MERCER CAPITAL | VALUATION & ADVISORY SERVICES

2026 Family Business Benchmarking Study

www.mercercapital.com

This Study is Organized Into Three Parts:

The Study

Methodology, data set, and principal findings

The Analysis

Economic context and benchmarking across key financial decisions

The Takeaways

Practical insights for directors and owners

About this Study

This benchmarking study combines financial data from privately held family businesses with public company market context to help directors and owners evaluate business performance through a broader strategic lens.

Throughout this presentation, you'll find:

- Key benchmarking metrics from family businesses
- Public company comparisons that provide additional perspective
- Commentary on the strategic implications behind the numbers
- Practical questions to help evaluate capital allocation and long-term decision making

Use these benchmarks not as targets, but as conversation starters for evaluating your own business.

This Benchmarking Study is an accumulation of client data presented to help the reader draw inferences from the performance of actual family businesses

Introduction to the 2026 Benchmarking Study

Family business directors are best served by assessing financial performance on both an absolute and relative basis. Absolute financial performance can simply be read off the face of the financial statements, but making appropriate relative comparisons requires reliable data on similarly situated firms.

Benchmarking data typically focuses on operating performance but provides little perspective on the strategic financial decisions that can have a major influence on the sustainability of the family business.

Family business directors generally have little perspective on how other companies make capital allocation, capital structure, and dividend policy decisions. With our benchmarking study, we aim to fill that gap.

Last year, we incorporated a new methodology for the study, culling through our internal repository of client data to draw inferences from the performance of actual family businesses. What is necessarily lost in sheer quantity of data is – we hope – made up for in enhanced comparability to our readers' businesses.

This study uses 2025 data from both our family business clients and publicly traded firms. We begin with the principal findings from the family business data, followed by an overview of the 2025 U.S. macroeconomic environment to provide context. We then examine key financial areas relevant to family businesses: cash reserves, debt positions, capital investment strategy, revenue growth, margin analysis, and shareholder distribution policies.

Family Business Data Set for Study

The following tables summarize the data set used for this year's study.

Industry Breakdown	
Industrials	28
Retail / Wholesale & Services	18
Total Companies Included	**46**

Size Breakdown	No.	Median
Companies with more than $100M in Total Assets	20	$454 million
Companies with less than $100M in Total Assets	26	$24 million

Entity Breakdown	
S Corporation	29
C Corporation	17

Public-company observations are included to provide broader market context for interpreting the private-company benchmark data

Public Company Context – Data Set

Universe of Benchmarking Companies :: S&P 1500 Index Companies

- Communications Services
- Consumer Discretionary
- Consumer Staples
- Energy
- Health Care
- Industrials
- Information Technology
- Materials

		Revenue $millions
1st Quintile	Median	$31,781
	Largest	716,924
	Smallest	15,524
2nd Quintile	Median	$8,817
	Largest	15,524
	Smallest	5,844
3rd Quintile	Median	$4,058
	Largest	5,837
	Smallest	2,974
4th Quintile	Median	$2,080
	Largest	2,974
	Smallest	1,381
5th Quintile	Median	$870
	Largest	1,375
	Smallest	30

Note: Our data set excludes the following industry sectors: Financials, Real Estate, and Utilities (resulting in 1,075 companies).

We have also excluded companies with revenue less than $10 million in 2025.

Principal Findings

The following table summarizes the principal findings from our analysis of the family businesses in our sample.

Principal Findings of Mercer Capital's 2026 Family Business Benchmarking Study

Median Observations *

		SIZE (Total Assets)		INDUSTRY GROUP		TAX STATUS	
	Total Sample	> $100mm	< $100mm	Industrials	Retail / Whsl & Services	C Corp	Pass-Through
Financial Position							
Cash as a % of sales	6%	3%	8%	7%	5%	3%	8%
Debt / EBITDA	0.58x	1.18x	0.26x	0.57x	0.61x	1.08x	0.24x
Earnings Performance							
Revenue ($millions)	$99	$692	$35	$72	$207	$331	$72
Y/Y revenue growth	3%	1%	5%	3%	3%	4%	1%
Gross margin	25%	24%	26%	26%	22%	41%	22%
EBITDA margin	11%	11%	9%	11%	9%	13%	8%
Capital Allocation							
Capital investment as % of sales	3%	5%	2%	2%	4%	6%	2%
Dividend payout ratio	74%	34%	112%	55%	76%	17%	105%
Number of companies	*46*	*20*	*26*	*28*	*18*	*17*	*29*

** Benchmarking Study contains 2025 data*

The U.S. economy continued to expand in 2025, though at a more moderate pace, with Real GDP increasing 2.2% for the full year

The Economic Conditions in 2025

Observations from the U.S. macroeconomic environment in 2025 offer context for interpreting the results presented in the 2026 Benchmarking Study.

General Economic Statistics

- Real GDP increased 2.2% in 2025, compared to 2.8% in 2024. GDP growth slowed to an annualized 1.4% in the fourth quarter, following stronger growth in the second and third quarters.
- Consumer spending, or personal consumption expenditures, accounts for approximately 70% of U.S. GDP and remained the primary support for economic growth. Real personal consumption spending increased 2.4% in the fourth quarter of 2025, though growth moderated from the third quarter.
- Inflation remained above the Federal Reserve's longer-run 2% objective but continued to moderate. CPI increased 2.7% over the twelve months ended December 2025, while Core CPI rose 2.6%.
- Producer prices indicated firmer upstream inflation pressure late in the year, with PPI for total final demand increasing 3.0% over the twelve months ended December 2025.
- Oil prices declined during 2025 as global supply growth outpaced demand. Brent crude closed the year at $61.35 per barrel, while WTI ended at $57.26 per barrel.

Unemployment

- Labor market conditions softened modestly during 2025. The unemployment rate measured 4.4% in December 2025, while the labor force participation rate held steady at 62.4%.
- Total nonfarm payroll employment increased by 50,000 jobs in December, and downward revisions to prior months reflected slower hiring momentum entering year-end.
- Economists surveyed by The Wall Street Journal anticipate the unemployment rate will measure 4.5% in June and December 2026.

Consumer spending and private investment continued to support growth in 2025, while softer labor market conditions, lingering inflation, and fiscal and trade policy uncertainty shaped the outlook entering 2026

The Economic Conditions in 2025

Business Conditions and Financial Markets

- Business conditions remained constructive but more mixed entering 2026. Consumer spending and private investment supported fourth-quarter GDP growth, while government spending and exports weighed on the quarter.
- Equity markets posted additional gains during the fourth quarter of 2025, though performance moderated relative to earlier in the year. The Dow increased 3.6%, the S&P 500 rose 2.4%, the NASDAQ gained 2.6%, and the Wilshire 5000 advanced 2.0% during the quarter.
- On a year-over-year basis, all four major indices posted double-digit gains. Treasury yields declined across the short and intermediate portions of the yield curve during the fourth quarter, while longer-term yields edged higher.

