
Inside The Independent Sponsor Market: Insights From Our 2025 Survey



HEADWAY
CAPITAL
PARTNERS



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An “Independent Sponsor” is a team of private equity professionals that sources, structures, and negotiates investment opportunities without managing a committed investment fund.

Independent Sponsors in private equity were initially viewed with caution due to their innovative fundless model which raises capital on a deal-by-deal basis rather than through securing committed funds upfront. This structure led sell-side advisors and intermediaries to favour traditional PE firms or corporate buyers, due to concerns about potential financing risks and execution delays. However, as Independent Sponsors have demonstrated their ability to successfully complete deals, attitudes have shifted toward broader acceptance and growing interest in the Independent Sponsor model.

In the past five years, growth of the Independent Sponsor market has accelerated, fuelled by experienced investment professionals leaving traditional private equity firms to pursue more flexible, entrepreneurial models. Limited Partners (“LPs”) increasingly back these Independent Sponsors for access to proprietary deal flow - particularly in the lower middle market - and for more closely aligned incentives, which together may generate superior returns. In an uncertain investing environment, this structure has become even more attractive, offering a targeted way to deploy capital.

Between October and December 2025, Headway Capital Partners (“Headway”) and Columbia MBA candidate Roberto Berlucchi surveyed investment professionals within Headway’s Independent Sponsor network (the “Headway Dataset”) and conducted a series of targeted interviews with sponsors, advisors, investors, and capital providers across the US and Europe¹. The authors believe the resulting white paper offers a broad and current view of market dynamics.

This paper defines the Independent Sponsor model, profiles survey respondents, and examines how investor behaviour, capital availability, and market infrastructure are shaping the sector. It intentionally omits discussion of Independent Sponsor economics and transaction terms, as these have been well addressed by other publications and sources. The authors thank all contributors and hope the paper advances understanding of the market, its growth drivers, and prospects.

“ I’m very excited about the Independent Sponsor market because its evolution reminds me of the secondaries market. Back in the 90s, people questioned why you would want to buy interests other LPs were selling, but things changed after the tech and telecom crisis of 2000 and today secondaries are a well-established liquidity and portfolio management tool. Ten years ago, people questioned why you would want to back a team that couldn’t raise a fund, but after recent liquidity and fundraising challenges, investors are now understanding that the Independent Sponsor model is not only poised for tremendous growth but is to here to stay because some of the best private equity professionals have adopted it. ”

Christiaan de Lint – Managing Partner, Headway Capital Partners

¹ Throughout this report, the term Europe is used to imply a broad geographic area and includes non-EU states such as the UK, Switzerland and Norway. 63% of respondents were from Europe (as defined) and 37% from US.



The Independent Sponsor market has experienced rapid expansion in recent years, driven by experienced private equity professionals seeking more entrepreneurial and flexible models outside of traditional fund structures. LPs also show increasing interest in Independent Sponsors for their ability to provide differentiated, proprietary deal flow and more closely aligned incentives through deal-by-deal structures.

This white paper offers a look into the current Independent Sponsor ecosystem across the US and Europe, leveraging proprietary survey data and targeted interviews with a wide range of market participants.

Key findings include:

- 1 Significant Market Size:**

The Independent Sponsor market reached an estimated transaction volume of approximately \$65 billion in 2025. Surveyed sponsors alone plan to deploy c.\$8 billion in the next year, with a median planned deployment of c.\$50 million per sponsor. This reflects a rapidly expanding ecosystem characterised by a growing number of sponsors, capital providers, and intermediaries.
- 2 Advantages for All Stakeholders:**

Compared to traditional private equity blind-pool fund structures, the Independent Sponsor model offers distinct advantages for all stakeholders.

 - Independent Sponsors benefit from entrepreneurial freedom, reduced pressure to deploy capital, opportunities to build an independent track record, aligned economic incentives, and the ability to focus on dealmaking and value creation.
 - Investors gain access to unique investment opportunities led by experienced private equity professionals, greater control over risk and sector exposure, strong alignment of interests, and higher return potential.
 - Sellers/Management benefit from reinvestment opportunities, future growth, and value-added support from experienced private equity partners.
- 3 Small Teams Focused on Proprietary Sourcing:**

Increasing visibility and acceptance of the Independent Sponsor model continue to attract top talent from private equity, with most survey respondents operating as lean, specialised teams of around 5 people. Independent Sponsors often leverage deep industry networks to source proprietary opportunities.
- 4 Selective, High-Return Strategy:**

Given limited resources and high stakes for each transaction, Independent Sponsors are extremely selective. Only about 1% of reviewed deals close, and Independent Sponsors report ambitious return targets of 25–30% IRR and 3.0–4.0x MOIC.
- 5 Strong Value Creation Focus:**

Value creation is a central focus for Independent Sponsors, with emphasis on management, growth initiatives, and strategic add-on acquisitions. Leverage levels are moderate, and operational improvements take precedence over financial engineering.
- 6 US Leads, but Europe is Rising:**

The United States is the most mature market for Independent Sponsor transactions, but Europe is gaining momentum with increasing opportunities. Capital availability in Europe is perceived as lower today, and competition among Independent Sponsors as less intense than in the US.
- 7 Long-Term, Expanding Market:**

Looking ahead, the outlook is positive: more than 70% of survey respondents view the Independent Sponsor model as a long-term strategy. Market participants expect the sector to continue expanding and maturing, with rising competition but also growing opportunity.

III. The Independent Sponsor Model



An “Independent Sponsor” is a team of private equity professionals that sources, structures, and negotiates investment opportunities without managing a committed investment fund. Unlike traditional private equity firms, Independent Sponsors do not have access to blind-pool capital and instead raise equity separately for each transaction.

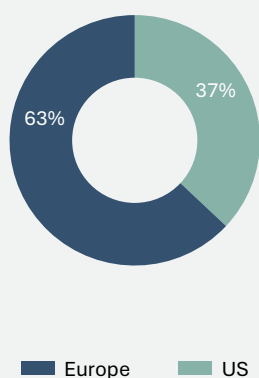
While traditional private equity firms operate within defined fund lives, investment periods, and structured investment mandates, Independent Sponsors benefit from greater flexibility in deal selection, timing, and pacing. Rather than earning fund-level management fees and carried interest, Independent Sponsors are typically compensated through transaction-specific and/or ongoing fees (such as transaction, management, and/or portfolio company monitoring fees) as well as carried interest in each individual investment. Many Independent Sponsors also make meaningful personal co-investments alongside their investors in each transaction.

The Headway Dataset and Survey Respondents

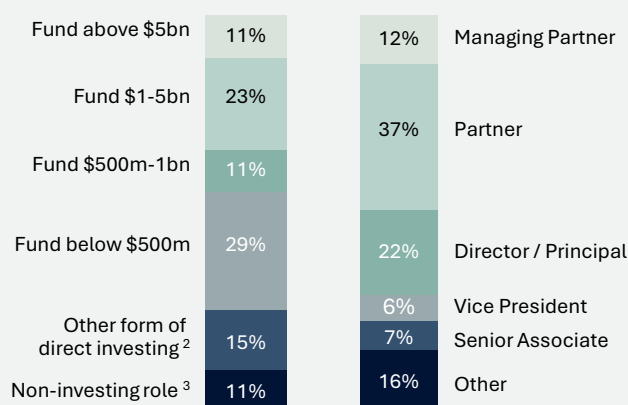
Headway is a leading institutional investor focused on Independent Sponsor transactions and maintains a database of c.1,000 qualified and active Independent Sponsors across Western Europe and the US. Headway also co-hosts the Independent Sponsor Forum, Europe’s leading conference for Independent Sponsors.

While the authors acknowledge that Headway’s dataset is more heavily weighted towards European sponsors and may skew towards Independent Sponsors with more extensive private equity backgrounds and track records given Headway’s institutional investing mindset, the authors believe that the Headway Dataset includes some of the most active Independent Sponsors in today’s market and provides relevant insights into current market trends.

Survey Respondent Location (% of Respondents)



Previous Employment and Title (% of Respondents)



² Including Family Offices, Hedge Funds, Junior Capital, and Venture Capital;

³ Including Corporate C-suite, Investment Banking, Consulting, and Operations

Independent Sponsors come from diverse backgrounds, including accounting, strategy consulting, investment banking, and operational management. However, most survey respondents from the Headway Dataset previously held senior roles at traditional private equity firms across a range of fund sizes.

III. The Independent Sponsor Model

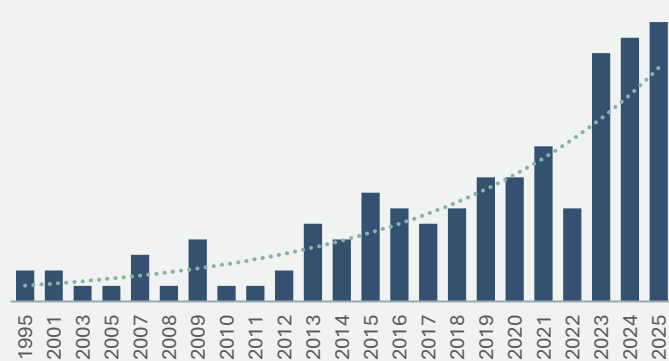


Most respondents were formed within the last 5 years and operate with lean teams, reflecting the rapid recent growth of the Independent Sponsor market.

