Stout ESOP Index

2026 INDEX RESULTS

IN THIS EDITION

Key Insights and Observations

Stout is proud to distribute the second annual publication of the Stout Employee Stock Ownership Plan (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 five years ended December 31, 2025, delivered strong but uneven public equity returns, shaped by a post-pandemic inflation surge, the most aggressive Federal Reserve tightening cycle in four decades and its partial reversal, and recurring trade and geopolitical disruption. The S&P 500 generated annualized price returns of 12.8% over the period, concentrated in its largest constituents, while the Russell 2000 generated just 4.7%. That divergence persisted in 2025. Despite a nearly 19% peak-to-trough decline during the first half of the year amid tariff uncertainty, the S&P 500 finished with a price return of 16.4%, somewhat concentrated in companies supplying the artificial intelligence infrastructure buildout, where capital spending at the five largest hyperscale operators exceeded $400 billion. The Russell 2000 produced a price return of 11.3% during 2025.
- Against this backdrop, the Stout ESOP Index tracked the performance of our ESOP-owned clients over the same periods. The Stout ESOP Index revealed that these ESOP companies delivered 18.0% annualized returns over the last five years, including an 18.1% return in 2025, 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 five 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

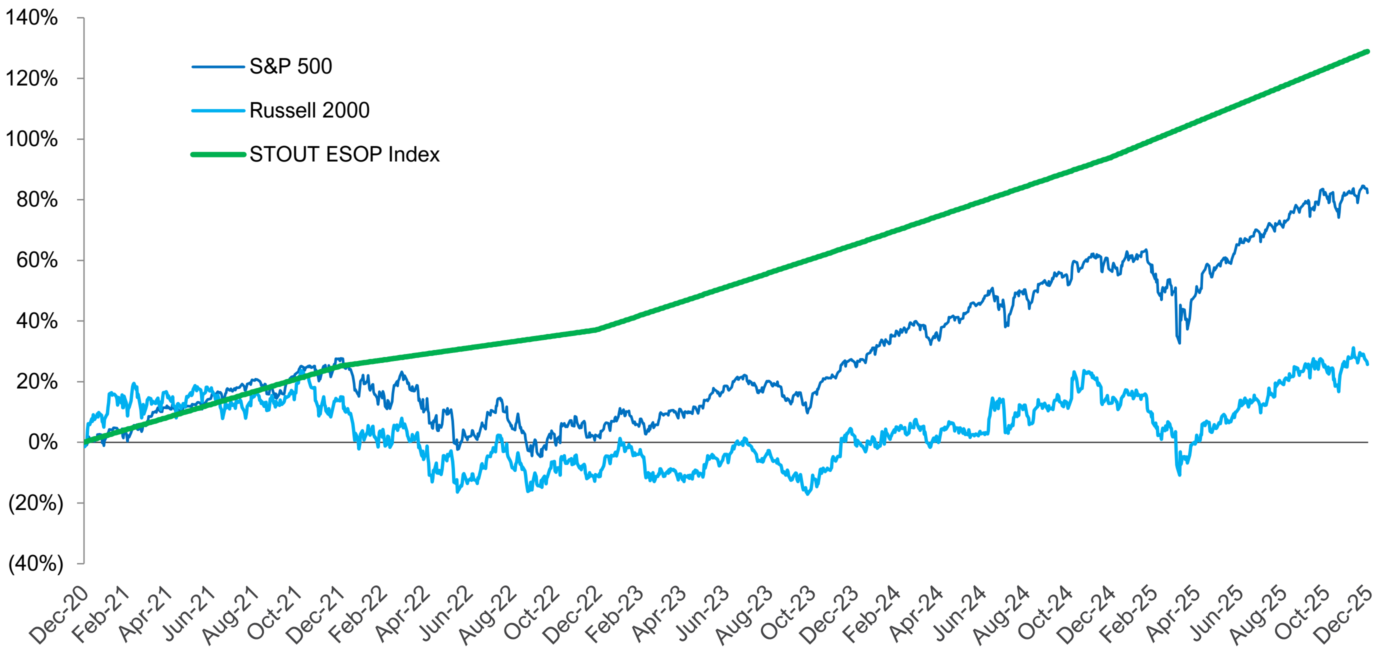
- The Stout ESOP Index is designed to provide insight into how ESOP-owned companies perform over time by providing a performance snapshot. For business owners evaluating succession, the Stout ESOP Index provides quantitative support that ESOP-owned companies can deliver competitive returns while in many 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 five-year period analyzed, the Stout ESOP Index reveals that ESOP-owned companies outperformed the selected public market indices. Specifically, the annualized increase in the Stout ESOP Index was 18.0%, compared to 12.8% for the S&P 500 and 4.7% 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.

