

Stout ESOP Index

2024 INDEX RESULTS



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Key Insights and Observations

Stout is proud to introduce the first annual publication of the Stout ESOP Index, which offers insight into equity returns from Stout's valuation portfolio of 350+ ESOP companies relative to publicly traded benchmarks. In the following pages, we present findings from the Stout ESOP Index, along with an examination of differences in performance by company size, select industries, and ESOP maturity.

- ❖ The four years ended December 31, 2024, were marked by volatility and shifting dynamics in the public equity markets. Despite the persistence of inflationary pressures, rising interest rates, ongoing geopolitical tensions, and evolving monetary policy from the Federal Reserve, major indices such as the S&P 500 demonstrated resilience, experiencing average price returns of 11.9% annually. The returns of the S&P 500 were particularly a result of strong equity returns for the largest companies in the S&P 500 (most notably Nvidia, Apple, Microsoft, Meta, and Alphabet), while others faced heightened uncertainty and valuation pressures. Companies in the Russell 2000 index were more impacted by economic conditions over the last four years, experiencing average price returns of 3.1% annually.
- ❖ Against this backdrop, the Stout ESOP Index tracked the performance of our ESOP-owned clients over the same period. The Stout ESOP Index revealed that these ESOP companies delivered 17.3% average annual returns, outperforming the broader public markets highlighted above.

We hope you find this edition of the Stout ESOP Index to be a valuable resource for understanding the evolving landscape of employee ownership and market performance. We welcome the opportunity to connect and encourage you to reach out if you would like to discuss our findings, explore current industry trends, evaluate ESOP formation opportunities, or learn more about how Stout's ESOP Advisory practice can support your organization's goals.

Stout ESOP Index Methodology and Purpose

OVERVIEW

- ❖ The Stout ESOP Index is a proprietary, data-driven view into how ESOP-owned companies' share prices have trended over time. The Stout ESOP Index is designed to offer objective insight for owners, trustees, and other stakeholders evaluating ESOP performance over time versus public benchmarks.

METHODOLOGY

- ❖ **Universe:** We evaluated anonymized data from approximately 350+ of Stout's ESOP valuation clients for which anonymized data was available to aggregate into the Stout ESOP Index.
- ❖ **Measurement:** We tracked equity prices for these companies over the past four years using Stout's valuation analyses.
- ❖ **Exclusions:** We excluded ESOPs that were formed in the last 12 months based on a lack of data to make meaningful comparisons.
- ❖ **Weighting:** The Stout ESOP Index is market cap weighted and rebalanced annually, consistent with the construction of the S&P 500 and the Russell 2000.

