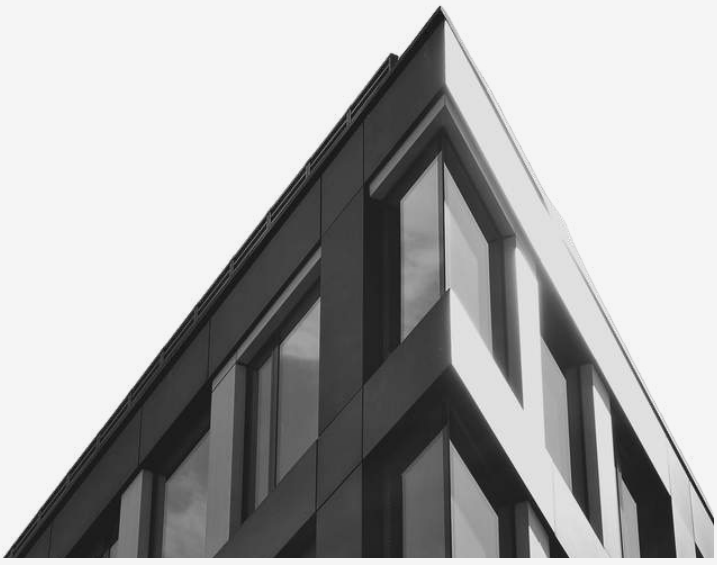


Among Sponsors who have exited, 3x or better is the most common outcome.



PLANNED EXIT ROUTE





THE EDGE & OUTLOOK

AI is already widely used in deal work, with the newest Independent Sponsors using it most.

Sponsors are confident about deal flow but wary of a more crowded market. Legal and accounting relationships are well established, while operating support is brought in deal by deal.

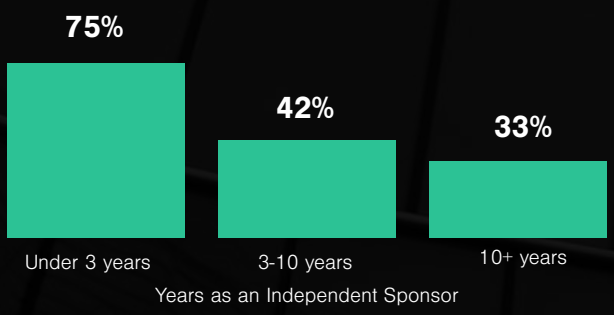
What Sponsors want most: capital partners who follow through and close.

77%
see a real edge for early adopters

44%
call AI disruption to targets a top macro risk

84% use AI in the deal workflow; 57% extensively

NEW SPONSORS USE AI THE MOST



WHAT ADOPTERS USE AI FOR

85% Research
83% CIMs & Diligence
74% Modeling
47% Sourcing
46% Portfolio Ops

CAPITAL LOOSENED WHILE SOURCING TIGHTENED

Whether capital is getting easier to raise, and whether deals were easier or harder to source in 2025 than in 2024

RAISING CAPITAL:
48% found it easier, 40% saw no change, 12% found it harder

SOURCING DEALS:
22% found it easier, 48% saw no change, 30% found it harder

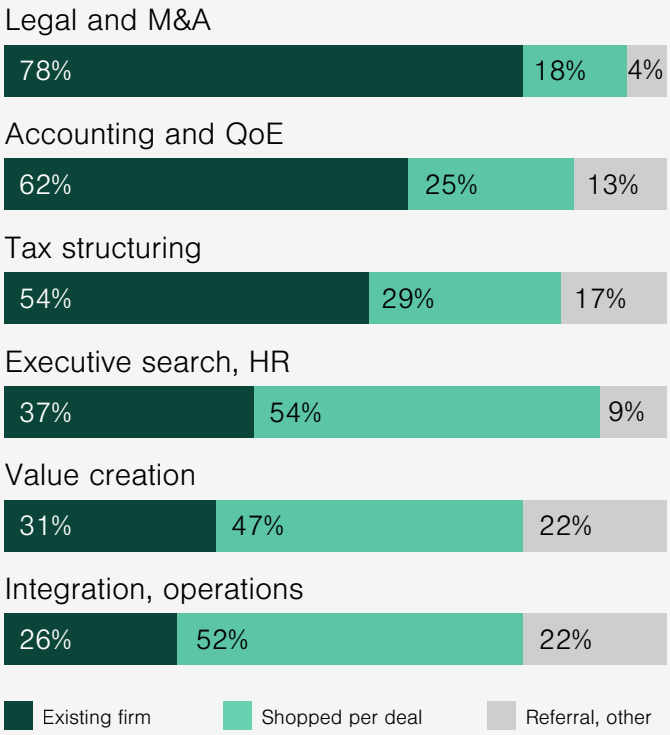
MACRO FACTORS

The macroeconomic factors Sponsors rank in their top three for shaping strategy.