Five-Year STOUT ESOP Index Performance

Values Indexed as of December 31, 2020



Source: S&P Capital IQ, Inc.

Historical Price Returns by Period

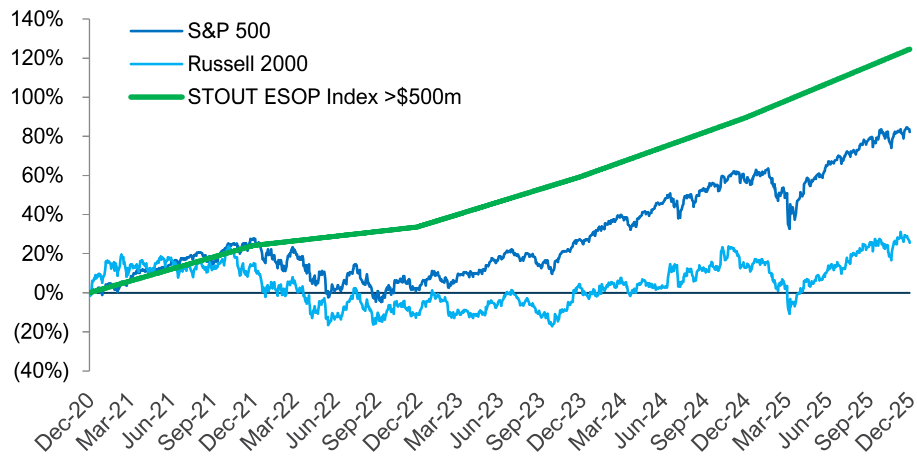
	5-Year	4-Year	3-Year	2-Year	1-Year
Total Stout ESOP Index	18.0%	16.3%	18.6%	17.8%	18.1%
Stout ESOP Index - Under $100m	12.6%	10.5%	13.2%	6.6%	10.8%
Stout ESOP Index - $100m to $500m	17.1%	14.4%	14.0%	12.1%	11.6%
Stout ESOP Index - $500m+	17.6%	16.0%	18.9%	18.7%	18.5%
S&P 500	12.8%	9.5%	21.3%	19.8%	16.4%
Russell 2000	4.7%	2.5%	12.1%	10.7%	11.3%

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 five-year period ended December 31, 2025, independent of company size relative to the public market.

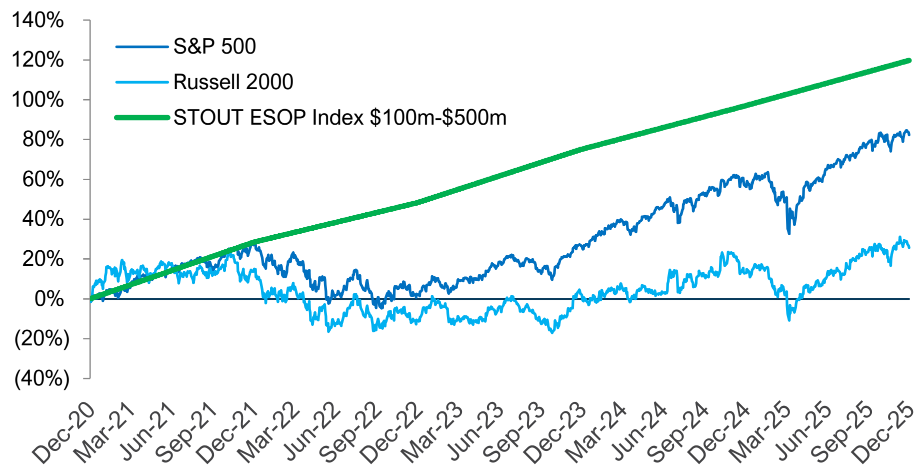
- Companies greater than $500 million in Enterprise Value delivered a 17.6% annual return, companies between $100 million and $500 million generated a 17.1% annual return, and companies under $100 million generated a 12.6% annual return.
- For clarity on the sample size in each size range (and subject to the other parameters described previously), approximately 12% of companies fell in the greater than $500 million size range, approximately 38% 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