Interest Rates

- Following three rate cuts in late 2024, the Federal Reserve held the benchmark federal funds rate steady through the first eight months of 2025. As labor market risks increased and inflation continued to moderate, the FOMC lowered rates by 25 basis points in November and again by 25 basis points in December. Following the December cut, the federal funds target range ended the year at 3.50% to 3.75%.
- Chairman Powell described the policy environment as challenging, with inflation risks still tilted to the upside while employment risks had increased. The Committee indicated that future policy adjustments would remain data dependent.
- Rates continue to influence corporate borrowing activity, capital allocation decisions, and investment returns across the U.S. economy.

Cash balances declined in 2025, reflecting directors' willingness to operate with a smaller cushion.

Cash Reserves of Family Businesses in the Study

Comparison of 2025 vs. 2024 Cash Positions of Family Businesses in Study

- Comparing the 2025 year-end cash balance to the prior year, there was a -9% median decrease in cash for the family businesses in our study.
- This is a reversal of the median increases in cash we were seeing in 2024 and 2023. In these years, companies were responding to high interest rates, inflationary pressures, and overall uncertainty in the economy.
- Relative to sales, the family businesses in our sample held cash balances equal to 5.6% of sales (median measure).

The Purpose of Cash Reserves

- Cash reserves are ultimately a risk-management tool. They provide liquidity for seasonality, working capital swings, debt service, adverse operating events, and unexpected disruptions.
- There is no single cash reserve target that fits every family business. The appropriate balance depends on operating needs, shareholder objectives, debt capacity, and the degree to which the business represents overall family wealth.
- Cash held beyond the needs of the business has an opportunity cost. Excess liquidity can dilute returns if it is not needed for resilience, reinvestment, debt reduction, or shareholder distributions. The decline in cash balances in this year's study does not eliminate the risk of lazy capital; it makes the distinction between necessary liquidity and productive deployment more important.
- Directors should evaluate whether lower cash balances reflect disciplined reinvestment in the business or cash consumed by operating pressure. The strategic implications are different in either case.

Family businesses in our sample remained conservative in their use of debt, though softer EBITDA caused leverage metrics to edge higher in 2025

Debt Positions of Family Businesses in the Study

Comparison of 2025 vs. 2024 Debt Positions of Family Businesses in Study

- Many of the family businesses in our sample are debt averse and sought to further reduce their reliance on debt financing in 2025.
- Total interest-bearing debt decreased by a median of 4% on a year-over-year basis.
- However, the broader leverage picture was mixed. As a percentage of Book Value of Invested Capital ("BVIC"), 2025 interest-bearing debt totaled 11%, compared to 9% for 2024.
- The median Debt / EBITDA ratio increased from 0.45x at the end of 2024 to 0.58x at the end of 2025. In contrast, the public companies in our sample reported median leverage of 2.6x EBITDA at the end of 2025.
- Elevated interest rates and continued economic uncertainty likely contributed to the cautious use of debt financing in 2025, even as the Federal Reserve reduced rates during the year.

Understanding Capital Structure

- We use the term capital structure to describe how the family business pays for its assets.
- From one perspective, the family business is simply a portfolio of capital projects or long-lived assets which must be financed with debt or equity.
- Debt financing comes with a contractual return for the lender, aka the interest rate.
- Lenders have a priority claim while shareholders stand at the back of the line, so equity is inherently riskier than debt. But shareholders retain upside potential that lenders give up in exchange for the contractual certainty of their return.

Debt Positions of Family Businesses in the Study

The different risk attributes of debt and equity capital lead to different costs

The Different Risk Attributes of Debt and Equity Capital

- The different risk attributes of debt and equity capital lead to different costs.
- Viewed from the perspective of the corporation, the “cost” of a particular form of capital is equal to the total return expected by the providers of that capital.
- We know that return follows risk. So, if different sources of capital bear different risks, we should expect them to have different returns. And that is the case when we look at capital structure.
- Cost of debt is fairly easy to understand since debt carries an explicit interest rate. Due to the deductibility of interest payments for tax purposes, the cost of debt is traditionally converted to an after-tax basis.
- The cost of equity is not directly observable as the family business does not owe shareholders a contractual return. Instead, the cost of equity must be estimated by making comparisons to historical and/or projected returns for investments having comparable risk.
- Because it is riskier, equity is always more expensive than debt. But clearly that doesn’t mean using more debt is always a good thing. The more debt in the capital structure, the more expensive both the debt and the equity become.

Market Value of Debt + Equity $125 million	
Interest-Bearing Debt	**Shareholders' Equity**
$40 million	$85 million
32% of total	68% of total
4.0% after-tax cost	15% after-tax cost
Weighted Average Cost of Capital = 11.5%	

Debt Positions of Family Businesses in the Study

The optimal capital structure is a range rather than a single point

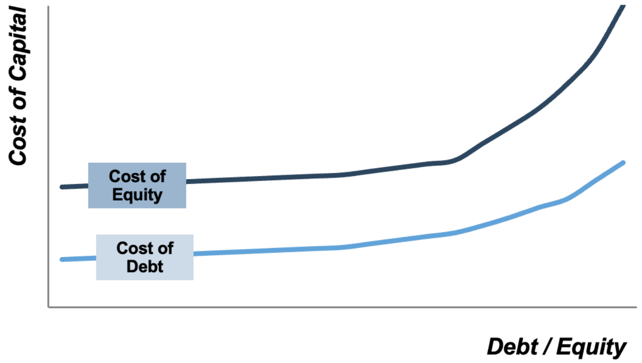
The Different Risk Attributes of Debt and Equity Capital *(continued)*

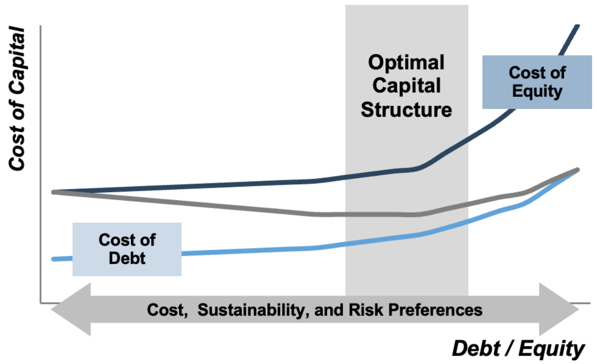
- As a result, companies have what is referred to as an optimal capital structure, which is the capital structure where the weighted average cost of capital is minimized. The use of some debt helps pull the weighted average cost of capital down, but at higher leverage levels the risks facing lenders and shareholders become high enough that the overall cost increases.
- The optimal capital structure is a range rather than a single point. As a result, there are qualitative factors to consider as well when selecting a target capital structure.

    A) Are there hard assets that make for good collateral?

    B) Is the company at a mature stage with predictable cash flows?

    C) Does the company have sufficient scale to borrow funds at an attractive rate?



