FAEGRE BAKER DANIELS

A DEAL-MAKER'S GUIDE TO ORGANIC VS. INORGANIC GROWTH

COMPANIES LOVE GROWTH – BUT IS IT ALL CREATED EQUAL?

Growth opportunities and development are among the first things investors and buyers look for in a company in which they invest, plan to invest or acquire. However, it's important to know how that growth is happening and the strategy behind it.

ORGANIC GROWTH

The growth rate a company can achieve by increasing output and enhancing sales internally.

- Does not include profits or growth as a result of M&A activity
- Organic growth indicates a strong company business model
- Growth must happen at a sustainable pace as to not overextend available resources

INORGANIC GROWTH

Growth that arises from M&A activity, rather than an increase in the company's own business activity.

- Often results in an immediate increase in market share and client base
- Newfound resources can give a company an increased competitive edge
- Relies on acquisitions and often requires increased debt

TIPS FOR BUYERS

Diversification is key.

- The Most attractive companies to potential buyers are those with steady organic growth and moderate-risk inorganic growth opportunities.

Have a game plan.

- The market is crowded; define your strategy and identify your targets before you begin in order to be successful.

Don't go it alone.

- Advisors can help you determine whether or not acquisition targets make sense for your business.

GROWTH TRENDS AND DRIVERS

- Buyers are paying top dollar for companies, creating an urgency for more aggressive growth strategies.
- A surplus of capital in the market is causing a greater demand for alternative assets.
- "Add-ons" are becoming more common and contributing to the rise in inorganic growth.

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