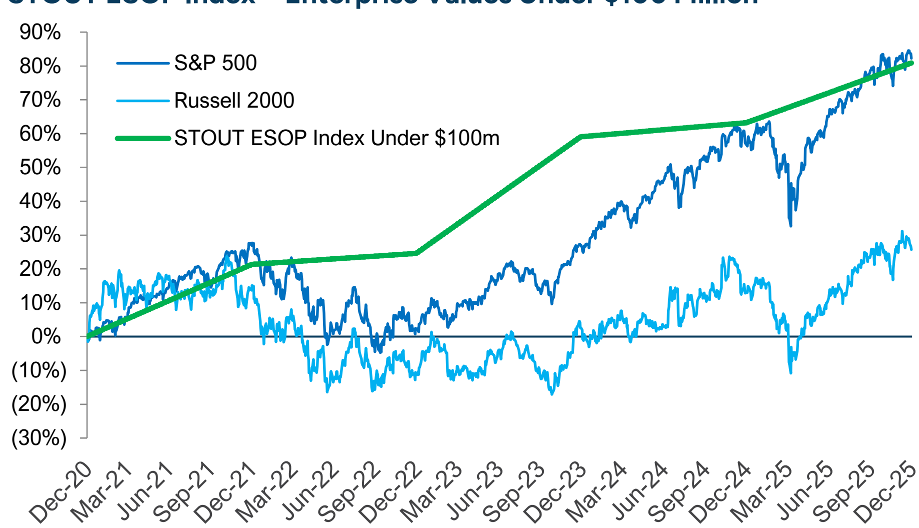
Source: S&P Capital IQ, Inc.

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



Source: S&P Capital IQ, Inc.

STOUT ESOP Index – Enterprise Values Under $100 Million



Source: S&P Capital IQ, Inc.

Stout ESOP Index: Results by ESOP Maturity

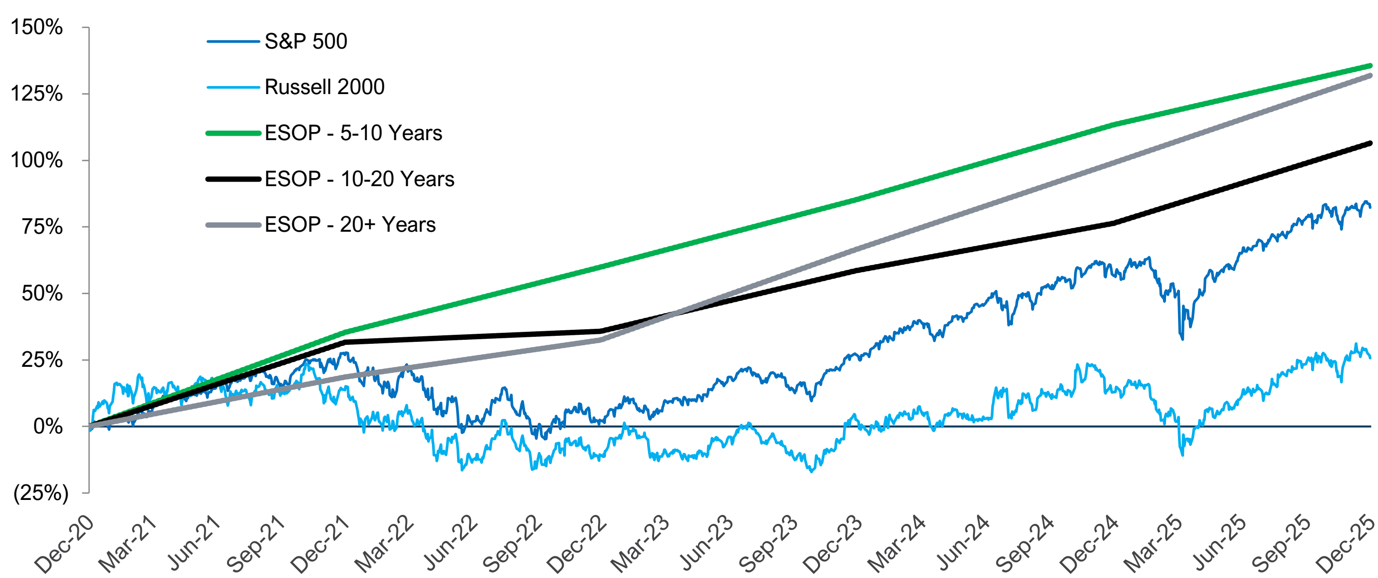
- The following charts summarize several additional data points from the Stout ESOP Index. The chart breaks out results by ESOP maturity, illustrating how performance generally evolves over time following an ESOP transaction. Specifically, as shown in the chart, the equity prices of less mature ESOPs may be impacted by debt repayment following a leveraged transaction.
- Mature ESOPs are currently outperforming newer plans on both a one- and three-year basis, indicating that strong equity performance is not limited to the earlier years following an ESOP transaction.