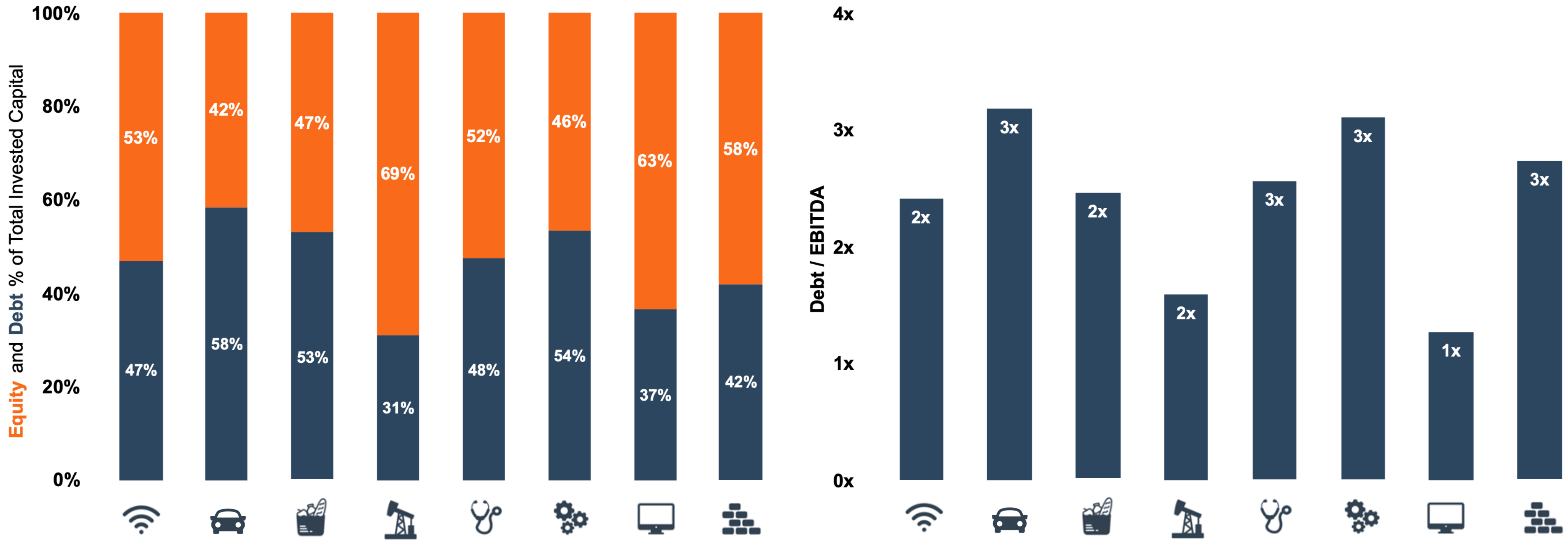


- Capital structure decisions are unique to each family business as they are highly dependent on shareholder preferences and distinct business characteristics.
- No matter what the current capital structure of the family business is, knowing and understanding the makeup of the balance sheet is critical in devising a plan that can withstand economic disruptions.

Public Company Context – Financial Leverage by Industry

Financial leverage can be measured by comparing total debt to invested capital (book values of debt and equity), market values, or relative to cash flow

Borrowing Capacity Influenced by Assets and Cash Flow



On an invested capital basis, leverage at the end of 2025 ranged from 31% (Energy) to 58% (Consumer Discretionary).

Capital investment for family businesses grew in 2025

Capital Investment Activity for Family Businesses in the Study

Comparison of 2025 and 2024 Capital Investment Activity for Family Businesses in Study

- The companies in our sample accelerated capital investment in 2025.
- On a year-over-year basis, capital expenditures increased by a median of 4%, while net fixed asset balances increased by a median of 2%. Capital spending for the family businesses in our sample nearly kept pace with their public company counterparts, for whom capital expenditures grew at a median rate of 5% during the year.
- For family business directors, the relevant question is not simply how much was invested, but whether capital projects supported maintenance needs, productivity, capacity, margin improvement, or strategically attractive growth.

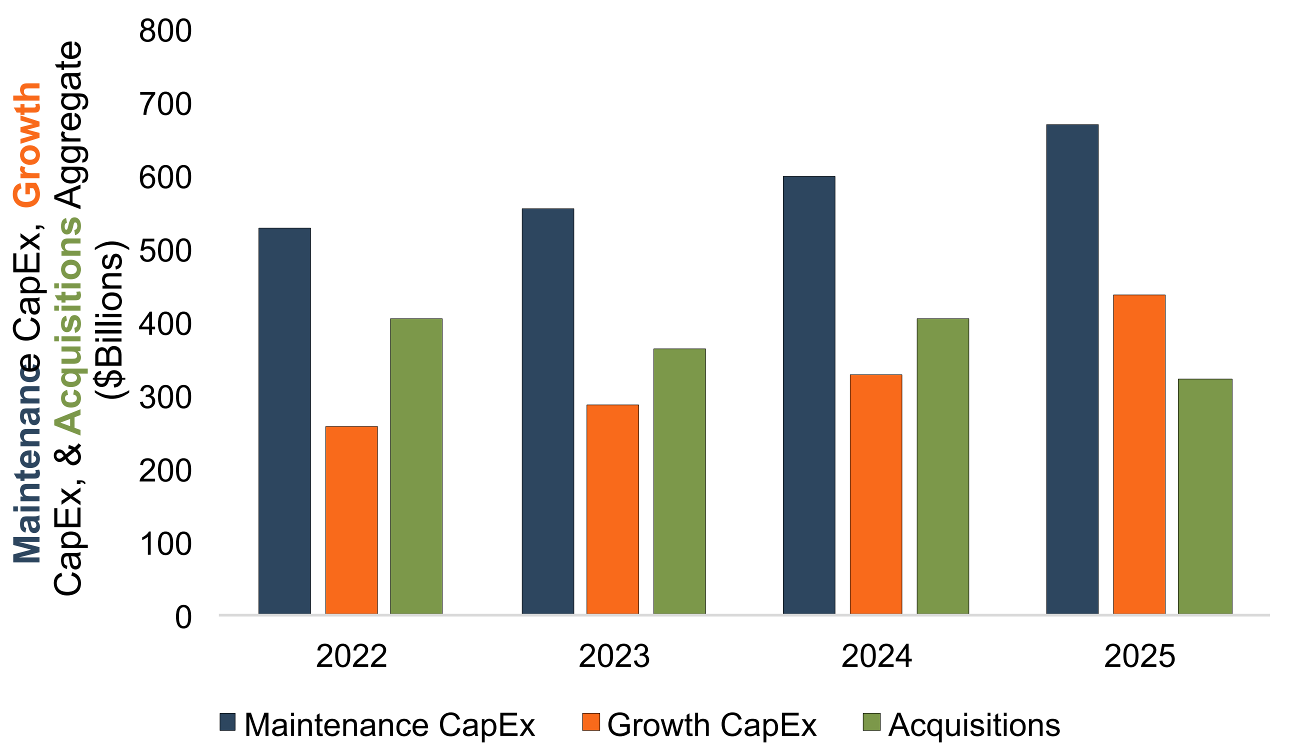
The Qualitative Factors to Consider When Evaluating a Proposed Capital Project

- We are often asked about the most important qualitative factors to consider when evaluating a proposed capital project. Tools like net present value analysis and internal rate of return are essential for answering whether a proposed capital project is financially feasible, but there is certainly a more important question to be answered. And that is, why should we undertake the proposed capital project? The tools of capital budgeting, while useful, cannot answer this question; family business directors will need to consider qualitative factors.
    - Market opportunity helps answer a more straightforward question: Why does the proposed capital project make sense? Family business directors must be able to provide a straightforward and compelling answer to this question. What is the customer need being addressed by the project? How is the project an improvement over current solutions in the market?
    - Once the market opportunity has been demonstrated and vetted by the board, the next question is this: Why does the proposed capital project make sense for us? In other words, how does the proposed capital project relate to the family business's existing strategy? Does the proposed project represent an extension of the existing strategy, or does it deviate from the strategy?