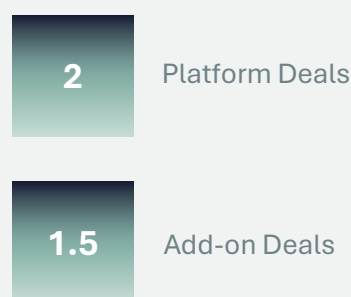
The median team size of respondents is 5 professionals, including two partners and 1-2 junior investment professionals. However, 60% of respondents also utilize operating partners, which are typically part-time industry specialists who advise on specific investments, and over 60% of respondents also plan to expand their teams within the next 12 months.

Consistent with their recent formation and high deal selectivity (please refer to page 12), most survey respondents had limited transaction activity, with a median of 2 platform deals and 1.5 add-on deals closed since inception.

Respondent's Founding Year



Activity Level Since Inception (median values)

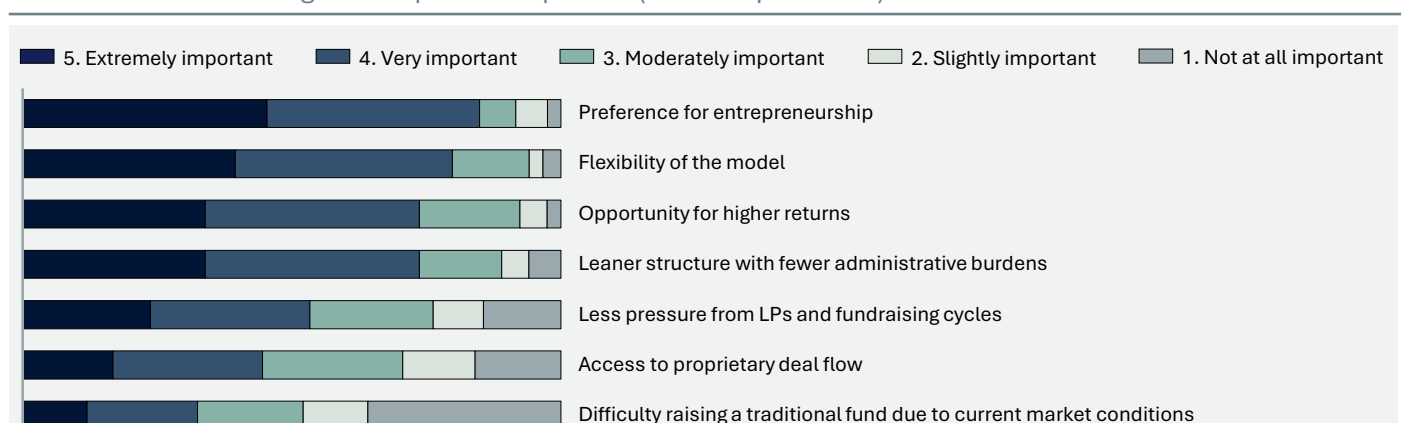


Advantages of the Independent Sponsor Model

As demonstrated by the growing number of Independent Sponsors being established lately, more private equity professionals are turning to this model since it provides an appealing alternative to traditional private equity funds, offering experienced professionals independence, better alignment, and greater flexibility.

The chart below summarises the key motivations to becoming an Independent Sponsor in addition to the obvious attraction of deal-by-deal-carry:

Motivation for Becoming an Independent Sponsor (% of Respondents) ⁴



⁴ Other suggested motivations included use of the Independent Sponsor model as a stepping stone towards raising a fund

III. The Independent Sponsor Model



Survey respondents emphasized the attractiveness of the Independent Sponsor model primarily for its entrepreneurial nature and flexibility to pursue only high conviction investment opportunities:

Entrepreneurial Control

Independent Sponsors operate autonomously, allowing them to take full ownership of their careers and investment theses without the institutional constraints typically associated with larger private equity firms.

“As the industry has matured and firms have proliferated, there is a deep bench of investor talent sitting within established platforms, and we’re seeing more professionals take the opportunity to step out and pursue their own deals, often with greater flexibility.”

Brian Sweeney – Director, Private Funds Advisory,
Lincoln International

“Independent Sponsors have more flexibility: they do not need to deploy capital quickly and can position themselves as long-term capital partners.”

Principal, NY-based Lower Middle Market PE firm/Formerly an Independent Sponsor

Deal-by-Deal Flexibility

Unlike blind-pool fund structures, the Independent Sponsor model allows sponsors to pursue only the most compelling opportunities, without pressure to deploy capital within a fixed investment period. Survey respondents reported high selectivity, with a median hit rate of 1% or 1 deal completed for 100 opportunities reviewed (see also page 12).

Other important motivations for becoming an Independent Sponsor were the opportunity for higher returns and the ability to operate with a leaner structure with fewer administrative burdens.

Potential for Higher Returns

Disciplined selectivity for Independent Sponsors is tied to the potential for higher returns. Survey respondents reported high return expectations of over 3.0x MOIC (see also page 14), which the authors believe is higher than in traditional private equity.

Furthermore, Independent Sponsor carried interest is tied directly to individual investments, creating a clear and transparent link between value creation and economic reward. This structure can provide stronger alignment than the pooled carried interest model common in blind-pool funds.

“If a deal performs well, the upside can be significant, although the model carries more personal risk.”

Principal, NY-based Lower Middle Market PE Firm/Previous Independent Sponsor

III. The Independent Sponsor Model



“Independent Sponsors often tell us that they want to spend as much of their time as possible on deal-making and value creation, which traditional fund structures don’t really allow. This entrepreneurial drive creates common ground with founder-operators and management teams and can support the development of close relationships that help generate proprietary deal flow.”

Zoe Yeo - Partner, Headway Capital Partners

Reduced Administrative Burden

Many experienced private equity professionals who transition from larger firms to the Independent Sponsor model are able to refocus on core investment activities - sourcing, execution, and value creation - rather than devoting significant time to firm management, investor relations, and other senior-level administrative responsibilities.



2025 Independent Sponsor Forum, London (hosted by Headway Capital Partners and Addleshaw Goddard)

III. The Independent Sponsor Model



Pathway to a Blind-pool Fund

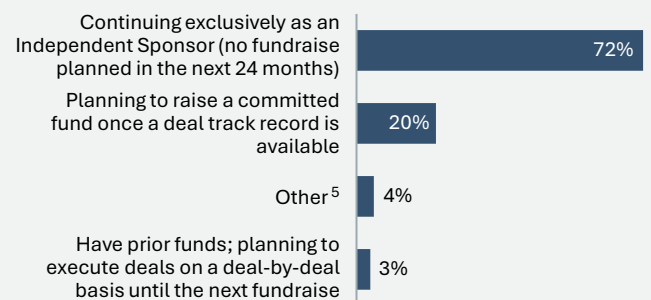
For some Independent Sponsors, the model serves as a stepping stone towards raising a blind-pool fund and an opportunity to wait out a challenging fundraising environment. Successful execution across several transactions can help establish a track record, build an investor base, and enhance market credibility, positioning a sponsor well for a potential transition to a more traditional fund structure if desired.

“We loved the deal-by-deal model - it worked well for us and was an excellent way to launch a new firm. For Gyrus, it happened organically: we weren’t yet ready for a traditional fundraise, but we had the opportunity to pursue an exceptional deal, so we raised capital specifically for that investment. Then a second opportunity followed, and the model continued to fit. For our first fund, we adopted a hybrid structure combining committed capital with deal-by-deal financing. By the time we raised our second fund, we had transitioned fully to a committed blind-pool structure. Given the scale at which we now deploy each year, this model suits us best, and it allows most institutional LPs to support us on a longer-term basis. Of course, it does come with added administration, regulatory responsibilities, and the constraints inherent in a fund timeline and pooled structure.”

Guy Semmens - Managing Partner, Gyrus Capital

Interestingly, the vast majority of survey respondents indicated plans to remain as Independent Sponsors instead of seeking to raise committed funds. The authors believe this attests to both the attractiveness and long-term viability of the Independent Sponsor model.

Fundraising Plans (% of Respondents)



⁵ Mostly referred to hybrid Independent Sponsor models or flexible structures

“The Independent Sponsor model has been our model of choice for many years. It provides maximum alignment between investors, management teams, and us as the sponsor; without the possible conflicts that can arise within commingled funds.”

James Almond - Managing Partner, Duke Street Capital

A growing number of private equity professionals are departing from established firms to become Independent Sponsors, attracted by the chance to potentially earn higher returns, pursue entrepreneurship, benefit from greater flexibility and deal selectivity, and concentrate on dealmaking. The majority of survey respondents were formed within the last five years and intend to expand their teams while remaining Independent Sponsors, indicating continued enthusiasm for the model.

IV. Independent Sponsor Transactions



Survey results indicate that Independent Sponsor transactions are characterized by proprietary origination, concentration in the lower middle market (particularly founder-owned and operated businesses), disciplined selectivity, and elevated return expectations. These findings are consistent with Headway's experience investing in the market.

