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A Craft Beer Story... *Is an ESOP Right for You?*

By Rocky Fiore

'Tis the season to be jolly. 'Tis also the season to sell lots of beer... and to be thankful for employees with an unwavering commitment and for the customers who appreciate the creative craft poured into each and every bottle and can of beer. This might be your craft beer story.

As the story goes, your brewery has evolved over the years and, chances are, it has grown impressively with the industry as a whole. The brewery is worth quite a bit, maybe a whole lot, but you do not want to sell it because you love what you do and the people you work with every day. Last week, maybe last night, you were thinking about a few new beer recipes and you cannot wait to bring them to market. You are not ready to retire, not even close.

By all objective measures, your brewery is an incredible success story. Upon reflection, it has exceeded most, if not all, expectations. But if you're like most business owners I know, most of your net worth is still tied up in the business. Did you know that there is an incredibly tax-efficient way to take some or all of your chips off the table without having to retire or risk losing your

brewery? Were you aware that you could sell a portion – or even all - of your brewery and yet still remain an independent brewery operating exactly as you are today?

Not surprisingly, most business owners will wait until they begin thinking about retirement before engaging in a serious conversation about transitioning ownership. However, ownership transition and retirement do not have to go hand in hand. Every craft brewery owner should understand the primary benefits of employee stock ownership plans (ESOPs) before they make any decisions about selling their business. Here are five reasons you may want to consider an ESOP:

- Provide full or partial liquidity to shareholde(s)
- Realize a tax efficient transfer of ownership
- Maintain brewery independence
- Reward employees with an opportunity to participate in equity ownership
- Build an exciting and rewarding employee ownership culture

Unfortunately, ESOPs are not a great fit for every brewery. ESOPs work best in breweries with the following characteristics:

- Dedicated management team
- Good operating model and market position
- Stable or growing margins and cash flows
- Strong balance sheet
- Excellent financial management and controls

You might be asking yourself, “If ESOPs are so great, why do I keep hearing about another brewery that sold to a third party?” It’s likely that the brewery owner did not know about ESOPs. There is nothing wrong with a business owner choosing to sell their business to a competitor or to private equity. However, perhaps the business owner didn’t truly understand all of the options available to transition ownership.

Some of the country’s most well-known and respected breweries have ESOPs. Do you want to find out if an ESOP is right for you? If you are intrigued with ESOPs and would like to learn more, please do not hesitate to contact me.

For more information, contact:

Rocky Fiore,

Managing Director and COO

Prairie Capital Advisors

rfiore@prairiecap.com

630.413.5575