Public Company Context – Aggregate Investment Trends

Aggregate annual investment for the companies in our sample fluctuated between $1.2T and $1.4T over the analyzed period

Companies Invest to Maintain Productive Capacity and Grow



Spending on growth capital expenditures exceeded spending on acquisitions by 36%, highlighting a “build” vs. “buy” mentality to a degree among the sample. 2025 did see a shift in this relationship relative to all historical years presented above, with an increase in spending on growth capital amid less acquisition spending. Maintenance capital expenditure was still the largest single investment category.

Revenue increased at approximately the rate of inflation for the family businesses in our sample

Revenue Growth of Family Businesses in the Study

Comparing 2025 Revenue to 2024 Levels

- Family businesses in our sample reported median year-over-year revenue growth of 3% in 2025. In contrast, revenue for the public companies in our sample grew at a median rate of 5.5% in 2025.
- For family business directors, the key question is the quality of growth: whether revenue gains came from pricing, volume, market share gains, customer mix, or expansion into new opportunities.

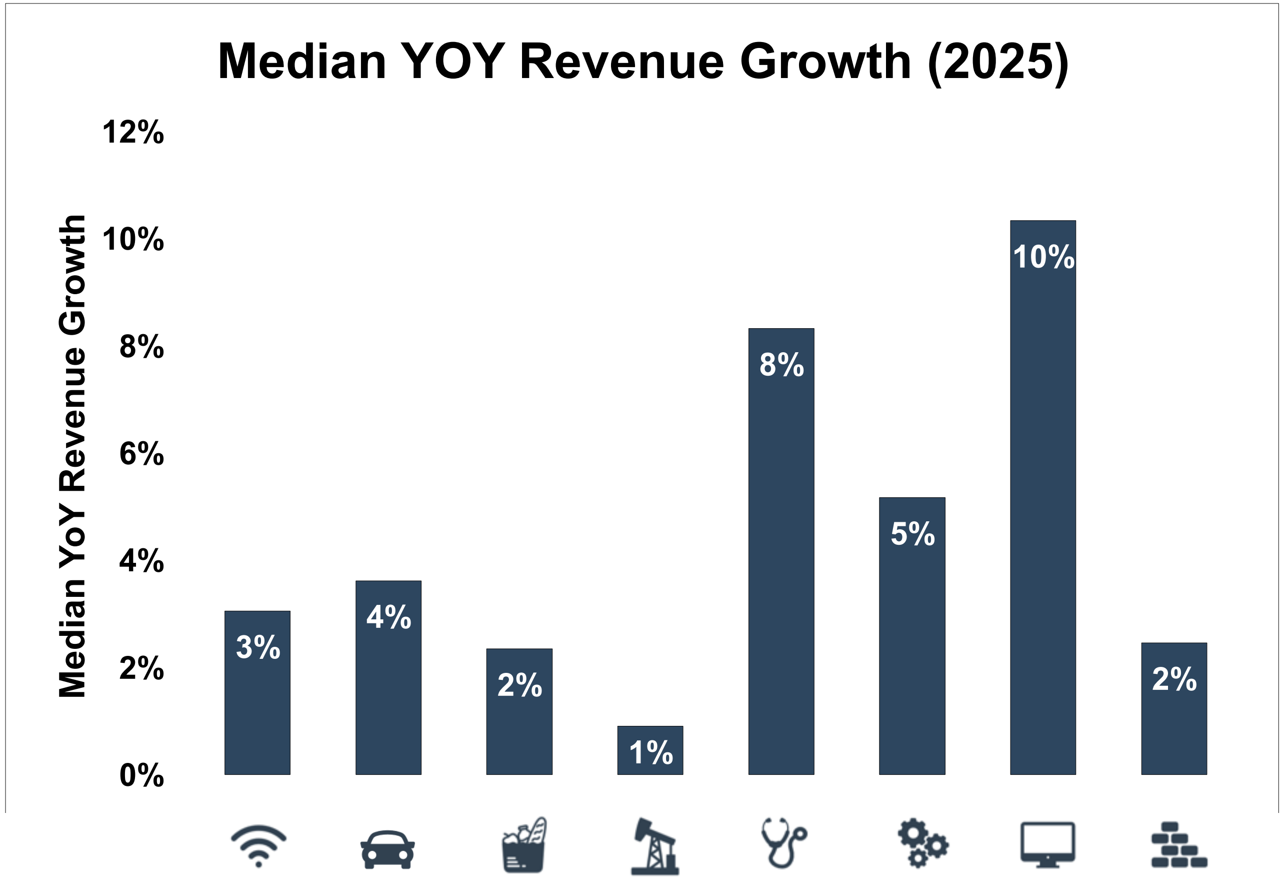
Evaluating Revenue Growth in the Family Business

- Evaluating revenue growth in a family business is complex and should consider market opportunities, capital investment needs, and family priorities. The following list provides some illustrative questions for evaluating revenue growth:
    - Does our family business have a strategy that acknowledges the reality of the industry but identifies opportunities to increase market share profitably?
    - What sorts of strategies are most likely to increase market share for our business within the industry? Differentiating on quality and service? Or becoming a value leader?
    - Where is the low-hanging fruit for revenue growth: price increases, geographic expansion, adding an adjacent product line, marketing to new customers, or something else?
- Revenue growth is not always organic. For some family businesses, mergers & acquisitions represent an avenue for accelerating revenue growth. Evaluating an M&A strategy triggers a fresh set of questions for directors:
    - Does our family business have a culture that can accommodate growth through acquisition, or is organic growth the primary path forward?
    - Are there logical acquisition targets that could boost revenue growth (at a reasonable price)?
    - Does our company have the financial capacity to make an acquisition?
    - Does our business have a qualified team of advisors to help execute on acquisition opportunities?