Performance should also be considered in the context of the ESOP lifecycle. Early-stage ESOPs may still be influenced by transaction leverage and debt repayment. As ESOPs mature, management must increasingly balance repurchase obligations, plan contributions, participant distributions, and business reinvestment while preserving liquidity and supporting equity value growth.

Annualized Return (CAGR)	1-Year	3-Year	5-Year
ESOP – 5–10 Years	10.4%	13.8%	18.7%
ESOP – 10–20 Years	17.1%	15.0%	15.6%
ESOP – 20+ Years	16.5%	20.5%	18.3%
S&P 500	16.4%	21.3%	12.8%
Russell 2000	11.3%	12.1%	4.7%

STOUT ESOP Index – By ESOP Maturity

Values Indexed as of December 31, 2020



Source: S&P Capital IQ, Inc.

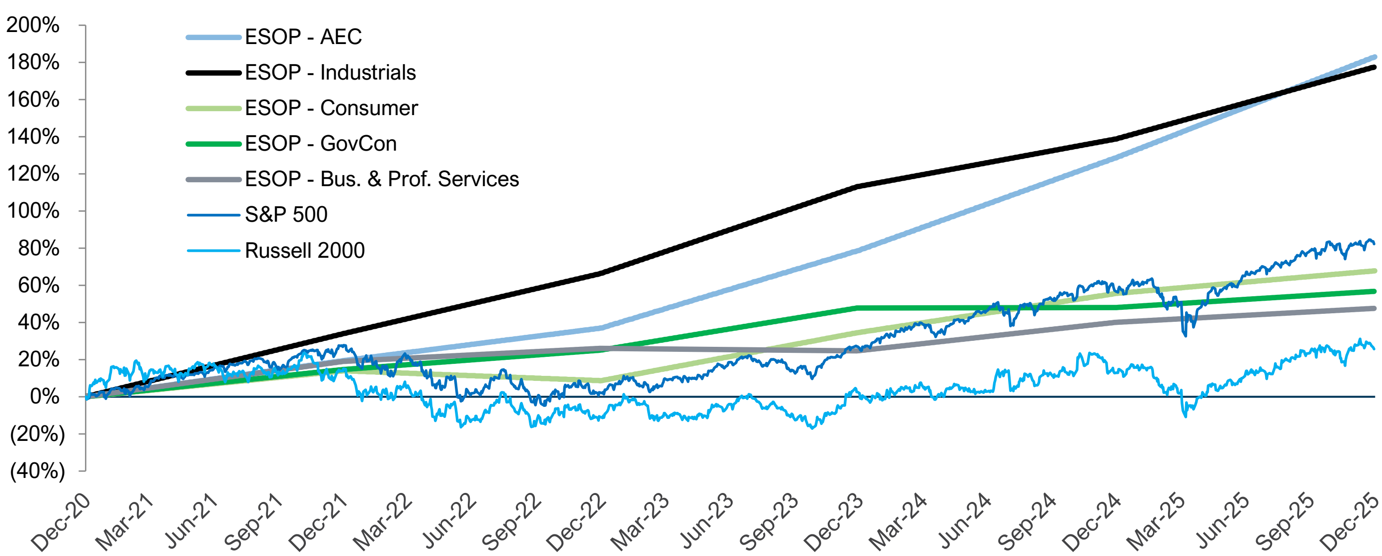
Stout ESOP Index: Results by Industry

- The following charts summarize several additional data points from the Stout ESOP Index. The chart presents results by select industries, highlighting how ESOP company performance varies across different industries. In this year's publication, we added additional industry classifications as well as split out Architecture, Engineering, and Construction (AEC) firms from Business and Professional Services, where they were classified in last year's index.
- Performance varied widely by industry over the period, driven largely by each sector's economic and operating conditions. AEC and Industrials led the index, aided by federal infrastructure funding, manufacturing reshoring, and steady nonresidential construction demand including the buildout of data centers and their supporting infrastructure. Consumer returns were moderate as elevated interest rates and inflation weighed on discretionary spending. Government Contracting and Business and Professional Services trailed, held back by federal budget uncertainty and softer demand for discretionary project work as clients absorbed higher financing costs.