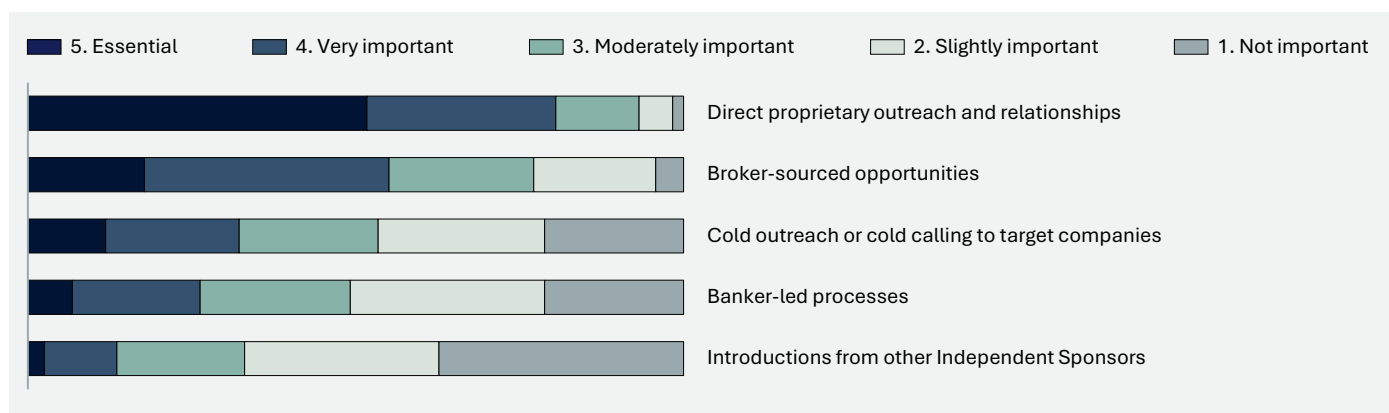
Focus on Proprietary Opportunities

The Independent Sponsor model is generally not well-suited to traditional deal flow, such as intermediated auctions, where certainty of closure is a key consideration for sellers and advisers. Compared to traditional private equity firms and strategic buyers, Independent Sponsors may be perceived as presenting higher execution risk, given their need to raise capital on a deal-by-deal basis.

To overcome this, Independent Sponsors tend to be more resourceful and proactive in their sourcing approach, focusing on proprietary or off-market opportunities where relationship-building and differentiated value-add capabilities carry greater weight than speed or pre-committed capital. This often involves leveraging personal networks, developing direct relationships with business owners, and implementing thematic sourcing strategies tailored to specific sectors or niches.

Survey respondents confirmed that direct proprietary outreach and relationships were their most important deal origination channel, as shown below.

Importance of Deal Sourcing Channels (% of Respondents)



“Approximately 90% of our sourcing is proprietary and comes directly from our ecosystem. With eight prior portfolio companies, quarterly check-ins alone generate roughly three warm opportunities per company, as management teams consistently bring us new ideas.”

Ashray Prasad - Investment Manager, Tortuga Growth Partners

IV. Independent Sponsor Transactions

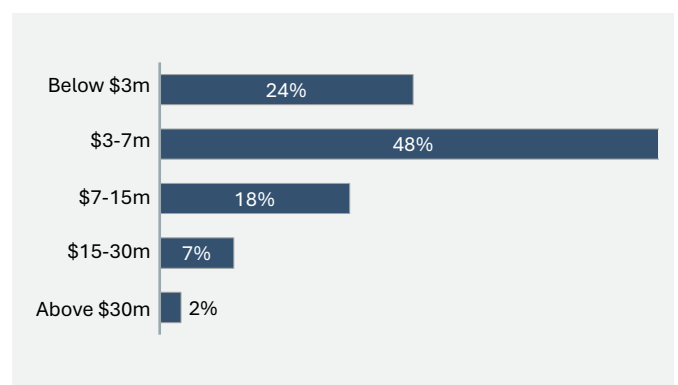


Focus on Lower Middle Market

Independent Sponsor activity is concentrated in the lower middle market because the model's constraints (no committed fund, smaller teams, flexible capital) line up best with sub-scale, less intermediated, family/founder-owned businesses that larger funds may be less able to efficiently pursue. In this part of the market, Independent Sponsors can source proprietary or lightly shopped deals and meet disciplined valuation expectations.

Consistent with the above, the vast majority of survey respondents reported targeting companies with less than \$15m of EBITDA.

Typical Entry EBITDA Range (% of Respondents)



Anecdotally, many Independent Sponsors focus on investing with founder-operators and position themselves as long-term partners who can support a small business's professionalization and growth whilst preserving founder involvement and alignment.

This ongoing founder involvement is typically accompanied by substantial rollover participation, enabling founders to retain a meaningful equity stake post-transaction. By adopting this collaborative approach, Independent Sponsors position themselves as preferred partners for sellers wishing to remain involved with their businesses. This not only helps to address the challenge of lacking committed capital, but also allows Independent Sponsors to secure attractive valuations.

“Over 70% of our Independent Sponsor investments involve a meaningful seller rollover. In these situations, price is often not a seller's primary criterion in choosing a partner; instead, sellers focus on the value an Independent Sponsor can bring and the level of trust and comfort they feel working together over the next five years. This alignment is a key attraction for us, as it creates a valuation advantage relative to competitive auction processes typical in traditional private equity and hence boosts returns while improving downside protection.”

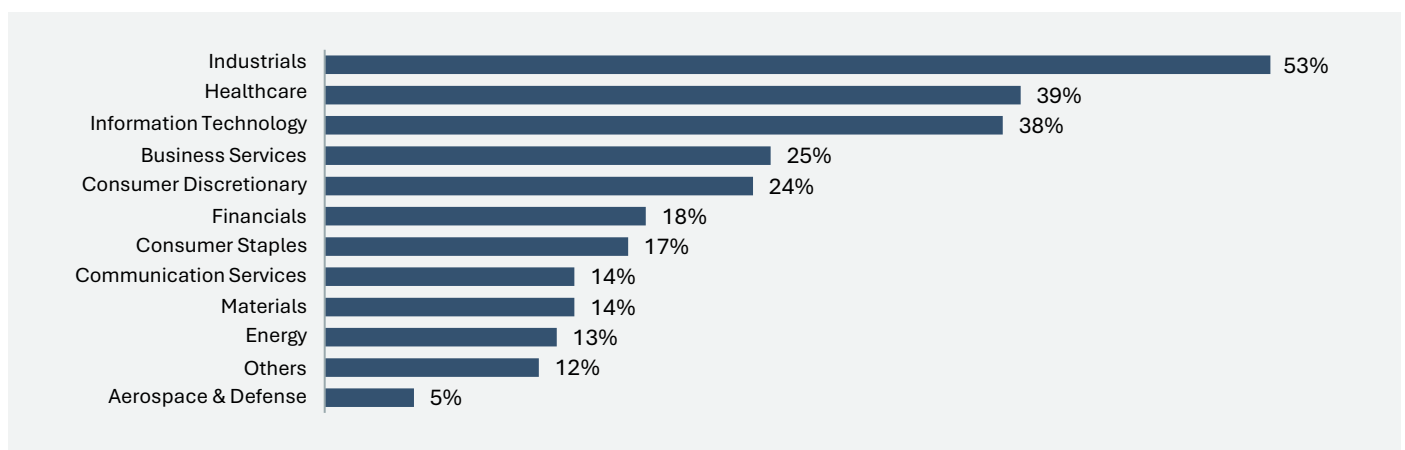
Laura Shen – Managing Partner, Headway Capital Partners

IV. Independent Sponsor Transactions



Although Independent Sponsors often focus on specific industries or investment strategies (such as buy-and-build or carve-outs), many are also active across more than one industry, with Industrials, Healthcare and Information Technology emerging as the most frequently targeted sectors among survey respondents.

Targeted Sectors (% of Respondents)



Deal Selectivity

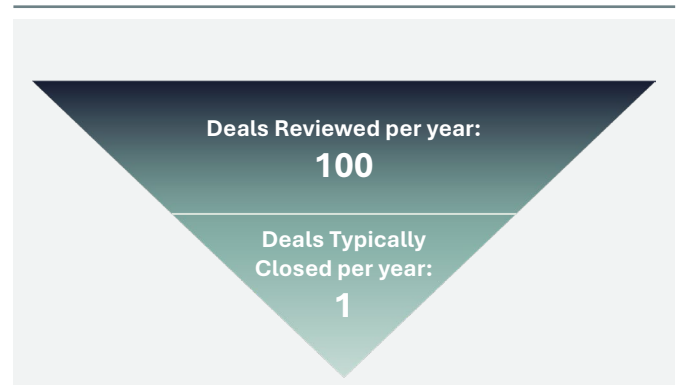
Independent Sponsors are highly selective because they have no committed capital, limited resources (such as smaller teams and less cash to burn on broken deals), and potentially only a handful of portfolio shots to make their personal economics and reputation work. Thus, Independent Sponsors tend to focus on a very narrow set of opportunities where risk, return, capital partner appetite, and execution certainty line up well.

Without a committed fund, each transaction requires the Independent Sponsor to independently secure equity and debt financing, which means that merely adequate opportunities are unlikely to obtain support from capital providers. Consequently, successful Independent Sponsors focus their efforts on transactions that present clearly compelling value-creation theses and robust, well-defined underwriting profiles.

Additionally, most Independent Sponsors fund sourcing, travel, legal, and third-party due diligence expenses out of pocket or with minimal working capital, while deriving their economics from a limited number of transactions. This structure can further heighten deal selectivity versus traditional private equity firms, as unsuccessful transactions impose more meaningful personal financial risk and cause more material impairment of lifetime returns for Independent Sponsors.

Consistent with the above, survey respondents reported closing c.1 deal per year out of c.100 reviewed, for a 1% hit rate.