Public Company Context – Revenue Growth by Industry

Growth rates vary across industries, reflecting differing opportunities and dynamics; context is essential for effective benchmarking

Revenue Growth is a Function of Industry Factors, Organic Growth, and Investment

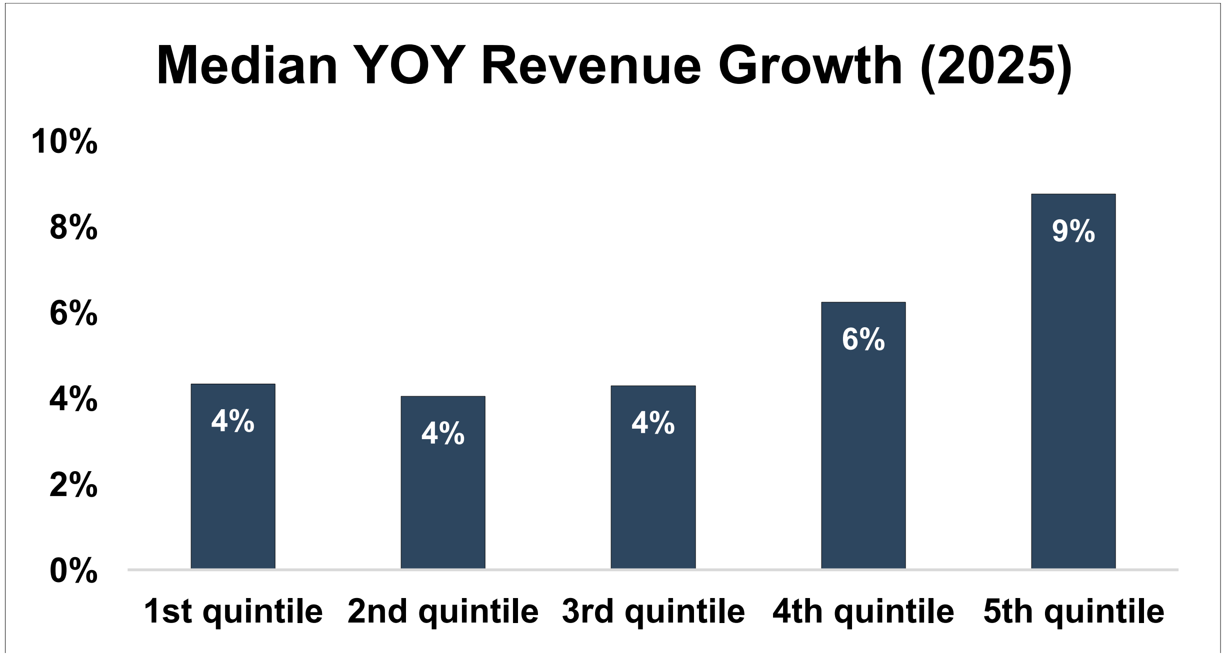


Revenue growth reflects both broader economic growth, industry demand, and investment activity. Unless disclosed by reporting companies, organic and acquisition-related sources of growth are not easily distinguished.

Smaller public companies generally exhibit faster revenue growth

Public Company Context – Revenue Growth by Size

Revenue Growth is a Function of Industry Factors, Organic Growth, and Investment



In general, it is easier for such firms to generate revenue growth through investment, while it is relatively harder for the largest firms to "move the needle" decisively through incremental investment.

Margins held steady in 2025 despite continued inflation and economic uncertainty

Margins Analysis of Family Businesses in the Study

Comparison of 2025 and 2024 Margins of Family Businesses in Study

- Median profit margins for the family businesses in our sample were unchanged from 2024.
- Median gross margin held steady at 25%, and median EBITDA margin remained at 11%. The lack of margin expansion suggests that modest revenue growth did not translate into meaningful operating leverage.
- The public companies in our sample reported higher median EBITDA margins than the family businesses (19%, compared to 11%), likely reflecting economies of scale and differing owner priorities.
- For family business directors, margin analysis should focus on whether pricing, input costs, labor, overhead absorption, and product mix are supporting sustainable profitability.

Margins	2025	2024
Gross Margin	25%	25%
EBITDA Margin	11%	11%

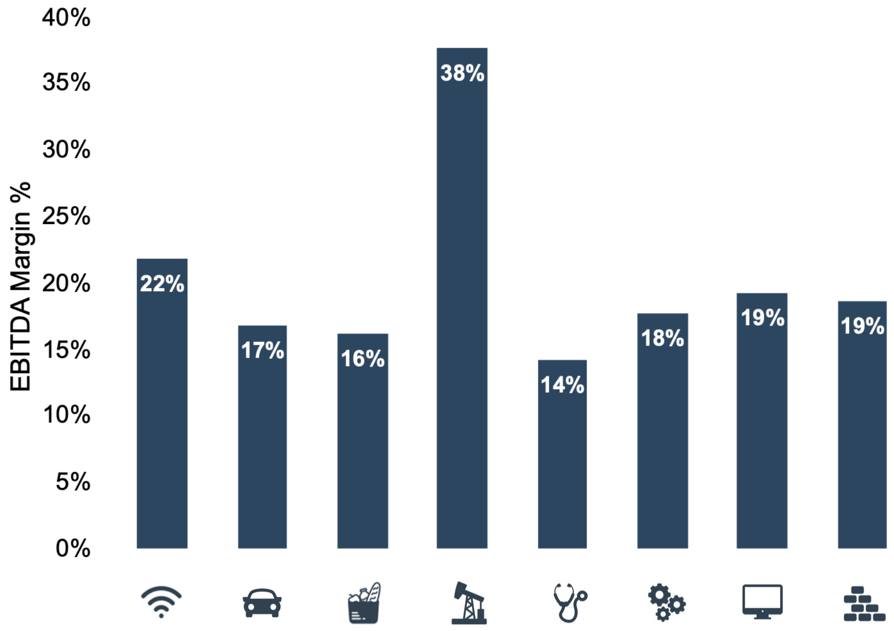
Margin Analysis in the Family Business

- Successful managers are vigilant in identifying and cutting excess costs in order to preserve bottom-line profits.
- A company's income statement consists of a 1-on-1 battle: income vs. expenses, and variations in either category impact profits. Margins illustrate the relationship between the company's revenues and expenses. By reviewing the details of the income statement, business directors can gain insight into their business performance and how to improve profits and margins.
- Margin analysis can be a beneficial tool for evaluating performance. Becoming familiar with the typical margins of your family business will provide a touchpoint for identifying where opportunities to preserve and grow profits exist for your family business.
- Since 'typical' margins vary from industry to industry, being able to benchmark to similar companies can give family businesses a better idea of where they stack up.
- Family business directors have the unique task of understanding and preserving the character of the family enterprise while also maximizing profitability for the family shareholders.