PURPOSE

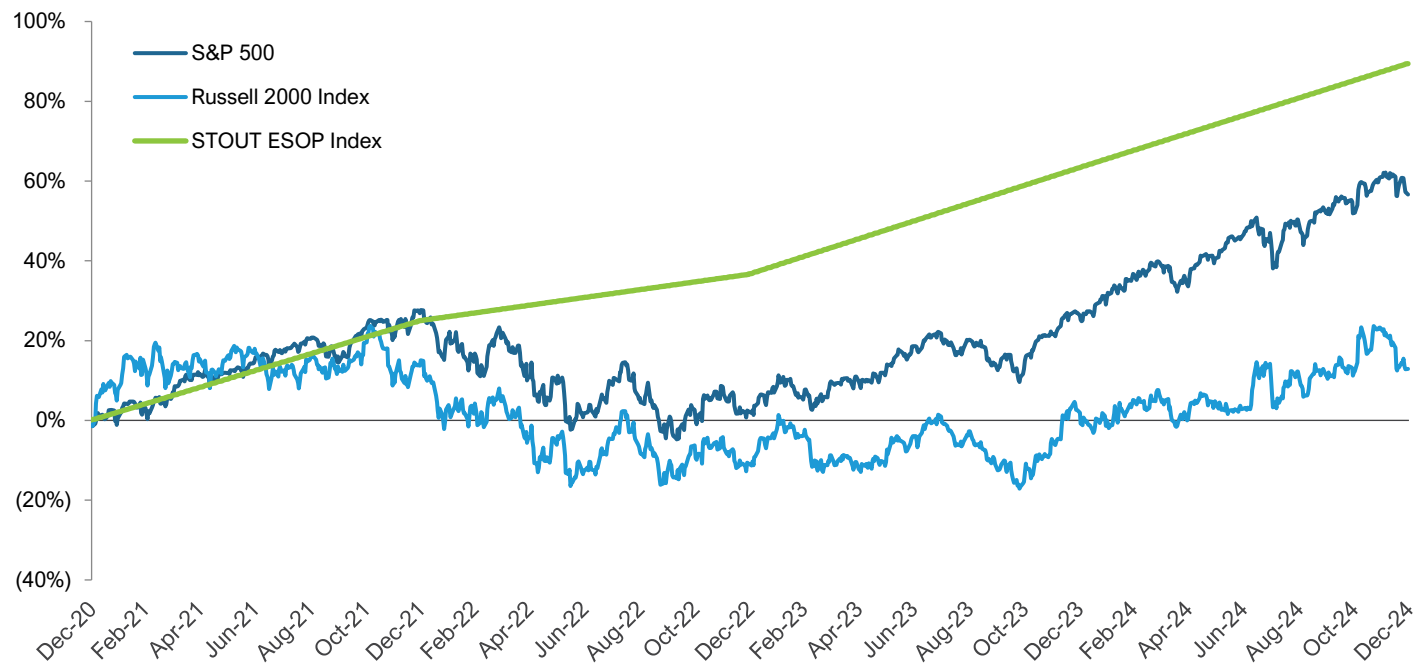
- ❖ The Stout ESOP Index is designed to provide insight into how ESOP-owned companies perform over time by providing a performance snapshot. For business owners evaluating succession, the Stout ESOP Index provides quantitative support that ESOP-owned companies can deliver competitive returns while in many cases also preserving legacy and culture. For policymakers and advocates, it provides a view into equity returns of ESOP companies over time, which could help support efforts to adopt policies that encourage broader adoption of ESOP ownership in the United States.
- ❖ By publishing the Stout ESOP Index on a recurring basis, Stout seeks to leverage its deep data set to elevate the standard of available data around equity returns of ESOP companies, move the conversation from anecdotal to data driven, and ultimately drive awareness of the ESOP structure nationwide.

Stout ESOP Index Results

- ❖ The Stout ESOP Index provides a comprehensive, data-driven perspective on the performance of ESOP-owned companies over time. Over the most recent four-year period analyzed, the Stout ESOP Index reveals that ESOP-owned companies outperformed the selected public market indices. Specifically, the average annual share price growth for companies in the Stout ESOP Index was 17.3%, compared to 11.9% for the S&P 500 and 3.1% for the Russell 2000 over the same timeframe.
- ❖ How to Interpret the Stout ESOP Index
 - ❖ The Stout ESOP Index is an aggregate view of price trends within a defined ESOP universe; it is not a tradable benchmark.
 - ❖ Company-specific circumstances, industry mix, capital structures, and macroeconomic conditions can influence outcomes.

Four-Year STOUT ESOP Index Performance

Values Indexed as of December 31, 2020



Source: S&P Capital IQ, Inc.

Historical Price Returns by Period

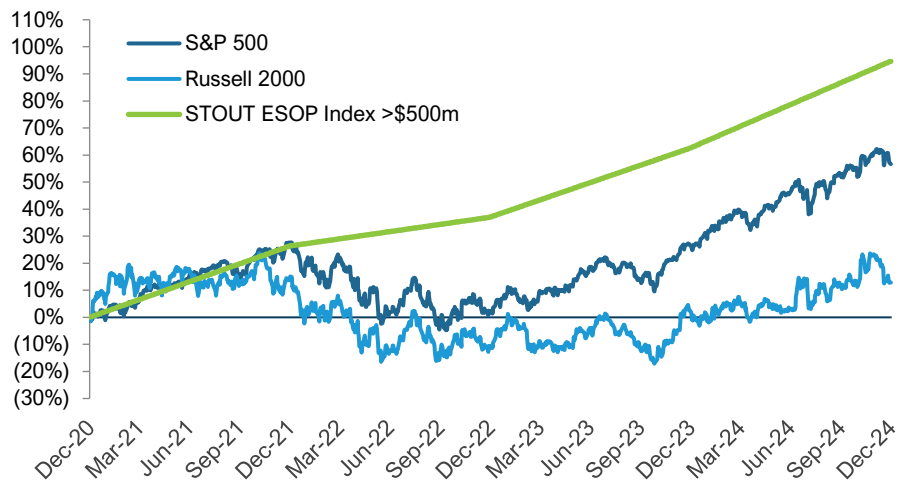
	4-Year	3-Year	2-Year	1-Year
Total Stout ESOP Index	17.3%	14.9%	17.8%	16.1%
Stout ESOP Index - Under \$100m	15.5%	13.9%	16.5%	6.3%
Total Stout ESOP Index - \$100m to \$500m	16.0%	13.7%	14.8%	10.9%
Total Stout ESOP Index - \$500m+	18.1%	15.5%	19.2%	19.8%
S&P 500	11.9%	7.3%	23.8%	23.3%
Russell 2000	3.1%	-0.2%	12.5%	10.0%

