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ORGX INSIGHT INTO ACTION

WHY DO ACQUISITION STRATEGIES BREAK DOWN AT SCALE?

LET'S TAKE A LOOK

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A misconception for buy-and-build strategy

Buy-and-build remains one of private equity's most established value-creation strategies. The logic is well understood: **acquire a solid platform, add complementary assets, create scale advantages** and **exit at a higher multiple.**

Yet in today's environment, many portfolio companies rely more heavily on those inorganic growth methods to reach their performance targets. Acquisitions are increasingly positioned as the primary answer to pressure on growth, margins and timing.

This reliance reflects an assumption that inorganic growth offers a reliable and controllable path to certainty. In practice, **the opposite is often true.**

EXPLORE THE HOW

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HOW the focus shifted towards acquisitions

For many portfolio companies, organic growth has become harder to deliver than anticipated. Pricing power is uneven, commercial effectiveness takes time to improve, and operational discipline does not change overnight.

Acquisitions, by contrast, offer visible momentum. They provide immediate topline expansion and a clear narrative to stakeholders in situations where organic progress feels incremental or uncertain.

As a result, inorganic growth has **shifted** from being a **strategic accelerator** to becoming the **primary mechanism for closing performance gaps.**

HOW acquisitions started to replace fundamentals

The risk lies not in buy-and-build itself, but in how it is increasingly used.

Inorganic growth is often expected to compensate for weaknesses elsewhere in the business: **sub-scale margins, inconsistent execution**, or an **operating model not yet designed for scale.**

That assumption rarely holds.

Acquisitions do not replace a strong operating foundation. **They build on it.** When that foundation is fragile, additional complexity tends to expose issues rather than solve them.

HOW uncertainty accumulates

Inorganic growth introduces layers of uncertainty that are hard to model but very real operationally.

Each **add-on brings integration decisions** that compete for management attention, dependencies on systems and people **scaling as expected,** and assumptions around timing and synergy realisation.

When organic performance is not yet stable, these variables accumulate. Instead of increasing predictability, acquisitions widen outcome dispersion.

Inorganic growth does not reduce uncertainty; it concentrates it.

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HOW *the environment changed the impact*

In prior market conditions, many of these **risks were absorbed by tailwinds:** cheap debt, valuation expansion and forgiving capital markets.

In the current environment, that cushion is thinner. Financing **costs are higher, exit timing is less certain,** and **buyers place greater emphasis on operational credibility.**

As a result, **tolerance for integration friction has declined.** What once might have been manageable noise now directly affects **performance, confidence** and **valuation.**

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HOW *buy-and-build should be framed*

This does not invalidate buy-and-build as a strategy but reframes it.

Inorganic growth works best when it **accelerates something that already functions:** a clear operating model, disciplined execution rhythms, and stable margins with repeatable commercial capabilities.

Where those elements are absent or still developing, acquisitions tend to slow progress rather than speed it up.

The distinction is simple but critical. Buy-and-build does not replace organic performance but multiplies it.

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The true limit to value creation in buy-and-build

The constraint is no longer deal access, but platform maturity. Most portfolio companies are not limited by their ability to acquire, but by their ability to absorb complexity without losing performance stability. Acquisitions are not primarily a growth driver. They shift risk either into a system that can contain it, or into one that cannot.

Inorganic growth therefore does not determine outcomes. It reveals readiness. Where readiness is high, acquisitions compound value. Where it is not, they expose fragility.

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