Public Company Context – EBITDA Margin by Industry & by Company Size

The overall average EBITDA margin for the group was 18.7%, while there is significant variation among the analyzed industry sectors

Industry Influence on CY25 EBITDA Margin



Data Suggests that Economies of Scale More Important in Some Industries Than Others

	All Companies	Size Quintile (1 = largest)				
		1	2	3	4	5
Communication Services	**21.9%**	26.8%	18.7%	24.0%	18.8%	20.3%
Consumer Discretionary	**16.8%**	14.0%	15.9%	16.6%	15.9%	26.7%
Consumer Staples	**16.2%**	15.7%	18.5%	14.9%	14.9%	16.1%
Energy	**37.7%**	23.1%	41.5%	38.0%	46.6%	46.5%
Health Care	**14.2%**	22.4%	24.6%	24.1%	13.1%	2.5%
Industrials	**17.7%**	17.5%	16.0%	18.6%	19.3%	16.6%
Information Technology	**19.1%**	25.7%	23.9%	20.9%	18.1%	13.9%
Materials	**18.6%**	20.2%	18.1%	15.8%	18.4%	23.0%
All Companies	**18.7%**	**19.8%**	**19.4%**	**20.2%**	**18.5%**	**15.4%**

Generally, asset-intensive industries tend to earn higher EBITDA margins, which is necessary to fund ongoing capital expenditures and other investments. Comparing average EBITDA margins across size quintiles confirms that economies of scale matter. Larger companies tend to earn higher margins than smaller companies, albeit not universally across sectors.

Shareholder Distribution Policy of Family Businesses in the Study

Tax pass-through entities distributed a greater portion of earnings than the family businesses organized as C corporations

Comparison of 2025 and 2024 Shareholder Distributions of Family Businesses in Study

C Corporations

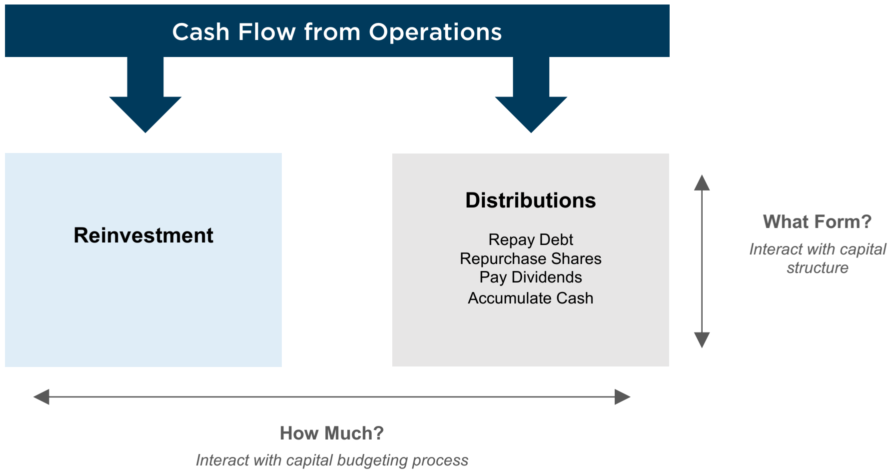
- Approximately half of the C corporation family businesses in our sample paid distributions during 2025. Of those that did pay dividends, the median payout ratio was 19% of earnings.
- The C corporations invested more aggressively in capital expenditures than the tax pass-through family businesses in our sample (median 5.6% of revenue, compared to median 1.7% for tax pass-through entities)
- Approximately 58% of the public companies in our sample paid dividends during 2025. The median dividend payout ratio for public company dividend payers was 33%. Whereas share repurchases are generally infrequent for family businesses, the public companies in our sample allocated approximately 1.7x to share repurchases as to dividends

Tax Pass-through Entities

- The economic benefit of tax pass-through status is maximized when distributions are high.
- The family businesses in our sample organized as tax pass-through entities were more likely to make significant distributions, with the median payout ratio of 105% of reported (pre-tax) earnings.

Determining Dividend Policy

- What should our dividend policy be? This is a frequent question asked by family business directors, which isn't surprising as dividend payments are the most transparent measure family shareholders have regarding the performance of their investment.

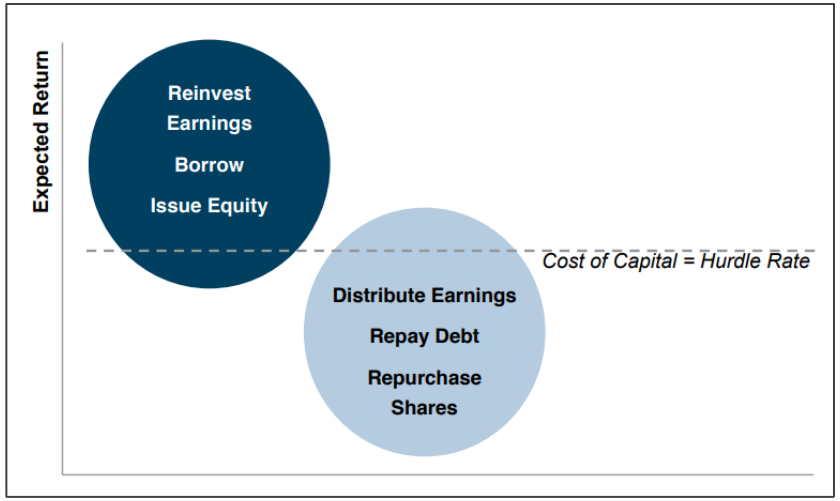


Family business directors need to be realistic about whether your family business can effectively deploy all the capital its operations generate

Shareholder Distribution Policy of Family Businesses in the Study

Dividend Policy Addresses Two Primary Questions: How Much? and What Form?

- The “how much” question determines the amount of cash available to be distributed. Cash flow from operations can go two directions: cash flow can be either re-deployed in the business through investment in new capital projects or distributed to shareholders. Cash flow not re-invested in the business can be distributed in one of four ways: repayment of debt, repurchasing shares, a dividend payment, or accumulating more cash.
- This is where the “what form” question is answered. Common dividend policy looks strictly at the payment of dividends, however, all four forms of distribution listed also represent a use of cash for the direct or indirect benefit of shareholders.
- The “how much” question should be influenced by the availability of financially and strategically attractive capital investments. Financially, a capital investment is attractive if the expected returns exceed the cost of capital of the business. Family businesses with abundant attractive capital investment opportunities will be more inclined to invest rather than distribute earnings.
- Family business directors need to be realistic about whether your family business can effectively deploy all the capital its operations generate. If there are good internal uses for corporate earnings, great, but if not, it is better to distribute capital than hold it hostage inside the family business.



All family businesses have a dividend policy. The question is not whether it exists, but rather what the policy is and how it is communicated

Shareholder Distribution Policy of Family Businesses in the Study

Dividend Policy and Shareholders

- For public companies, all that really matters is the abundance of attractive capital investments. But for family businesses, shareholders matter too.
- Family business directors must not only assess the companies' needs, but they also need to evaluate several shareholder characteristics that could influence the appropriate dividend policy. That includes shareholders' income from other sources and access to other investment options, and the degree to which shareholders' investment portfolios are diversified.