Activity Level and Conversion Rate (Median Values)



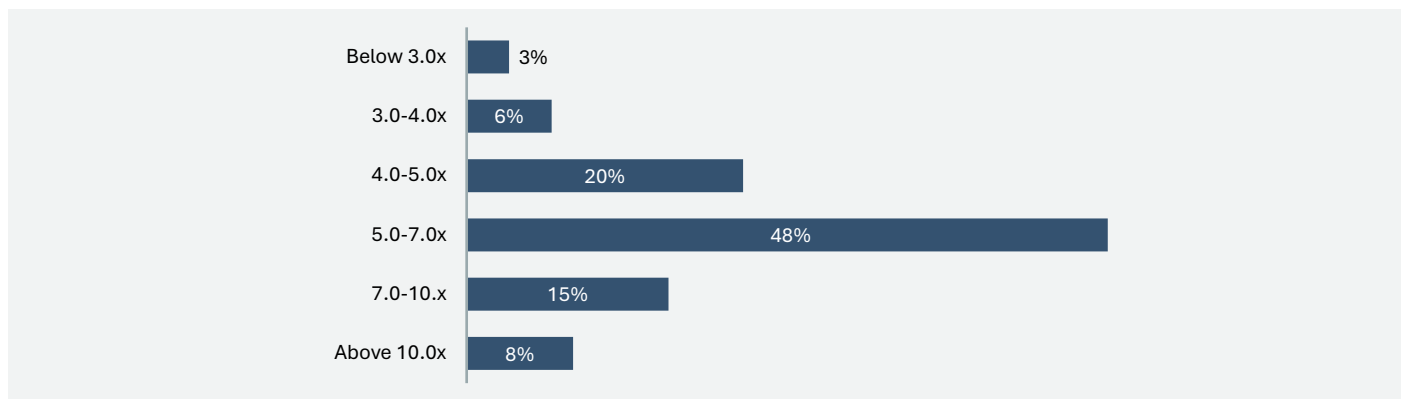
IV. Independent Sponsor Transactions



Focus on Value Investing

Greater selectivity is linked to investing at more attractive valuations. Among survey respondents, entry EV/EBITDA multiples most commonly cluster around the 5.0-7.0x range, with most respondents pricing transactions below 7.0x. While also driven by underlying sectors, the authors believe these multiples are lower than current average lower middle market entry multiples and reflect the proprietary sourcing and deal selectivity of Independent Sponsors.

Typical Entry EV/EBITDA Multiple (% of Respondents)



Focus on Value Creation

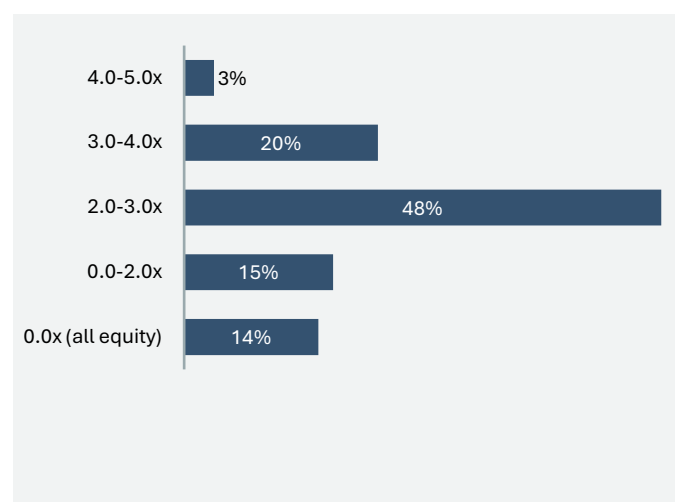
Consistent with Independent Sponsors' lower middle market focus, survey respondents report primarily driving value creation through the professionalization of management teams, organic revenue growth, and operational improvements, with add-on acquisitions or buy-and-build strategies also playing a meaningful role.

Financial engineering is not a primary focus for value creation among survey respondents. Respondents generally adopt conservative leverage, with most transactions clustered in the 2.0–3.0x net debt/EBITDA range and limited use above 4.0x. Interview feedback reinforces disciplined capital structures, aligning with their lower middle market focus and risk aversion as highlighted in Independent Sponsor deal selectivity.

Importance of Different Value Creation Levers to Independent Sponsors (% of Respondents)



Typical Entry Net Debt / EBITDA (% of Respondents)



IV. Independent Sponsor Transactions

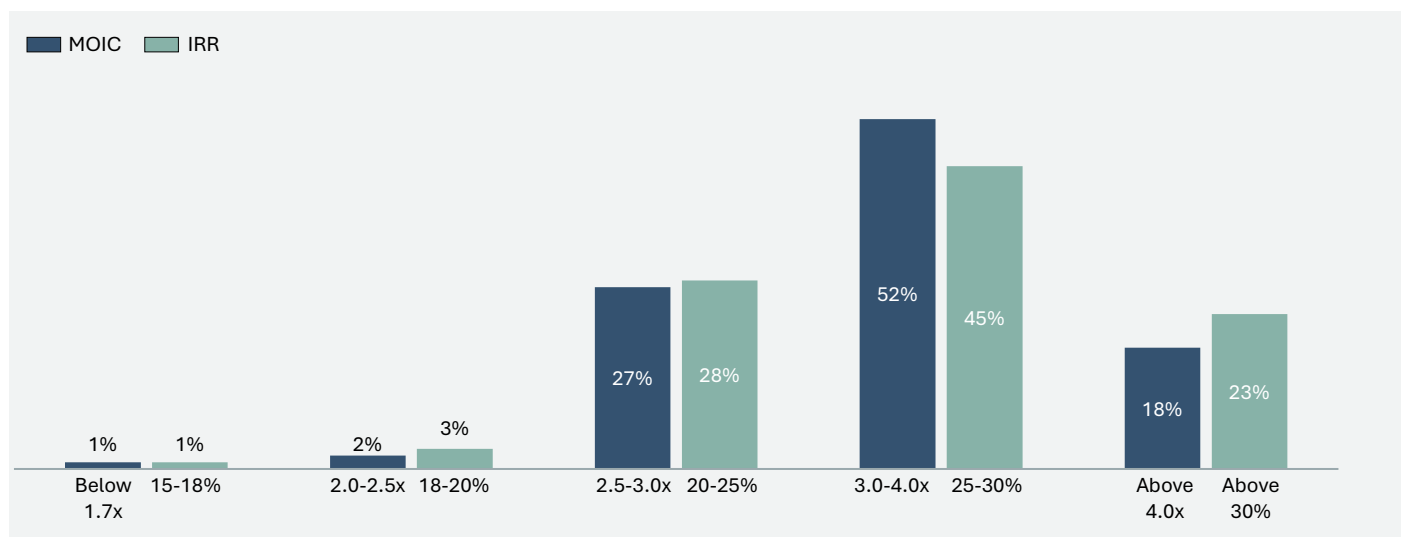


Return Expectations

The authors believe that consistent with their greater deal selectivity and preference for lower valuation multiples, Independent Sponsors typically set higher return expectations compared to traditional private equity firms due to the unique risks and constraints these sponsors face. As mentioned earlier, each transaction often carries heightened personal financial risk during due diligence (without fund level management fees to cover costs) as well as after closing since Independent Sponsor portfolios typically consist of fewer assets, which results in more concentrated economics. Consequently, Independent Sponsors seek premium returns.

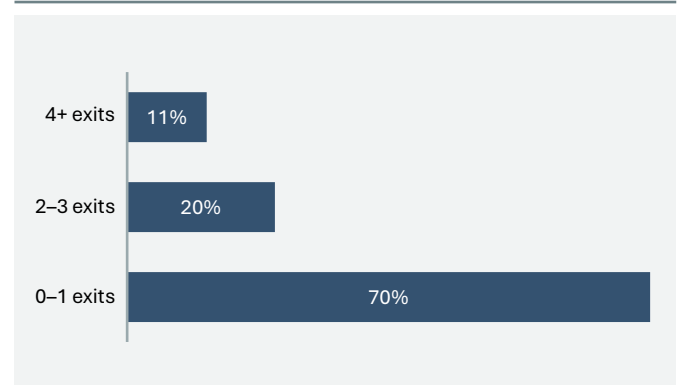
Consistent with the above, survey respondents reported high return expectations with most respondents targeting MOICs above 3.0x and IRRs above 30%.

Base Case Target Gross IRR and MOIC for New Platform Investments (% of Respondents)



As mentioned on page 6, most survey respondents were formed within the last five years and had completed a median of two platform investments. Therefore, as could be expected, the majority (c.70%) of respondents reported one or fewer exited platform investments.