Stout ESOP Index Results by Size

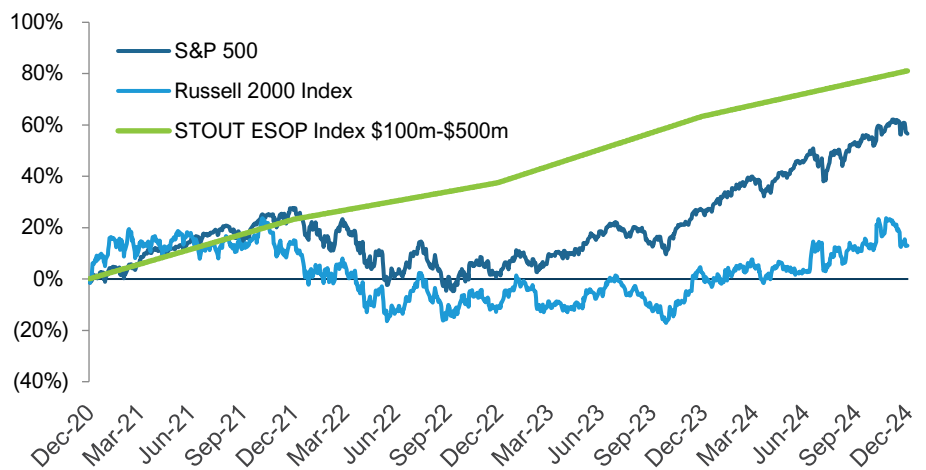
As indicated in the adjacent charts, the results of the Stout ESOP Index suggest strong equity returns over the four-year period ended December 31, 2024, independent of company size relative to the public market.

- ❖ Companies greater than \$500 million in Enterprise Value delivered an 18.1% annual return, companies between \$100 million and \$500 million generated a 16.0% annual return, and companies under \$100 million achieved a 15.5% annual return.
- ❖ For clarity on the sample size in each size range (and subject to the other parameters described previously), approximately 11% of companies fell in the greater than \$500 million size range, approximately 39% of companies fell in the \$100 million to \$500 million size range, and approximately 50% of companies fell in the less than \$100 million size range.

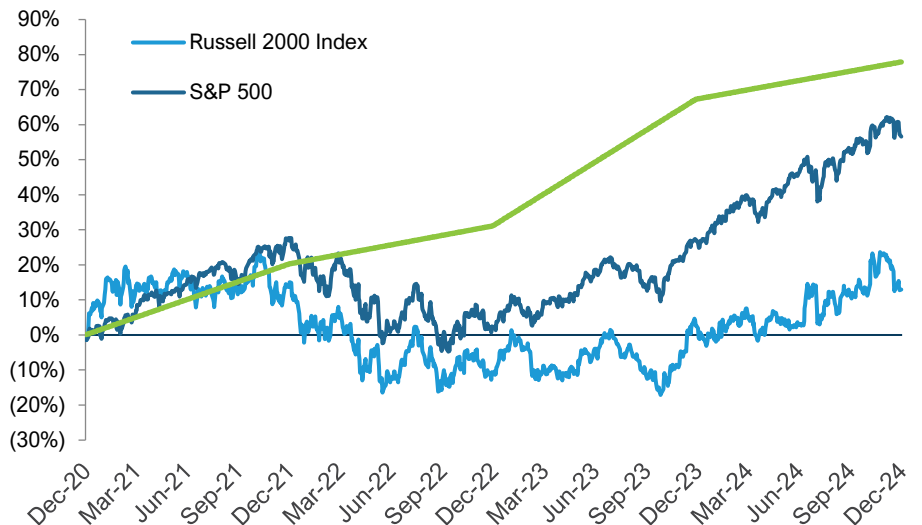
STOUT ESOP Index – Enterprise Values >\$500 Million