Annualized Return (CAGR)	1-Year	3-Year	5-Year
ESOP – AEC	23.6%	27.4%	23.1%
ESOP – Industrials	16.2%	18.6%	22.6%
ESOP – Consumer	7.8%	15.6%	10.9%
ESOP – GovCon	5.9%	7.8%	9.4%
ESOP – Bus. & Prof. Services	5.4%	5.4%	8.1%
S&P 500	16.4%	21.3%	12.8%
Russell 2000	11.3%	12.1%	4.7%

STOUT ESOP Index – By Select Industry

Values Indexed as of December 31, 2020



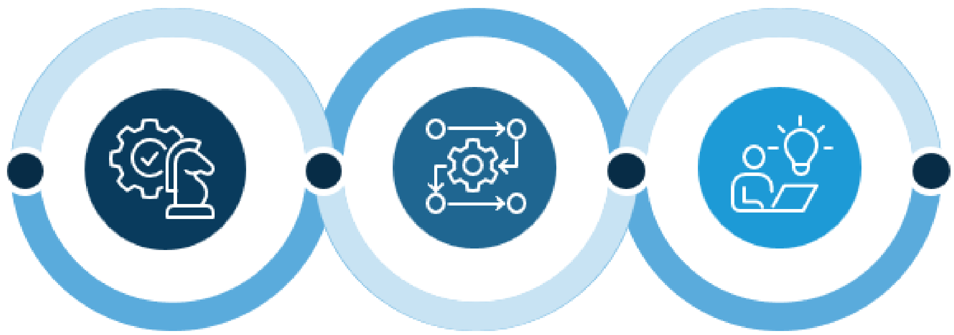
Source: S&P Capital IQ, Inc.

Stout 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 an integrated approach across valuation, investment banking, and consulting, we are the leading, fully-integrated provider of ESOP and ERISA advisory services through every stage of the ESOP lifecycle. We also provide capital raising and financial due diligence, and support boards, trustees, and management in evaluating alternatives and making informed strategic decisions as the ESOP evolves.

Advisory Across the ESOP Lifecycle



Planning Phase

- Strategic Alternatives Review
- ESOP Feasibility Studies
- Transaction Structuring
- Preliminary Valuations
- Growth Strategy and Value Creation Consulting

Transaction Services

- Fairness & Solvency Opinions
- Sell-Side / ESOP Formation Advisory and Transaction Execution
- Capital Raising Services
- Buy-Side / M&A Advisory
- Financial and Tax Due Diligence Services
- Commercial Due Diligence and Competitive Intelligence

Valuation and Consulting

- Valuation Advisory
- ESOP Sustainability Consulting
- Board / Trustee Advisory
- ERISA Litigation Support & Expert Testimony

