



HOW TO SELL YOUR BUSINESS

AND
ATTRACT & RETAIN
EMPLOYEES

Presented by

{ Project **Equity** }



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.

Meet the presenter



Donna Sky

Business Engagement and
Partnership Manager

donna@project-equity.org

Agenda



What is employee ownership



Benefits and why employee ownership matters now




Types of employee ownership + case studies



How it works



Q&A



What is employee ownership?

Employee Ownership



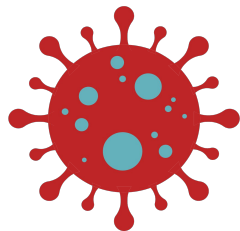
Employee ownership can be a way for an owner to sell their business at market rate while helping employees build wealth through an ownership stake.

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



Why now?

Millions of local businesses are at risk



COVID-19

has created significant small business challenges, especially in certain sectors

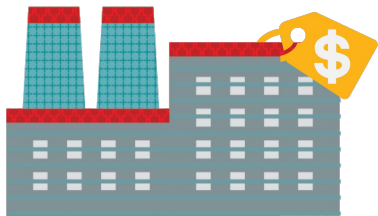


Silver Tsunami

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

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

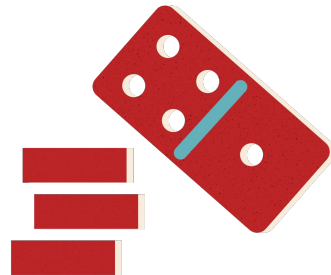
Millions of local businesses are at risk



Only **20%** of
businesses sell



About **15%** transition
within families



1 in 5 businesses
are at risk of closing

Sources: US Small Business Administration 2004 study, BizBuySell.com

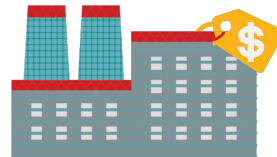
Selling a business isn't easy



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



Less than **30%** transition within families

















Only **20%** of businesses sell



Benefits of employee ownership

Business succession options

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

Employee ownership

Creates stronger businesses and local economies

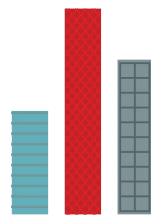
Profit margins



8.5%

higher than peers

Sales and employment



Grow **2%**

faster per year

Sources: National Center for Employee Ownership and the Democracy at Work Institute

Employee ownership

means quality jobs & economically secure workers



33%

higher wages



53%

longer job tenure

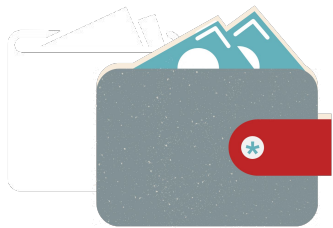


92%

higher household
net worth

Source: National Center for Employee Ownership

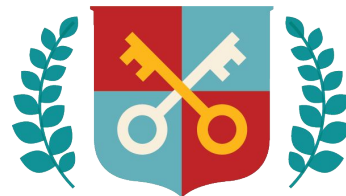
Unique benefits of employee buyouts



Owners can
achieve a fair
sale price



Owners can craft their
own exit timeline

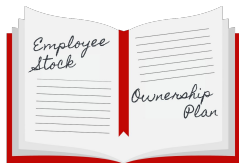


Owners preserve their
company's legacy,
culture, people, and
other assets



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



A Slice of New York

2 pizza shops in Silicon Valley

A Slice of New York distributed more than **\$500,000 of profits** to its 35 employees providing economic security for workers in the high cost San Francisco Bay Area.



How does the employee ownership transition process work?

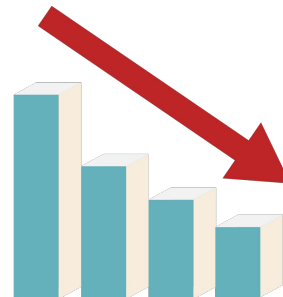
Selling the business



Sale price and deal terms are finalized



Transitioned employee-owned business obtains a loan



Loan is paid off over time through future revenue

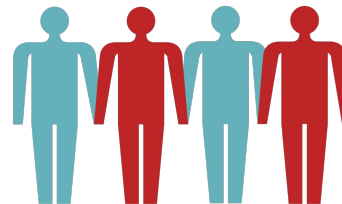
Financing the sale



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

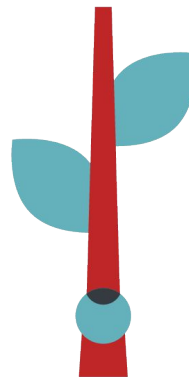
How do the employee-owned business and its owners flourish?



Feasibility

Is employee ownership a solution for you and your business?

- Conduct debt capacity analysis to establish business sale viability and sale price ceiling
- Support initial employee engagement
- Understand any possible future management scenarios
- Develop a straw model of employee ownership



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

*to learn more at
project-equity.org*

{ Project **Equity** }

The advantages

- **Market price**
Debt capacity analysis determines sale price
- **Delivers significant tax advantages**
Owner and business benefit
- **Seller friendly process**
Owner drives the sale, timing and process
- **Supports flexible financing**
A leveraged buyout allows for flexibility
- **Strengthens local economies**
New employee-owners build equity, preserve business legacy and keep money in the local economy