STOUT ESOP Index – Enterprise Values \$100-\$500 Million



STOUT ESOP Index – Enterprise Values Under \$100 Million

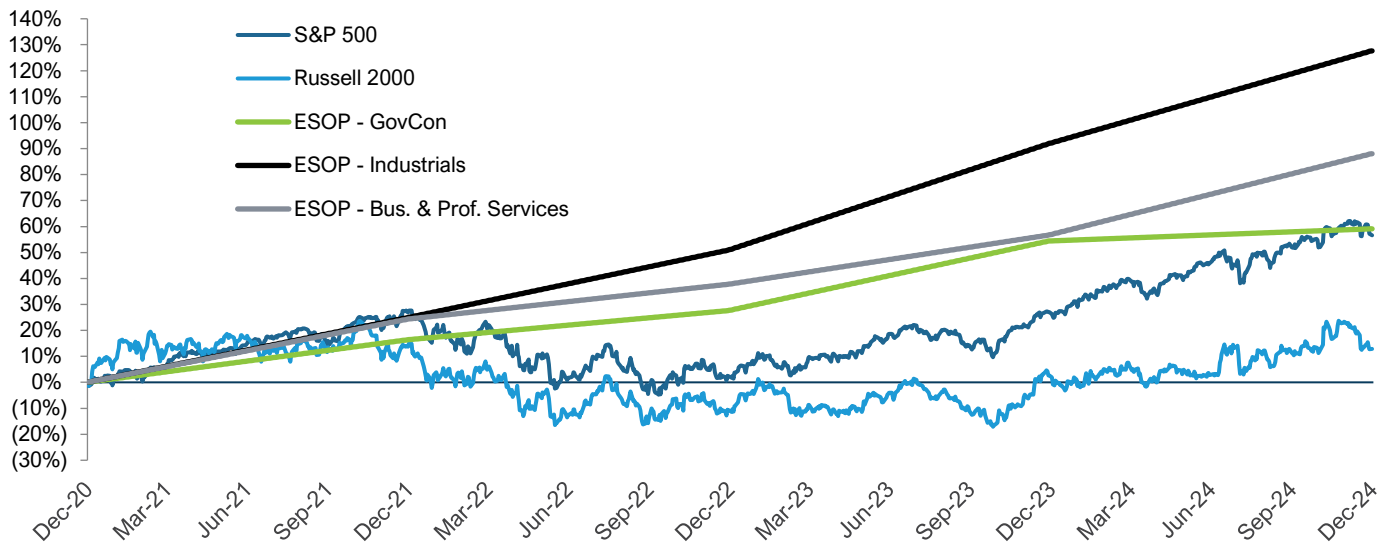


Stout ESOP Index by Industry & Maturity

❖ The following charts summarize several additional data points from the Stout ESOP Index. The first chart presents results by select industries, highlighting how ESOP company performance varies across different industries. The second chart breaks out results by ESOP maturity, illustrating how performance generally evolves over time following an ESOP transaction. Specifically, as shown in the chart, the equity prices of less mature ESOPs may be impacted by debt repayment following a leveraged transaction.