01	Inflation and costs	70%
02	Election and policy	52%
03	AI disruption to targets	44%
04	Labor and Interest rates	39%
05	Geopolitical risk	35%

SPONSOR SUPPORT AND SERVICES

HOW ADVISORS ARE HIRED



"People who are thinking about the Independent Sponsor path don't fully realize the risk and entrepreneurial roller coaster that it is."

ON SPONSOR EXPOSURE

THE SPONSOR COMMUNITY NEEDS...

33%	Capital
16%	Networking and community
12%	Credibility with bankers
12%	Deal flow and seller quality
9%	Execution support, mentorship

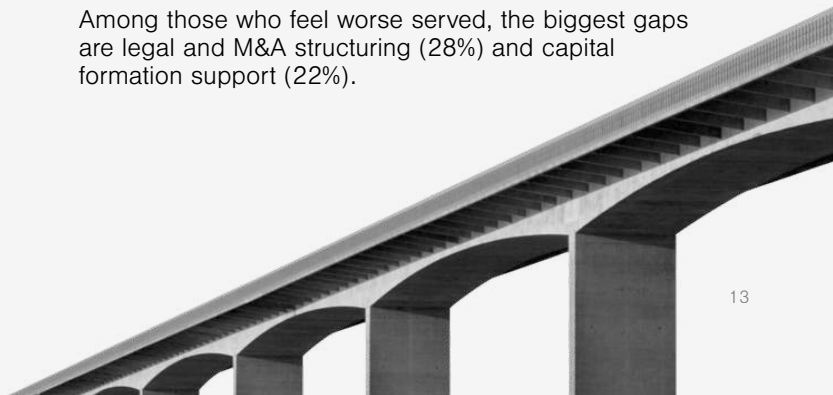
78% commission third-party QoE on every deal. 13% on most.

SPONSOR ACCESS TO ADVISORS COMPARED TO TRADITIONAL PE

Asked how their access to legal, accounting, and other professional services compares with a traditional PE firm's, most Sponsors said it is the same or better.

28%	44%	19%	9%
Better	Same	Worse	Significantly worse

Among those who feel worse served, the biggest gaps are legal and M&A structuring (28%) and capital formation support (22%).



INDEPENDENT SPONSOR NEWS

Independent Sponsor News (ISN) is the media platform built around the Independent Sponsor segment of private equity. It covers deal activity, capital formation, market trends, and the people building the market, one transaction at a time. The annual Market Study is ISN's primary research publication: a data-backed, Sponsor-first view of how the deal-by-deal market operates, published so that Sponsors, capital providers, and advisors can benchmark against the same numbers.

STRATEGIC PARTNERS

CohnReznick

Accounting, tax and advisory firm with a dedicated Independent Sponsor practice across the deal lifecycle: diligence, transaction advisory, tax, audit, post-close support and access to debt and equity capital providers.

Lippes Mathias LLP
ATTORNEYS AT LAW

Full-service law firm with dedicated private equity and Independent Sponsor teams, from firm formation and deal structuring through acquisitions, financings, add-ons, recapitalizations and exits.

MEDIA PARTNER

prosek

One of the largest independent, integrated communications and marketing firms globally. Capabilities span corporate and financial communications, public affairs, investor relations, transaction services, crisis communications and issues management, and specialized advisory.

METHODOLOGY

SAMPLE AND SURVEY DESIGN

Questions were carefully developed using neutral wording and response options to capture participants' experiences without steering them toward a preferred answer. Participants were sourced through ISN's network and vetted to confirm they were Independent Sponsors. Responses reflect this group of Managing Partners, Principals, Founders, Presidents, and Managing Directors.

OPEN-ENDED CODING

Free-text responses on broken-deal costs and community needs were grouped into themes based on their content. These themes capture recurring perspectives while preserving the substance of respondents' answers.

ROUNDING

Percentages are rounded and may not sum to 100% due to rounding, multiple-selection formats or unlisted answers. Select-all and top-N questions allow multiple choices, so percentages may exceed 100%.

CROSS-TABS

Responses were compared by tenure, deal size, background, and capital model to explore differences across groups. Comparisons are descriptive, do not establish causation and were not tested for statistical significance.

RANKED QUESTIONS

Average rank reflects an item's mean position, with 1 indicating the highest importance. "Top three" represents the share of respondents placing an item among their first three choices, showing how widely it was prioritized.

ESTIMATES AND QUOTES

The deal funnel uses midpoints of banded responses to illustrate its overall shape rather than provide exact counts. Quotes are anonymized, used with consent, and lightly edited for clarity while preserving their meaning.



INDEPENDENT SPONSOR NEWS
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