Platforms Successfully Exited as an Independent Sponsor (% of Respondents)

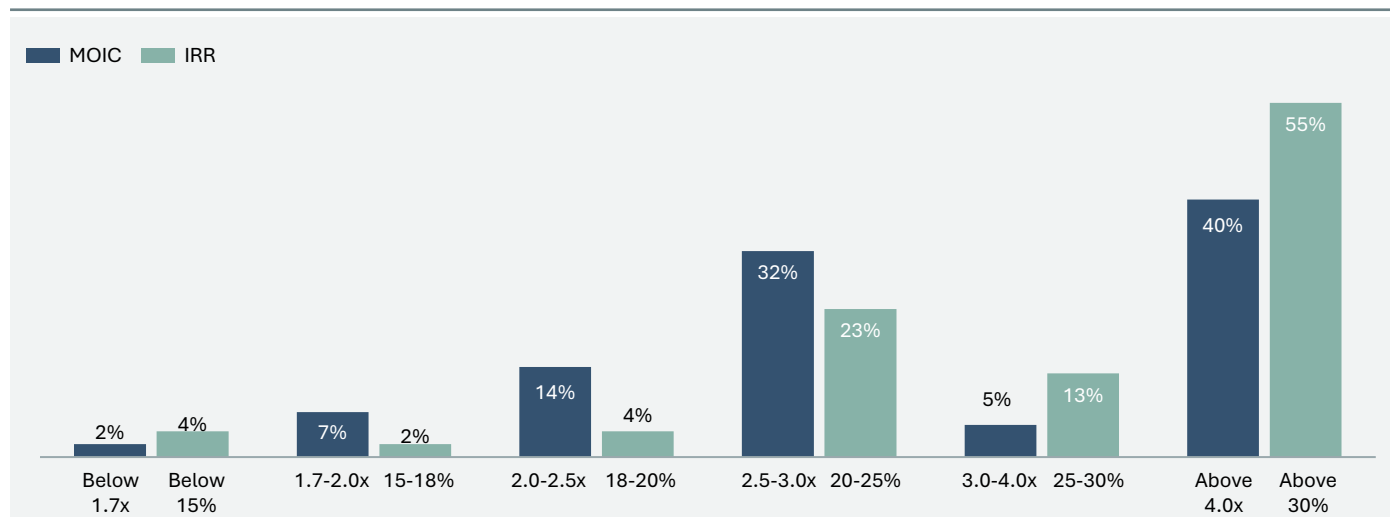


IV. Independent Sponsor Transactions



Initial outcomes indicate that survey respondents are achieving robust returns, with the majority of realized exits generating a MOIC above 2.5x, and a notable proportion surpassing 4.0x⁶.

Realized Gross IRR and MOIC on Exited Deals (% of Respondents)⁶



⁶Please note that realized return metrics were provided by approximately 40% of total survey respondents, reflecting those with exited investments who agreed to disclose performance data.

These promising initial results align with the growing emergence of Independent Sponsors, their enhanced reputation within the market, and the rising interest from investors in Independent Sponsor-led transactions who value the enhanced alignment and potential for outperformance.

Independent Sponsor transactions target the lower middle market, capitalising on proprietary deal flow, careful deal selection, and active involvement in creating value to achieve outperformance. Although the sector is early in its development and track records are still emerging, initial outcomes are encouraging.

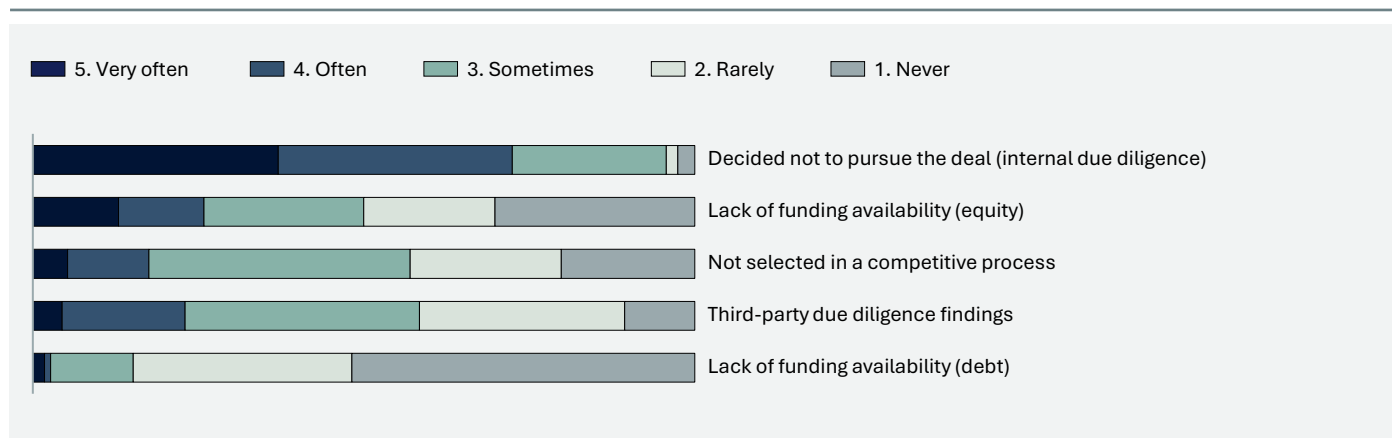
V. Key Challenge: Fundraising



While the authors believe that Independent Sponsor transaction volume is growing rapidly despite reduced deployment pressure and greater selectivity, the model does face some unique challenges.

Many private equity deals in general fail to execute due to issues uncovered during due diligence and this was also the case for survey respondents. Due diligence was cited more frequently as a reason for advanced deals not completing than competition from other buyers, likely due to respondents' focus on proprietary deal sourcing.

Most Common Reasons for Not Completing Deals at Advanced Stage (% of Respondents)



Securing debt financing does not seem to be a significant factor in preventing deals from closing.

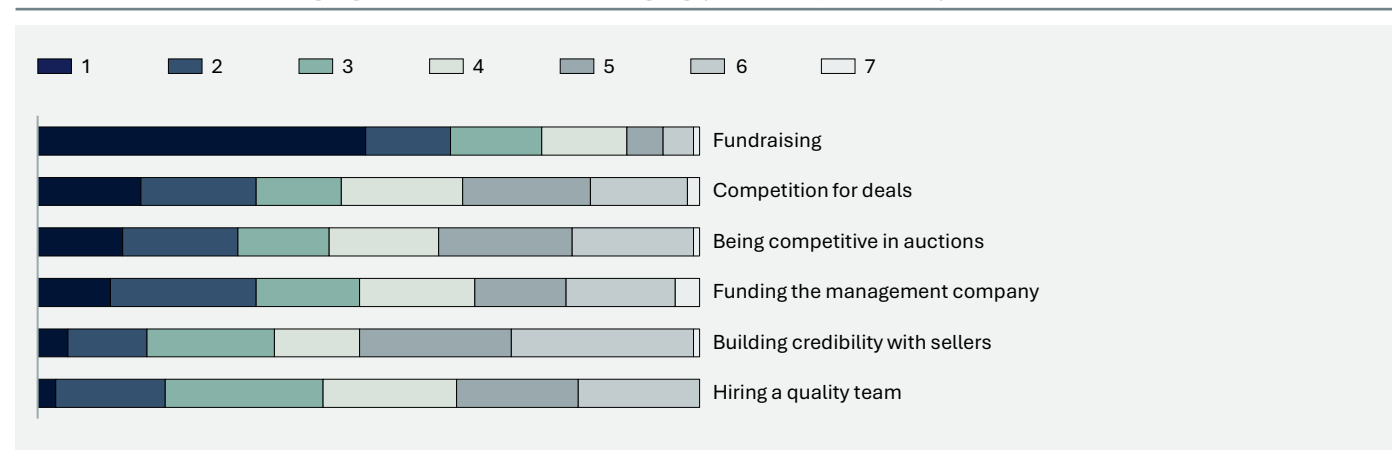
In today's market, traditional private-equity firms have increased negotiating power over lenders, limiting lenders' ability to secure favorable terms. By contrast, in transactions led by Independent Sponsors, lenders' economics are often more attractive, they can more actively conduct their own due diligence, and they are able to exert greater influence over portfolio companies.

Eric Rogoff, Co-founder of CapHub

However, as highlighted in the responses above, a considerable proportion of Independent Sponsor transactions falter due to a lack of available equity capital, a challenge that traditional private equity funds do not encounter.

Unsurprisingly, survey respondents also identified fundraising as the most significant and persistent hurdle Independent Sponsors must overcome.

Key Challenges as an Independent Sponsor, where 1 = Most Challenging and 7 = Least Challenging (% of Respondents)



V. Key Challenge: Fundraising

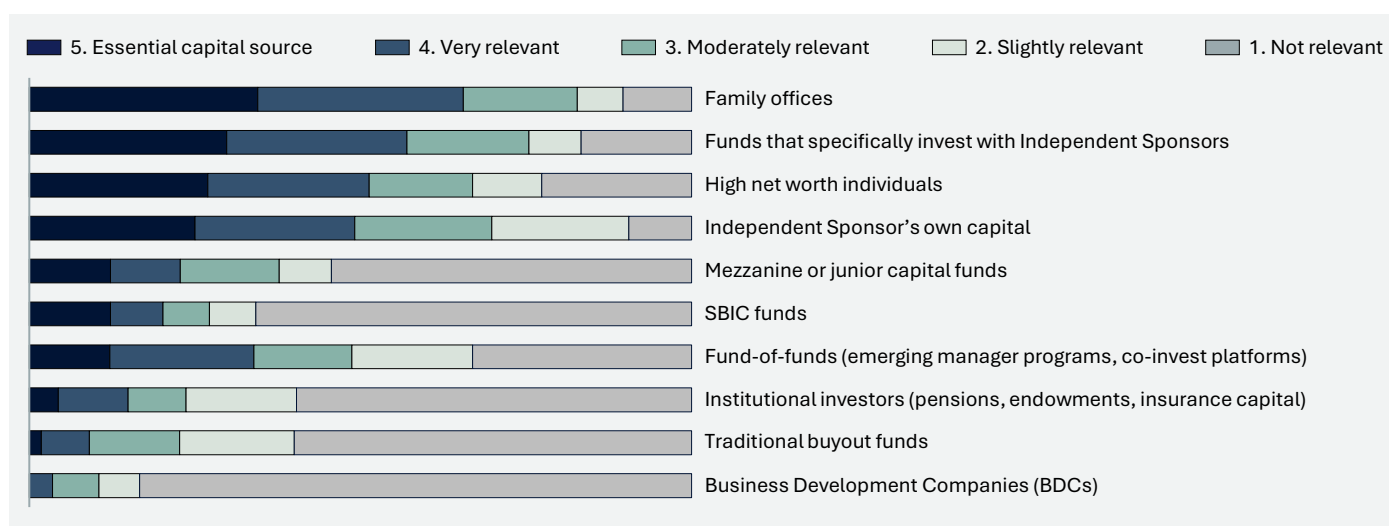


Fundraising

Historically, family offices and high-net-worth individuals, together with Independent Sponsors investing their own capital, have served as the main sources of equity funding for Independent Sponsor transactions. However, as Independent Sponsors have achieved greater visibility and credibility within the private equity market, dedicated funds, such as those managed by Headway, have been established specifically to invest alongside Independent Sponsors.