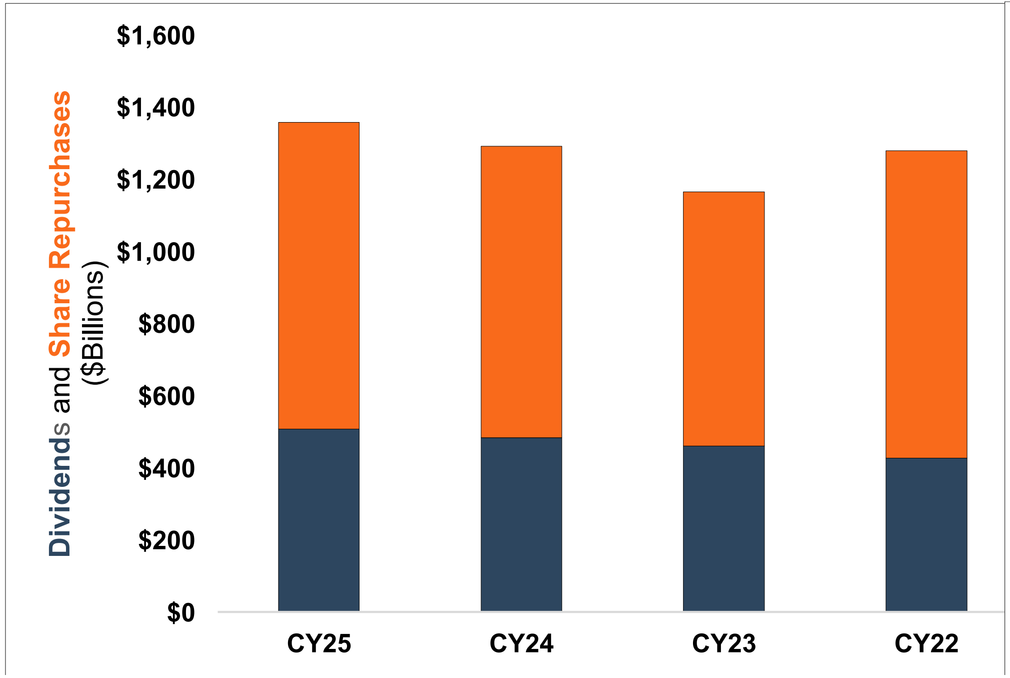
Lower Current Yield Higher Capital Appreciation	Higher Current Yield Lower Capital Appreciation
Shareholders have sufficient income from other sources to fund desired lifestyles	Shareholders have limited income from other sources
Shareholders' other income sources have no or low correlation with the company's financial performance	Shareholders' other income sources correlated with performance of the family business
Shareholders have limited alternative investment options with comparable risk-adjusted returns (i.e., high reinvestment risk)	Shareholders have abundant alternative investment options
Shareholders have reliable mechanisms for achieving liquidity on a predictable basis	Shareholders face uncertainty regarding when/if liquidity event will occur
Shareholders enjoy favorable tax treatment on capital gains	Shareholders enjoy favorable tax treatment on dividend income
Shareholders have limited near-term cash needs	Shareholders have significant near-term cash needs
Shareholders have broadly diversified investment portfolios	Shareholders have concentrated investment portfolios

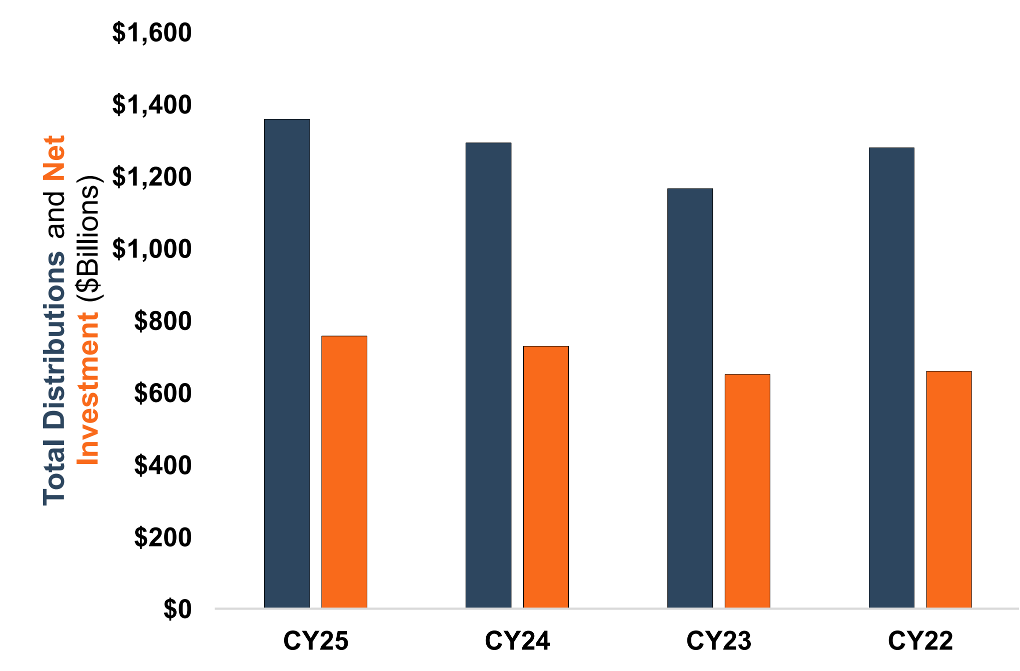
- All family businesses have a dividend policy. The question is not whether it exists, but rather what the policy is and how it is communicated.
- There is no one single dividend policy that makes sense for every family business.
- Considering the business and the shareholder attributes discussed are critical to ensuring that the dividend policy makes sense and promotes both the sustainability of the business and the positive engagement of family shareholders.

Public Company Context – Distribution Policy

Public companies generally prefer a sustainable level of dividends that can withstand temporary downturns in performance

