



ORGANIC GROWTH

DESCRIPTION

- Organic growth refers to the expansion of a business through its existing operations, such as increasing sales, expanding product offerings, or gaining market share.
- Key indicators of organic growth include revenue growth, customer retention, improved operational efficiency, and the ability to scale without relying on acquisitions or external factors.

WHY PRIVATE EQUITY CARES

- PE firms value organic growth because it demonstrates sustainable, long-term business health.
- It shows that the company can generate consistent revenue without the complexities or risks of acquisitions.
- Strong organic growth indicates that the company has a solid foundation, with efficient processes and loyal customers.

IMPACTS ON SELLER

- **High Organic Growth:** Higher valuation due to consistent and predictable growth.
- **Low Organic Growth:** Discounted valuation due to concerns about stagnation or over-reliance on external growth factors.
- **Improved Organic Growth:** Buyers may adjust the valuation upward if recent growth shows a positive trend, especially with improved sales or customer retention.

EXAMPLE

Factors	Weak	Medium	Strong
Growth Potential	Limited, struggling to expand	Moderate growth	High growth innovation & market share
Valuation Impact	-15-30% discount	-10-15% discount	+0-10% premium
Buyer's Risk Perception	High	Moderate	Low