Survey respondents highlighted family offices, high net worth individuals, their own funds, and dedicated funds as the most relevant capital providers.

Relevance of Capital Provider Types Across Respondents' Transactions Over Past Five Years (% of Respondents)



Dedicated funds have become an increasingly important source of capital for Independent Sponsors, and many interviewees expressed the view that access to capital has improved with this continued development of the Independent Sponsor ecosystem.

The market has become significantly more institutionalized, with increased capital availability, and growing participation from direct lenders, equity firms focused on co-investments, and family offices.

Chris Larson - Managing Director
and Co-Head of Equity, Monroe Capital

Independent Sponsors emerged when the market was far less developed. Today, a full ecosystem exists to support the model. Investors often provide both subordinated debt and equity, which is attractive to Independent Sponsors, particularly for smaller businesses. The market is also becoming increasingly institutionalized, making fundraising easier.

Principal, NY-based Lower Middle Market PE Firm/Previous Independent Sponsor

Other sources of capital like fund-of-funds and traditional buyout funds were viewed by respondents as less relevant. Given their mandated focus on other transaction types, these other sources may be more occasional and hence less reliable capital providers for Independent Sponsor transactions. However, the authors note growing interest in Independent Sponsor transactions from fund-of-funds and co-investment funds.



Investor Appetite

Investor appetite for Independent Sponsor transactions is on the rise. Investors are increasingly attracted by the potential for higher returns and appreciate the benefits associated with deploying capital on a deal-by-deal basis to access the lower middle market, rather than committing to blind-pool funds.

Targeted Investment Selection

This allows for greater control over sector exposure and risk, which may be especially valuable in today's uncertain investing environment.

“The Independent Sponsor model is attractive because it allows investors to choose exactly what they are investing in, rather than committing to a blind-pool. Returns can be superior, and the model differs meaningfully from traditional private equity products, which often compete in auction-driven processes. The model also enables investors to identify and back high-quality sponsors early in their lifecycle, including first- and second-time funds, which in many cases can generate stronger returns than later-stage vehicles.”

Nathan Pearce - Private Equity Partner,
Addleshaw Goddard

“[Independent Sponsors] can offer good opportunities compared with traditional private equity funds. Some of the best investments have been with managers who were highly vertical in a sector or had country-specific expertise, sometimes with more experience than the CEOs of the businesses they acquire.”

Lorenzo Lorenzotti - Managing Director,
Papamarkou Wellner Perkin

Access to Differentiated Deal Flow

Investors are further drawn to Independent Sponsors due to their focus on proprietary opportunities and their disciplined approach to investment selection. This is especially evident in sectors where sponsors possess substantial prior experience and a proven track record, enabling them to identify and execute on highly differentiated opportunities, particularly in the lower middle market.



Alignment of Interests

Investors also value the stronger economic incentive alignment between Independent Sponsors and investors, owing to the single-deal economics. This contrasts with the traditional private equity model, which involves fund-level fees and carried interest.

“Incentives between LPs and sponsors tend to be more aligned in the Independent Sponsor model because compensation is primarily carry, with less emphasis on management fees and a full focus on the individual deal.”

Principal, NY-based Lower Middle Market PE Firm/Previous Independent Sponsor

“Even more LPs now feel comfortable backing funds with a highly focused Independent Sponsor investment strategy. In recent years, this growing group of LPs have increasingly allocated capital to funds managed by GPs with significant experience investing with Independent Sponsors. These funds are dedicated to investing alongside Independent Sponsors and, as a result, the LPs benefit from the GPs’ experience investing on a deal-by-deal basis with full discretion, especially in the less efficient, often, highly proprietary, lower middle market.”

Partner, US placement agent

The rise of funds dedicated to investing with Independent Sponsors highlights the broad appeal of Independent Sponsor transactions, attracting investors who might not otherwise pursue them independently.

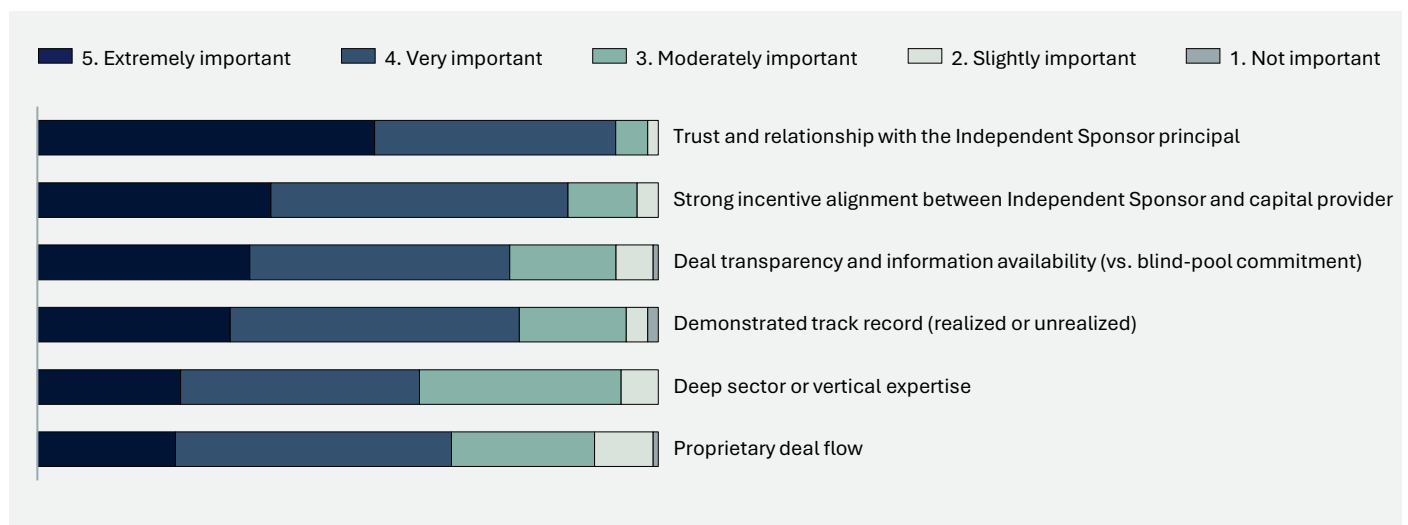
V. Key Challenge: Fundraising



Investor Priorities

Survey respondents believe capital providers place primary importance on trust and a strong working relationship with the sponsor principal. They also believe capital providers highly value strong incentive alignment and transparent information about the transaction.

Attributes Believed by Independent Sponsors to be Most Valued by Capital Providers (% of Respondents)



These Independent Sponsor perspectives align closely with interview feedback from investors, which also highlight the importance of trust, partnership, track record, and alignment of interests.

“[Independent Sponsor] investments rely heavily on trust rather than volume. It’s not a numbers game, it’s a trust game (...) Capital markets have expanded significantly in recent years: raising capital is generally not an issue. The challenge remains to find the right partner, and a strong track record is essential. Seeing the GP commit a meaningful share of its net worth alongside LPs can further help build confidence and signal alignment of interests.”

Lorenzo Lorenzotti - Managing Director, Papamarkou Wellner Perkin

Access to capital remains the main challenge for Independent Sponsors, but our survey and interviews show growing investor interest in Independent Sponsor transactions which can provide targeted investment selection, access to differentiated deal flow, and strong alignment of interests. The emergence of dedicated funds focused on investing in Independent Sponsor transactions further demonstrates the sector’s growing maturity and attractiveness.



The Independent Sponsor model is rapidly evolving from a niche approach into an increasingly mainstream alternative within the private equity ecosystem, particularly in the lower middle market segment as many traditional private equity firms have focused on raising larger funds. Market dynamics, including a persistent challenging fundraising environment, are prompting a growing number of experienced private equity professionals to embrace the model, which has helped elevate its credibility.

As Independent Sponsors successfully execute transactions and deliver strong outcomes, they are increasingly recognized as credible buyers in sales processes. Rising institutional and family office interest in the space – driven by access to differentiated deal flow and attractive return potential – is further reinforcing the model’s legitimacy.

