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ButcherJoseph & Co.'s Robert Reavis on What Employee Owned M&A Deals Look Like, Built to Own Podcast Undergoes Revisions

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Image source: Octillo Law Firm

Employee ownership is taking off with middle-market investors, but they do want to see that business owners and employees understand their options and have their say. While employee ownership stock plans (ESOPs) still find more of these agreements, owners and employees want to make sure that the very best deal for their company is chosen.

Robert Reavis, Director at ButcherJoseph & Co., just talked to Employee Ownership (EO) about what his firm has been seeing this year in employee ownership — and in the overall mergers and acquisitions financial market. ButcherJoseph & Co. is a leading middle-market investment bank specializing in M&A and employee ownership transactions.

His firm has been seeing more interest lately in an employee ownership model where employees have an internal marketplace set up. They've got a few choices to make where equity is granted through a company-wide pool or individual awards. It's been advocated by the Ownership Works nonprofit organization with its broad-based strategy.

ESOPs continue to be the "off the shelf, ready to go" employee ownership model chosen by most owners and employees, Reavis said. The Employee Retirement Income Security Act of 1974 (ERISA) provides the governing model, and the recurring issues are clear. That means ESOPs address retention; ESG (environmental, social, and governance) policies; and the large baby boomer generation getting ready to retire and sell their business, or as employees, find the best possible retirement plans that are available.

The transport logistics sector, which is part of ButcherJoseph & Co.'s clientele, are seeing a clear picture of these benefits when opting into ESOPs. These days in the U.S., truck drivers tend to be older than the average American blue collar worker; and their employers face higher turnover rates than other industries. A competitor might pay them another $1 an hour, and they lose that employee, Reavis said.

Truck drivers and operators are following more stringent safety standards, and many of these drivers are being given longer, demanding routes that could include mountains and other challenging factors. For transport operators, the cost of bringing in new truck drivers can be high. ESOPs are giving these business owners an attractive option where truck drivers see clear value in their retirement plans and staying at that company. They know very well what types of routes and payloads they have to get to the destination safely and on time.

For the overall M&A market in the U.S., ButcherJoseph & Co. is seeing a lot of movement in data center vertical transactions, he said. It's offering banks and other investors access to a market with enormous growth, skilled labor, and partnerships with component manufacturers and infrastructure partners. Enough private equity capital is being raised for these sizable deals, he said.

Data centers, which might be used by AI companies and Silicon Valley tech giants, need access to skilled partners to complete the project. That can include construction contractors, electricians, road graders, and other specialty firms. These are middle-market, blue collar businesses and some of them are employee owned.

The data center market is very much tied into the U.S., Canada, and Mexico supply chain. These networks are deeply integrated and will continue to work closely together regardless of tariffs, he said.

While data centers themselves can be controversial issues in various states, in terms of electric power and water demand and rising utility bills, they are definitely here for now. Investors, state governments, and Washington, D.C., are seeing them as significant sources for economic growth

— and for creating more jobs and stability during a time when AI and robotics have been raising major concerns about the future of American jobs.

It Won't Run By Itself: Chuck Mazzanti, CRIS, Senior Vice President, Christensen Group Insurance, **just offered readers and viewers a new choice**. Built to Own, which features interviews with leaders at employee-owned construction companies, is now twice a month. The first week has a Podcast Edition with someone who has lived through employee ownership in construction, and a write up recap so readers can get the substance in 10 minutes whether or not they listen to the full podcast episode. The third week is a Deep Dive on a single topic, such as bonding considerations for a newly formed ESOP contractor.

Episode 01, released this past week, is 'It Won't Run By Itself' with Bill Duguay, who ran J.D. Abrams through its ESOP transition and the years after. Bill's full episode is available to those who want to watch all of it, along with the new Q&A summary format.

ESOP Valuation and the Repurchase Obligation: The National Center for Employee Ownership (NCEO) has issued the **Report of the NCEO Task Force on ESOP Valuation and the Repurchase Obligation**. It digs into the current situation regarding valuation and the ESOP repurchase obligation. You can download the PDF and read into the basic problem, governing authority, common approaches, ESOP valuation basics, specific issues, and recommendations for companies.