

VALUATION

OBSERVATIONS



ESOPs - Just the Facts

A large number of privately-held U.S. companies are owned by members of the “baby boomer” generation, and with these owners approaching retirement age, many are considering an Employee Stock Ownership Plan (“ESOP”) as a way to easily liquidate their ownership while receiving “fair market value.” An ESOP is a qualified retirement plan, similar to a 401(k), which allows the employees of a company to become owners of the stock of their employer.

The decision of whether to sell to an ESOP versus an internal or external sale is a difficult one, and there are many factors to consider. Whether as a participant, advisor, or outside observer, everyone who has been involved in one capacity or another with an ESOP company has an opinion on ESOP ownership. Some of these opinions are favorable and some are not, and all are likely based on personal experience. Setting these opinions aside, here are some facts and figures^[1] to consider:

Example

- **6,669** - Number of ESOPs in the U.S.
- **4,000** - Approximate number of 100% ESOP-owned companies
- **\$1.3 trillion** - Estimated total assets in ESOP plans
- **217** - Number of new ESOPs created in 2015 (most recent year available)
- **14 million** - Number of ESOP participants, of whom 10.8 million remain actively employed at the sponsoring company
- **41%** - Increase in the number of ESOP participants since 2002
- **50%** - Percentage of ESOP companies that are in service or manufacturing industries (next most common industries are finance/insurance/real estate, construction, wholesale or retail trade)
- **92.8%** - Companies who said it was a good decision to implement an ESOP
- **87.7%** - Companies who said having the ESOP has had a positive impact on company culture
- **71.2%** - ESOP companies who reported their stock value increased in 2016; 18.3% reported that their stock value declined in 2016
- **77.9%** - Percentage of ESOP companies who survived during a recent decade long study, compared to 62.3% for non-ESOP companies
- **11.8%** - Average annual retirement contribution (as a percentage of salaries) companies committed to their ESOPs
- **1.3%** - Percentage of employees with employee stock ownership who said they were laid off in the past year, compared to 9.5% for those without ownership

[1] Sources: *The ESOP Association* (esopassociation.org) and *National Center for Employee Ownership* (NCEO.org).

ESOPs - Just The Facts (continued)

To go beyond the facts, and learn more about employee ownership and whether an ESOP may be a good fit for your company, please contact the individuals below.

For more information, please contact:



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