Historically, Independent Sponsors were at a disadvantage because bankers and service providers were sceptical of their ability to raise capital, but that disadvantage has disappeared. Today, we are seeing family- and founder-owned businesses select Independent Sponsors as their preferred partners. Independent sponsors who win in these situations will often have direct experience investing in the industry and can detail for the seller not only that they will be a great steward of their business but also are able to demonstrate their ability to increase the value of the seller’s rollover investment.

Chris Larson – Managing Partner and Co-Head of Equity, Monroe Capital

Today, Independent Sponsors play an important role in the private equity industry - executing substantial deal volumes, drawing funding from diverse sources, and positioned for further expansion.

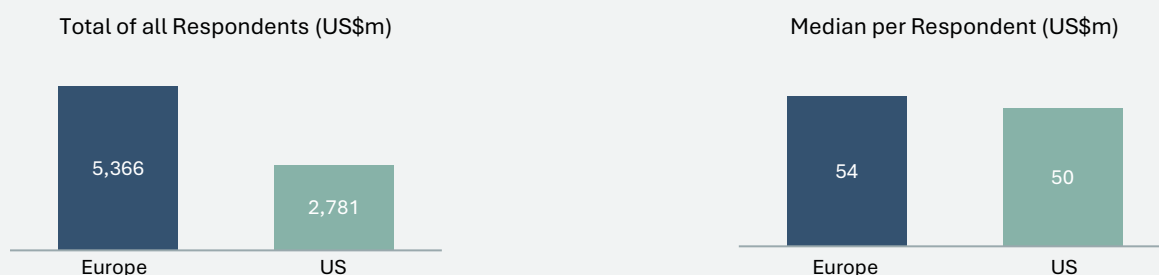
Market Size

Survey respondents and interviewees estimate that the US Independent Sponsor ecosystem comprises approximately 2,500-3,000 active firms, while Europe remains far smaller, with most estimating fewer than 500 active sponsors. These estimates are slightly higher than those provided by other industry sources and compare to approximately 3,800 and 2,100-2,500 traditional private equity firms in the US and Europe, respectively, tracked by Preqin. Nonetheless, our survey estimates highlight the importance of Independent Sponsors today in the overall private equity ecosystem.

Houlihan Lokey estimates the global market size for Independent Sponsor transactions at \$65 billion in 2025, more than doubling from an estimated \$31 billion in 2023⁷. The authors believe this estimate aligns with the findings of this study.

Survey respondents reported median planned deployment of c.\$50 million per year, with similar estimated activity in the US vs. Europe. This translates into a total planned deployment in 2026 of c.\$8 billion for survey respondents alone.

Expected Equity Capital Deployment per Region in the Next Year



⁷ Source: Secondaries Investor, 21 November 2025 “Pantheon and Partners Group co-lead on \$800m-plus Independent Sponsor CV” article by Hannah Zhang

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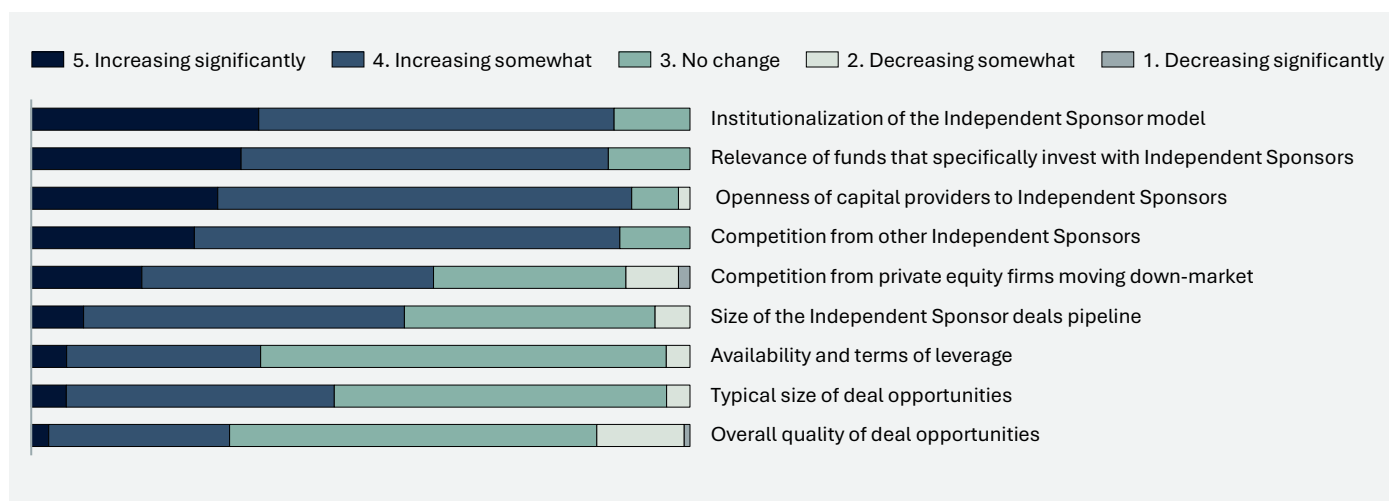


Market Outlook

Looking forward over the next three to five years, survey respondents generally anticipate ongoing growth and further development of the Independent Sponsor model. Over 60% of survey respondents plan to expand their teams within the next 12 months and over 70% intend to continue as Independent Sponsors, underscoring a robust confidence in the market's future and a collective determination to fuel its continued expansion and success.

The Independent Sponsor model is expected to become increasingly institutionalized, with more funds being allocated specifically to Independent Sponsors and a greater willingness from capital providers to engage with them. Concurrently, competition among Independent Sponsors is likely to intensify, as is the involvement of traditional private equity firms expanding into the lower middle market. Although opinions on deal quality and leverage conditions are somewhat divided, the prevailing sentiment suggests the ecosystem will become more competitive whilst also gaining greater recognition and stability.

Expected Changes in the Independent Sponsor Market, Over the Next 3–5 Years (% of Respondents)



Growth of the Independent Sponsor market is expected to be driven by higher transaction volumes among established sponsors due to greater capital availability and increased market acceptance, as well as by the emergence of new Independent Sponsors formed by professionals departing existing private equity firms to establish their own businesses in response to persistent challenges in private equity fundraising and succession issues within traditional funds.

“The market increasingly favours Independent Sponsors capable of executing larger deals, typically above the \$4 million EBITDA threshold, reflecting lower execution risk and closer alignment with institutional LP requirements.”

Ashay Prasad – Investment Manager,
Tortuga Growth Partners

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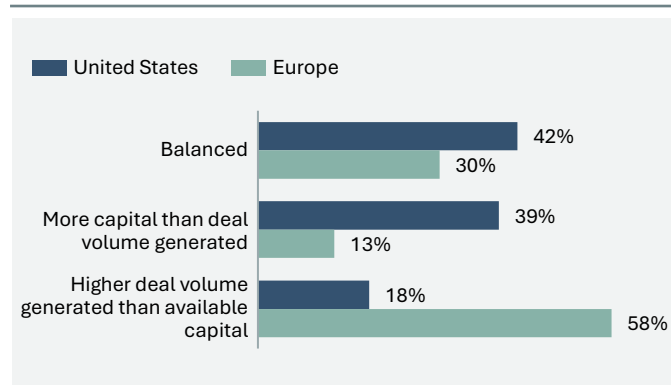
US vs. Europe

The Independent Sponsor market in the US is more mature and established than its European counterpart. The model has been in place for a longer period in the US, resulting in a deeper and more developed ecosystem with a larger number of active Independent Sponsors, a higher volume of closed transactions, and a broader base of institutional and private capital providers willing to fund Independent Sponsor transactions. In contrast, the European market remains at an earlier stage of development.

Survey respondents' perceptions of competition varied markedly across regions. While the overwhelming majority believed that the US market maintains a balance between capital availability and deal volume or even presents an excess of capital, most respondents indicated that Europe faces a shortage of capital relative to the number of available deals.

While the US remains a large, attractive, and growing market for Independent Sponsors, several interviewees highlighted that the less-mature European market is developing rapidly and anticipate the establishment of more Independent Sponsors as well as an expanding pipeline of attractive transaction opportunities for these emerging players.

Does Demand Match Supply in these Regions? (% of Respondents)



“The middle market in Europe has been evolving, but with a lag versus the US. A similar evolution is expected for Independent Sponsors in Europe, including more spinouts. That said, the US currently benefits from a more robust capital provider network supporting Independent Sponsor transactions.”

Brian Sweeney, Director – Private Capital Advisory, Lincoln International

“In North America, the financing markets have evolved to the point where an Independent Sponsor with an attractive deal and a strong track record will have a high probability of securing the capital required to complete their transaction. The availability of debt and equity financing for sophisticated Independent Sponsors is a large driver behind the growth in the overall market, which we believe exceeds \$30 billion on an annual basis. In Europe, the Independent Sponsor landscape remains fragmented and relationship driven. Local networks play a critical role in deal sourcing and execution, while demographic dynamics – particularly the aging baby-boomer cohort – are driving an increasing number of founder-owned businesses toward succession.”

Chris Larson - Managing Director and Co-head of Equity, Monroe Capital

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The European market is also more fragmented and localized, largely due to linguistic, cultural, and regulatory differences across countries. These factors contribute to a less standardized market environment and introduce additional complexity in sourcing and executing transactions across borders, particularly in the lower middle market. These factors can also create opportunities; sector-specialist Independent Sponsors are well placed to capture lower middle market investment opportunities, which may be too small for the sector teams of larger pan-European funds or too specialized for local country-focused generalist funds.

