



Succession planning through Employee Ownership

January 18, 2024

{ Project **Equity** }

Meet the presenter



Donna Sky

Business Engagement and
Partnership Manager

donna@project-equity.org



Project Equity

We help business owners preserve their companies' legacies by transitioning to employee ownership.

We also help business advisors and economic development professionals spread the word about employee ownership.

Agenda



What is employee ownership?



Benefits and why employee ownership matters now



Types of employee ownership



Case studies



How it works + readiness factors

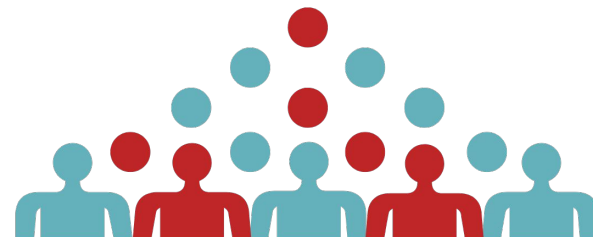


What is employee ownership?

Employee ownership

Employee ownership can be a way for an owner to sell their business at market rate while helping employees build wealth through an ownership stake.

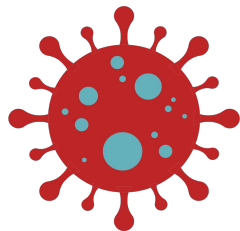
Additional benefits from employee ownership can include less staff turnover and more financial stability for the business.





Why EO now?

Millions of local businesses are at risk



COVID-19

has created significant small business challenges, especially in certain sectors



Silver Tsunami

threatens over 50% of job-creating businesses as baby boomers retire

Sources: Opportunity Insights Economic Tracker and 2018 Annual Business Survey, US Census

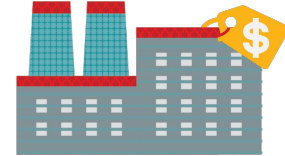
Selling a business isn't easy



Over **half** of business owners in the U.S. are 55 or older

















Less than **30%** transition within families



Only **20%** of businesses sell

Business succession options

	 Preserve legacy	 Market value	 Tax benefits	 Retain employees
Sell to family members		?	?	?
Acquisition	?	?		?
Employee ownership				
Close down operations				



Benefits of employee ownership

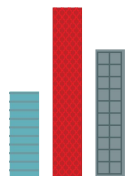
Employee ownership

creates stronger businesses and local economies



Profit margins

Are **8.5%** higher than peers



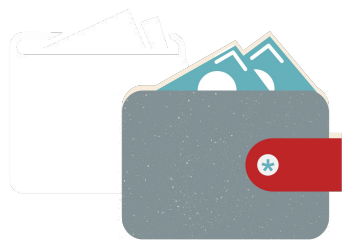
Sales & employment

Grow **2%** faster per year



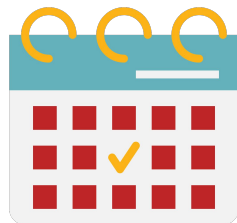
Employee ownership

means quality jobs & economically secure workers



33%

higher wages



53%

longer job tenure



92%

higher household
net worth

Based on a 2017 study from the National Center for Employee Ownership

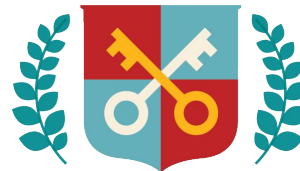
Unique benefits of employee buyouts



Owners can
achieve a fair sale
price



Owners can craft their
own exit timeline



Owners preserve their
company's legacy,
culture, people, and
other assets



Employee ownership models

Broad-based employee ownership models



Employee Stock Ownership Plans

ESOPs are retirement plans that own all or part of a company on behalf of its employees



Worker Cooperatives

Wholly owned by the employee-owners, who share in profits and elect / serve on Board of Directors



Employee Ownership Trusts

EOTs are a more customizable form of EO that can be adapted to incorporate democratic principles and profit sharing



Employee ownership case study

The Local Butcher Shop

A neighborhood butcher shop dedicated to seasonal, locally sourced, sustainably-raised, fresh meat.

- Founded in 2009
- Transitioned to a worker-owned coop in 2021
- 13 employees

“Selling to the employees and sustaining the legacy—without having to change our employee structure, change any farmers or ranchers, and continue to keep our community serviced with well-sourced meat—was a no-brainer.”

Monica Rocchino, Co-founder and selling owner



Maximum Fun

**Started as a radio show and began podcasting in 2004.
Currently a media / podcasting conglomerate.**

- Transitioned to 100% worker-owned cooperative in 2023
- 24 employees

“Maximum Fun has always operated under the principle that doing what is right is more important than doing what is most profitable, and that the company should grow responsibly, for the long term. ”

Jesse Thorn, Founder and selling owner




Proof Bakery



- Founded in 2010
- Transitioned to employee ownership in 2021
- 25 employees

“Being a worker-owner is so different from anything else I’ve done. You get such a big picture view of the business—the micro and the macro. It’s amazing. I don’t think you could get that kind of perspective by being just an employee—or even just an owner.”

Jen Salgado, employee-owner and front of house manager, Proof Bakery



**How does the employee
ownership transition
process work?**

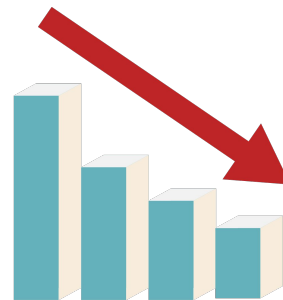
Selling the business



% to be sold, sale price and deal terms are finalized



Transitioned employee-owned business obtains a loan



Loan is paid off over time through future revenue

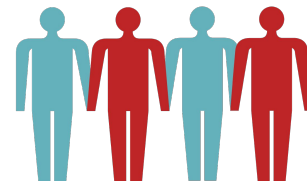
Financing the sale



30% - 50%
owner financed



50% - 70%
CDFI* / bank lending



**Employee-owner
buy-in**
a nominal part of the
sale price and only in a
worker coop

Project Equity's client journey

STEP 1 EXPLORATION

Are you curious to learn how employee ownership can fit your needs?

STEP 2 FEASIBILITY

Is employee ownership a solution for you and your business?

STEP 3 TRANSITION

How will the sale be structured, and the employee-owned business function?

{ CLOSING
THE SALE }

Are all the i's dotted and the t's crossed?

STEP 4 THRIVE

How do the employee-owned business and its owners flourish?



Readiness factors

for employee ownership transitions

- ✓ **10 or more employees**
40+ employees for ESOPs
- ✓ **Profitable company**
In good financial health for the past 5 years
- ✓ **Proven track record**
Established business with years of experience
- ✓ **Minimal debt**
To support the transaction





Q&A

THANK YOU

We offer FREE consultations and advisory calls

donna@project-equity.org

learn more at
project-equity.org

