

Employee Ownership Update #3

The first Employee Stock Ownership Plan (ESOP) was implemented in 1956, but it wasn't until the Employee Retirement Income Security Act (ERISA) of 1974 that Congress formally recognized ESOPs as qualified retirement plans. Since then, employees participating in ESOPs have consistently accumulated greater retirement savings compared to conventional plans.

What Should I Expect in the Future?

We are at the very beginning of our ESOP journey, and we anticipate significant growth in your ESOP account over the course of the next ten years. The figures shown in the graphic reflect a mix of new and mature ESOPs. As a leveraged ESOP, each year we continue to pay off debt, we may see even more rapid increases in the value of our shares.

There are two ways your account balance will grow: annual allocations of shares and share price growth. The number of shares allocated will be relatively fixed (2024 was two allocations, so approximately 1/2 of those shares will be allocated each year moving forward.) Share price growth, on the other hand, is the real power in generating long-term wealth through compounding growth in account balances.

Based on maintaining our current performance, returns on the Ames share price **could** achieve 15-20% over the next ten-year period. Participants **may** see their ESOP balances grow to **twice** their current compensation by 2034 and potentially **ten times** their current compensation by 2044.

It should be noted that this kind of growth is not guaranteed, and should the Company's share price decrease, so too could the value in your ESOP account. We, as coworkers, directly impact the results of the Company, and the better the Company performs, the better return on your ESOP account.

BY THE NUMBERS ESOPs Deliver Wealth

The performance of ESOPs isn't just anecdotal – research continues to validate their power as a wealth-building tool:



Between 2002–2019, ESOPs achieved an annual growth rate of 12.1% – roughly one-third higher than the S&P 500 over the same period



26,000

The average benefit received by ESOP participants in 2019 was \$26,000, with 70% of that value driven by growth in ESOP account balances



\$170,326

ESOP participants have more than double the average retirement balance compared to the average American (\$170,326 vs \$80,339)



Overall, median household net wealth is 92% higher among employee-owners compared to non-employee-owners

What Does This Mean for My Existing Retirement Accounts?

Ames has historically targeted a contribution of 8-10% of a coworker's eligible compensation into the profit-sharing plan. Provided the Company meets or exceeds future financial targets, the target of 8-10% will be maintained through a combination

of profit-sharing and ESOP contributions. As increases in the share price drive an increase in the value of the ESOP contributions you receive each year, the amount contributed towards profit-sharing will be reduced proportionately. For example, if the value of your ESOP contribution is 6% of your total eligible compensation, the Company would target a profit-sharing contribution of 2-4% of eligible compensation. Models currently project that by year five or six, the ESOP contribution may exceed 10% of a participant's annual compensation. At that point, the profit-sharing contribution will no longer be necessary.

Ames has also offered a 401(k) for several decades and will continue to provide this crucial tool towards retirement security. Coworkers should embrace the concept of “pay yourself first,” and participation in the 401(k) is strongly encouraged. If you are not currently participating, now is the best time to start and take advantage of the 1.5% Company match.

Conclusion

By having a direct stake in the future success of the Company, we're all incentivized to contribute meaningfully to Ames' continued prosperity. The ESOP presents an excellent opportunity to build long-term wealth and securing financial well-being – for yourself and your coworkers alongside you. Together, we have the power to shape Ames' future successes, as well as our own.