“In Europe, money follows credibility and relationships. Each country is its own unique market, and we win by focusing on more complex deals and positioning ourselves as true solution providers, meaning we face only a handful of direct competitors. With a hybrid team of ex-CEOs and PE investors who’ve lived through black swans and sat on both sides of the table, we can position ourselves as a trusted and valuable partner and tailor the capital base to meet management’s objectives. The human touch is a key point. Success is directly correlated to the quality of the relationship between us and the leadership team — and choosing the right people is the most important success factor hence we focus on talent assessment early on. Finally, every day we try to improve our model and keep progressing.”

Renaud Besançon, Founder and Managing Partner of Ceres Industries Capital

Some interviewees also highlighted the potential benefits of accessing European Independent Sponsor transactions through dedicated funds investing in the market as they view Europe to be a more complex investing environment than the US.

“Family offices are very relevant capital providers in Europe, but many still lack familiarity with the Independent Sponsor model. Participating effectively requires knowing many sponsors and reviewing a large number of opportunities, which often necessitates a dedicated team or paying access fees through intermediaries. This dynamic will drive increased demand for specialized platforms that provide structured access to the space.”

Nathan Pearce – Private Equity Partner, Addleshaw Goddard

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The maturation of the Independent Sponsor market is further highlighted by the rise of dedicated conferences, market reports and press articles, intermediaries, and advisors targeting the space. Headway has experienced first-hand the significant growth in attendees of the Independent Sponsor Forum events in London and Munich co-hosted by Headway and international law firm Addleshaw Goddard. Headway has also been collaborating with Invest Europe to establish an Independent Sponsor roundtable, and views Invest Europe's support as important validation of the Independent Sponsor model.

Private equity and venture capital have never been a single asset class. Rather, they are a continuous spectrum of investment in Europe's economies and societies. The rapid growth of the Independent Sponsor model demands wider recognition, understanding and representation. As the industry's voice in Europe, Invest Europe is committed to advancing the Independent Sponsor community within the broader ecosystem. Our 45 years of standard-setting experience, deep LP networks and reach across 57 countries ensure we can deliver meaningful data, boost visibility and help institutionalise the model — ultimately driving greater LP engagement and unlocking the capital Independent Sponsors in Europe require for long term growth.

Eric de Montgolfier, Chief Executive Officer of Invest Europe

The Independent Sponsor market is experiencing rapid growth in both Europe and North America and has evolved into a meaningful part of the private equity market. It is now seen as a sustainable alternative approach to lower middle market investing and its long-term, continued growth is supported by a combination of structural and behavioral trends.



The Independent Sponsor model has evolved from a niche into a resilient and increasingly institutionalized segment of the private equity landscape, particularly within the lower middle market. As traditional blind-pool fund structures face longer fundraising cycles, heightened competition, and take longer to return liquidity to LPs, Independent Sponsors continue to gain relevance by offering outsized returns, structural flexibility, strong alignment, and access to highly proprietary deal flow.

For LPs, engagement with Independent Sponsors represents an opportunity to achieve differentiated exposure and potentially more attractive returns within private equity. Independent Sponsor investments allow LPs to deploy capital selectively on a deal-by-deal basis, retain discretion over sector and risk exposure, and partner with the next generation of managers. This structure fosters strong incentive alignment and encourages disciplined underwriting and long-term value creation. However, selecting the right Independent Sponsor transactions requires access to sufficient deal flow and the internal expertise for thorough asset-level due diligence and underwriting.

The ecosystem supporting Independent Sponsors has also matured significantly. A broader range of capital providers, intermediaries, and dedicated platforms now facilitates sourcing, capital formation, and transaction execution, improving efficiency and reducing historical frictions. Institutional participation has expanded, with LPs increasingly carving out dedicated allocations or pools of capital to access Independent Sponsor opportunities directly or through specialist funds focused on the market which provide LPs with efficient and scalable access without the requirement to build focused resources in-house.

While the US remains the most developed market, Europe is showing clear signs of progression, supported by growing investor interest, favourable succession dynamics among founder-owned businesses, and improving market infrastructure.

Looking ahead, respondents expect continued growth and further institutionalization of the Independent Sponsor model, alongside potentially rising competition for high-quality deals. Importantly, survey results indicate that most Independent Sponsors view the model as a long-term operating strategy rather than a transitional phase, reinforcing its durability and sustainability within the private equity landscape. Headway looks forward to continuing to invest with Independent Sponsors in this dynamic market.





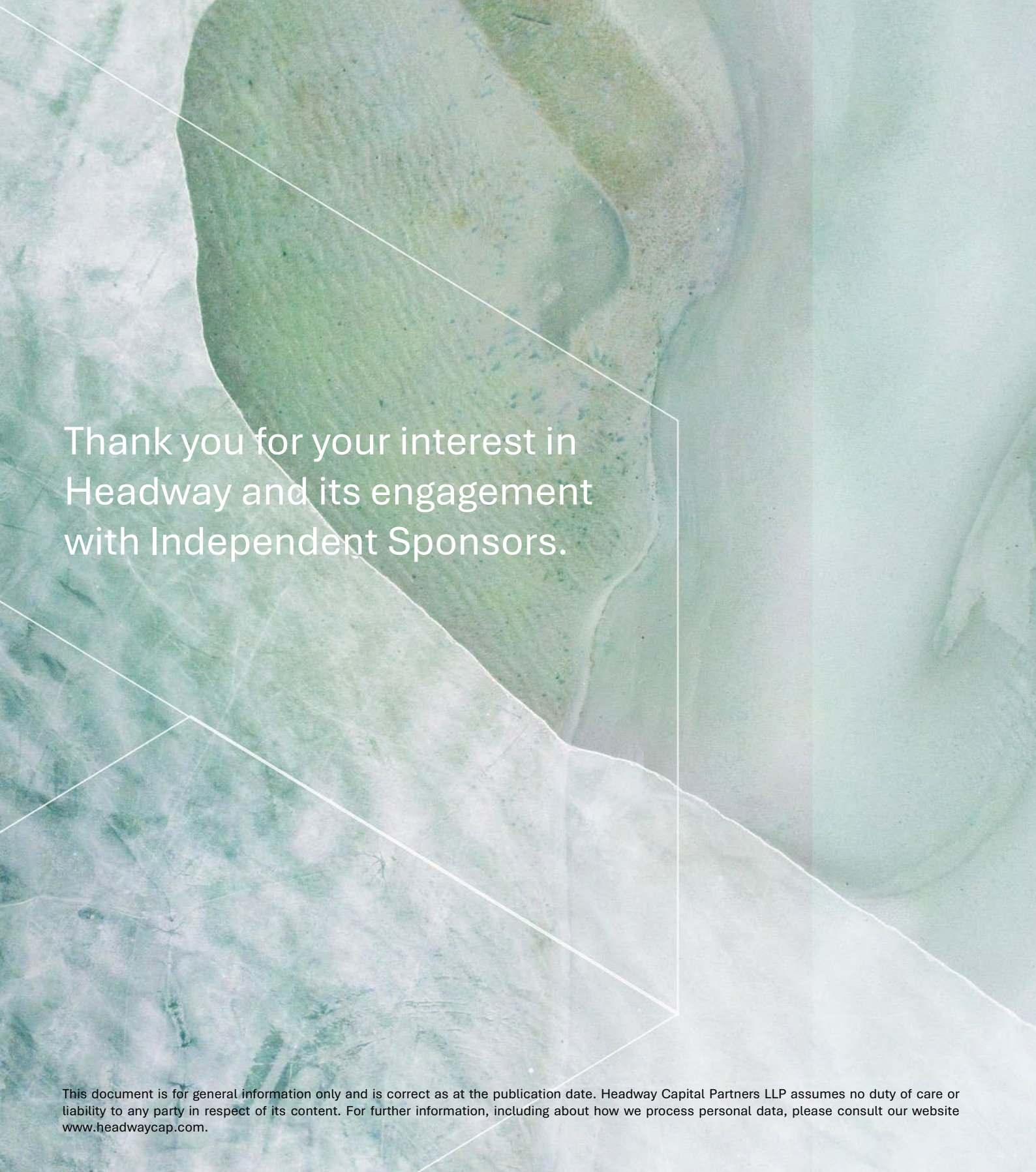
About the Authors

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Laura Shen is a Managing Partner, Zoe Yeo is a Partner, and Katherine Relle is the US Business Development Director at Headway Capital Partners. Headway is a leading institutional investor focused on investing with Independent Sponsors on a deal-by-deal basis in lower middle market buyout assets across industry sectors in Europe and North America. With €1.5 billion of assets under management across five funds and over 150 completed transactions, Headway has a proven track record of delivering value-added capital to Independent Sponsors through a partnership approach and highly experienced team which position it as a recognized market leader.

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Roberto Berlucchi is an MBA Candidate at Columbia Business School, Class of 2026, where he is pursuing the Private Equity Pathway. From 2022 to 2025, he worked as a Consultant at Roland Berger in the Transaction and Investor Services practice, focusing on industrials, transportation, and energy & utilities. Roberto supported the drafting of this White Paper through primary and secondary research conducted between September and December 2025.



Thank you for your interest in
Headway and its engagement
with Independent Sponsors.

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