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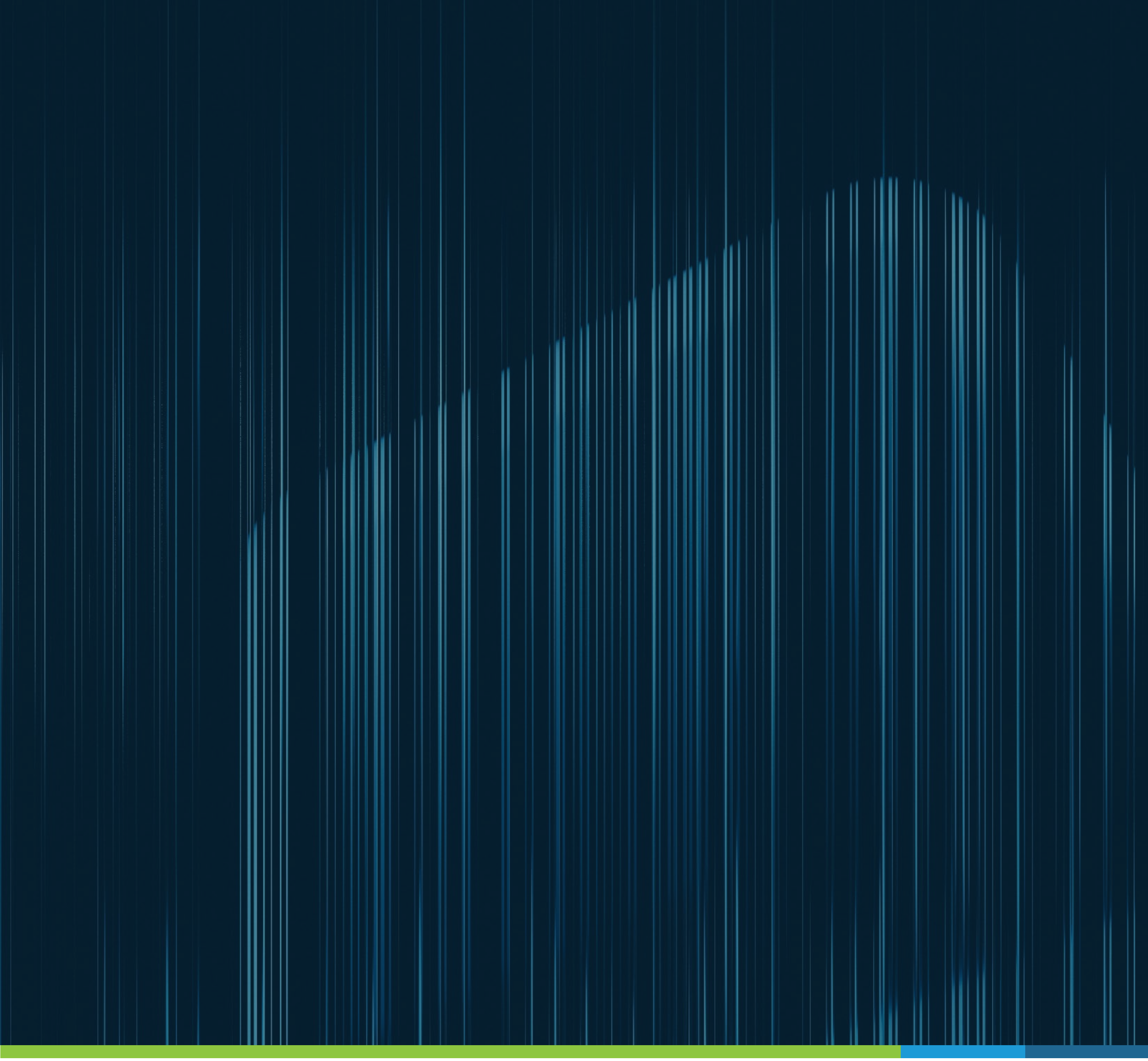

ABOUT STOUT

Stout is a global advisory firm delivering clarity and confidence in high-stakes financial, operational, and strategic situations.

We combine financial expertise with data-driven insights to produce work that is timely, defensible, and built to withstand scrutiny. Our approach is practical and grounded in real-world experience. We bring expertise without complexity, making us a trusted partner that is both rigorous and easy to work with.

Discover how Relentless Excellence® drives everything we do at stout.com.