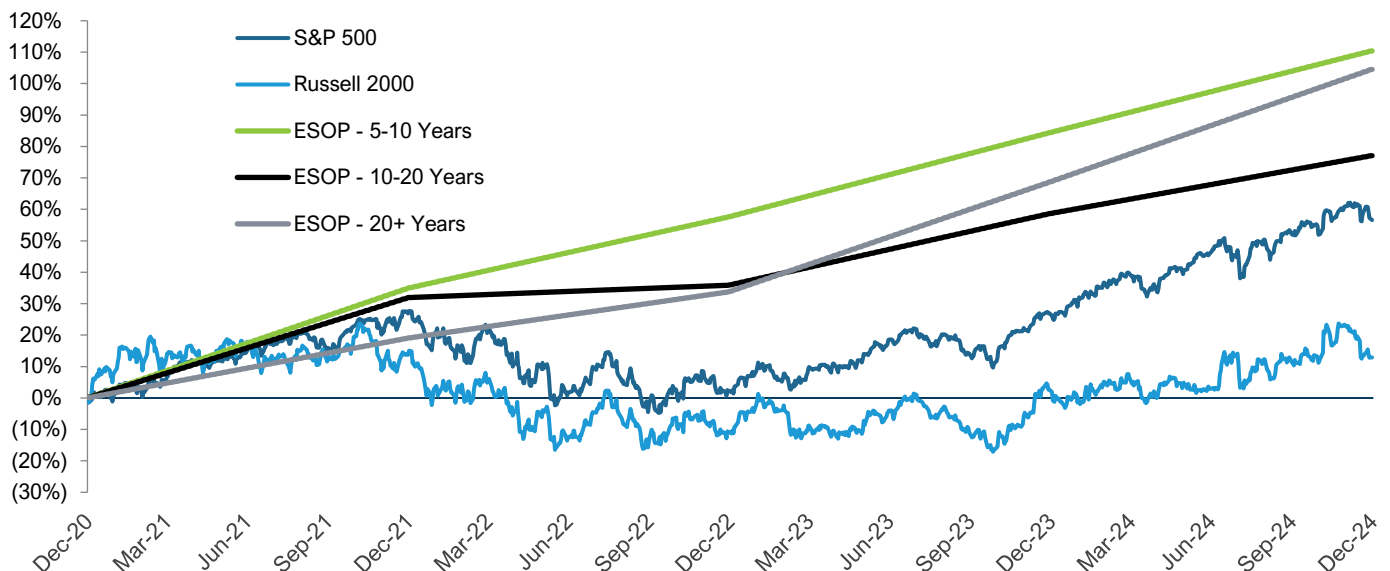
STOUT ESOP Index – By Select Industry

Values Indexed as of December 31, 2020



STOUT ESOP Index – By ESOP Maturity

Values Indexed as of December 31, 2020



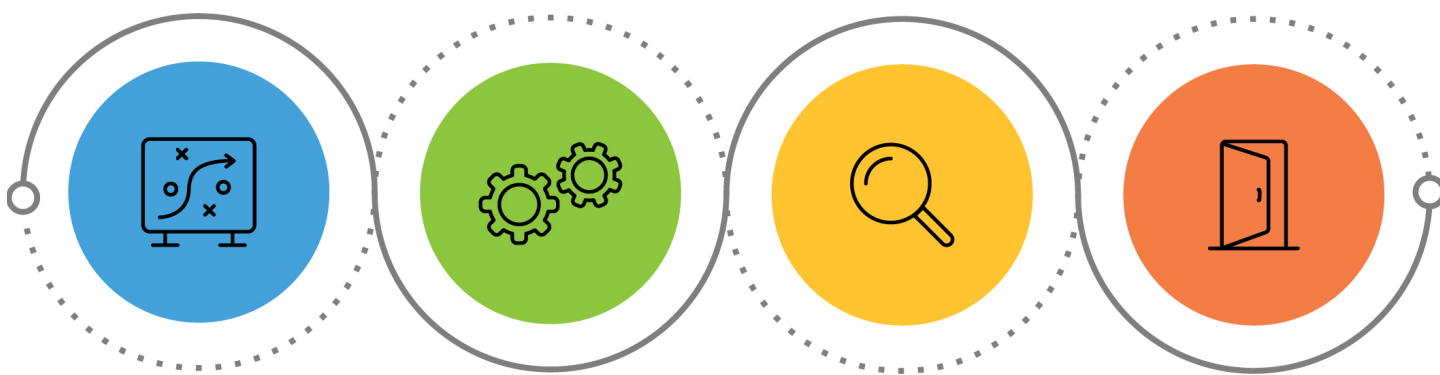
Source: S&P Capital IQ, Inc.

ESOP Practice Overview

ABOUT

With the largest dedicated ESOP practice in the country, Stout has worked on some of the largest and most complex ESOP transactions and has provided services on projects involving every major institutional ESOP trustee in the United States. With a balanced approach across our valuation and investment banking expertise, we are the leading, fully-integrated provider of ESOP and ERISA advisory services through every stage of the ESOP lifecycle. Our services also include capital raising and financial due diligence to obtain an optimal and highly-customized outcome regardless of the situation.

Expertise at Every Stage



PRE-ESOP PLANNING

- Assessment of Strategic Alternatives
- ESOP Feasibility Studies
- Preliminary Valuations
- Board Advisory

FORMATION

- Transaction Structuring & Execution
- Fairness & Solvency Opinions
- Debt Capital Markets Services

ERISA COMPLIANCE

- Annual Valuations
- Follow-On Transactions
- ESOP Loan Restructurings
- ESOP Trustee Advisory
- ESOP & ERISA Litigation Support & Expert Testimony

SUSTAINABILITY OR EXIT

- Merger & Acquisition Advisory
- Recapitalizations
- Sustainability Modeling
- ESOP Terminations
- Fairness Opinions

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ABOUT STOUT

Stout is a global advisory firm specializing in corporate finance, accounting and transaction advisory, valuation, financial disputes, claims, and investigations. We serve a range of clients, from public corporations to privately held companies in numerous industries. Our clients and their advisors rely on our premier expertise, deep industry knowledge, and unparalleled responsiveness on complex matters.

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