Companies Weigh Distributions Against Available Investment Opportunities





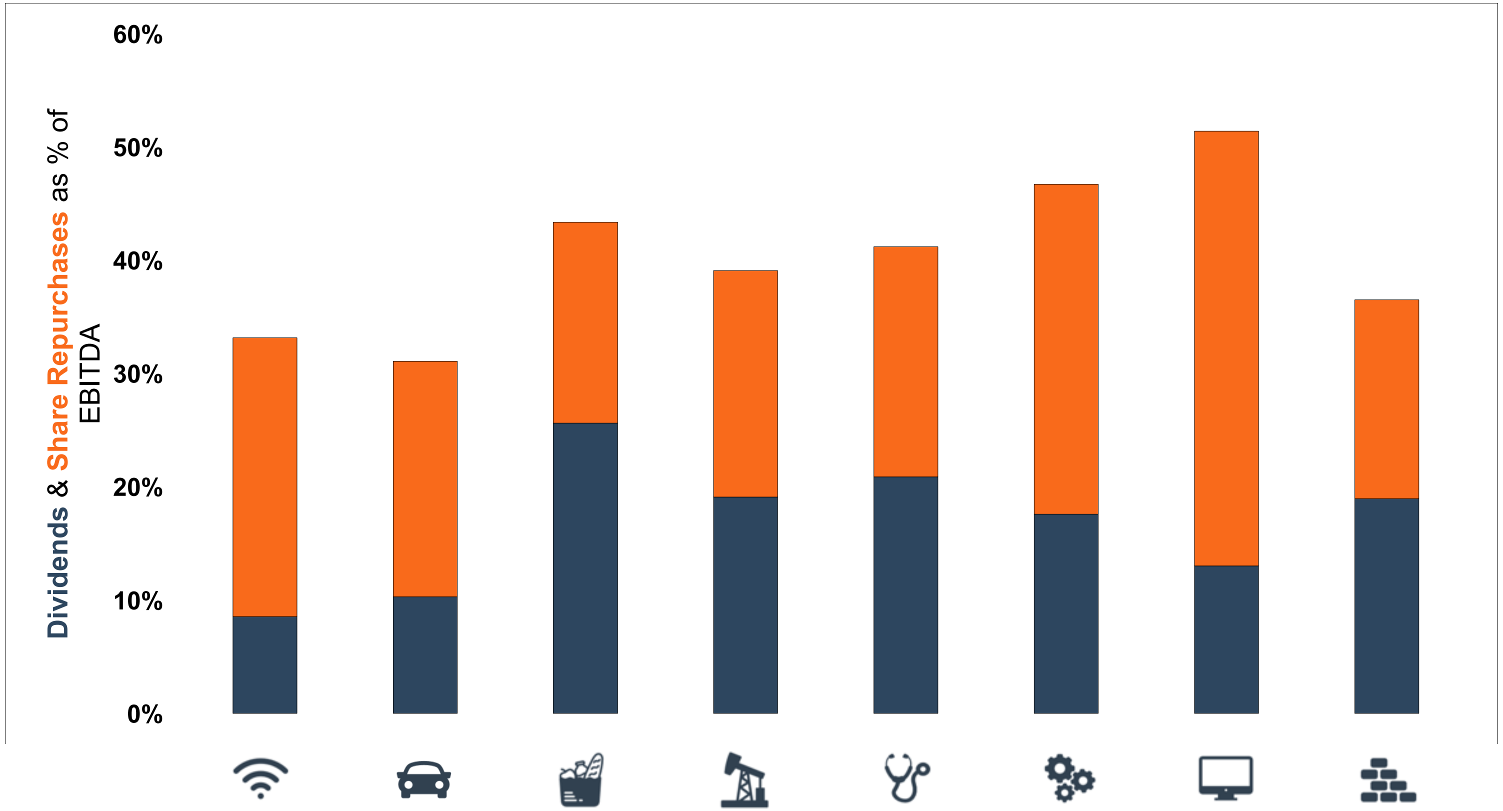
For public companies, aggregate share purchases typically exceed dividends paid.

Across the sample, dividends paid and share repurchases both increased 5% compared to CY24. Communication services companies saw the largest dividend growth, while industrial companies saw the largest share repurchase growth. Consumer discretionary, energy, and materials were the industry segments to see total distributions (dividends + share repurchases) decline year-over-year.

Capital intensive industries such as communication services devote a smaller portion of cash flow to shareholder distributions

Public Company Context – Distributions by Industry

Aggregate Distribution Data Reveals Differences Among Industries



Relative to consumer staples companies, consumer discretionary companies hedge their higher volatility by relying more on share repurchases than dividends.

Information technology companies were the most aggressive share repurchasers.

The Study reinforces that while every family business is unique, thoughtful comparison to peers can illuminate opportunities, highlight risks, and guide more confident strategic choices

Wrapping Up

- Drawing mainly from real-world data from selected clients, this Study seeks to provide a practical and comparable framework for family business directors to assess performance and make informed decisions.
- Several key themes emerged:
    - **Cash Management**: Cash balances declined modestly in 2025, signaling directors' willingness to operate with a smaller cushion.
    - **Debt Position**: Family businesses in the Study remained conservative in their use of debt relative to public company peers.
    - **Capital Investment**: Capital investment grew as directors weighed the benefits of future capital appreciation relative to current distributions. Strategic alignment and thoughtful evaluation of resource constraints remain essential when pursuing new projects.
    - **Revenue and Margins**: Revenue increased modestly, roughly in line with inflation, while margins remained flat. Benchmarking margins offer valuable insights into operational efficiency and industry positioning.
    - **Shareholder Distributions**: C corporation family businesses were much more likely to retain earnings to fund more substantial capital investment, while tax pass-through entities optimize the economic benefit of that status through more significant distributions.
- Ultimately, the Study reinforces that capital allocation is not a single decision. Cash reserves, debt, reinvestment, and shareholder distributions all interact.
- Directors and managers should use these benchmarks as conversation starters to evaluate whether capital is being retained, reinvested, or distributed in a manner consistent with long-term shareholder value.
- Contact one of our professionals to help you more effectively evaluate the performance of your family business.

Mercer Capital provides valuation, financial education, and other strategic financial consulting services to family businesses

MERCER CAPITAL'S

Family Business Advisory Services

We help family ownership groups, directors, and management teams align their perspectives on the financial realities, needs, and opportunities of the business.

We have had the privilege of working with successful family and closely held businesses for the past 40+ years. Given our experience, we are convinced that an effective board of directors and an engaged shareholder base are essential for the long-term health and success of a family business. Yet, equipping family business directors and cultivating an engaged shareholder base are often difficult. We can help.

Services Provided

- Customized Board Advisory Services
- Confidential Shareholder Surveys
- Management Consulting
- Benchmarking / Business Intelligence
- Independent Valuation Opinions
- Shareholder Engagement
- Transaction Advisory Services
- Shareholder Communication Support

Family Business Advisory Team

- **Travis W. Harms,** CFA, CPA/ABV • harmst@mercercapital.com • 901.322.9760
  Leader, Family Business Advisory
- **Bryce Erickson,** ASA, MRICS • ericksonb@mercercapital.com • 214.468.8411
- **Nicholas J. Heinz,** ASA • heinzn@mercercapital.com • 901.685.2120
- **Zac L. Lange,** CPA, ABV • langez@mercercapital.com • 901.322.9746
- **Kathryn Burke,** CPA, ABV • burkek@mercercapital.com • 832.209.7299
- **Derek P. Smith, ABV** • derek.smith@mercercapital.com • 832.966.0307

SUBSCRIBE TO OUR BLOG

Family Business Director

Corporate Finance & Planning Insights for Multi-Generational Family Businesses

CLICK HERE

Click the button to view previous posts and subscribe

MERCER CAPITAL

VALUATION & ADVISORY SERVICES

DALLAS OFFICE

12221 Merit Drive, Suite 975
Dallas, Texas 75251
214.468.8400

HOUSTON OFFICE

20333 State Highway 249, Suite 200
Houston, Texas 77070
832.740.1744

MEMPHIS OFFICE

5100 Poplar Avenue, Suite 2600
Memphis, Tennessee 38137
901.685.2120

NASHVILLE OFFICE

104 Woodmont Blvd. Suite 340
Nashville, Tennessee 37205
615.535.3589

WINTER PARK OFFICE

222 West Comstock Ave., Suite 221
Winter Park, Florida 32789
407.599.2825

www.mercercapital.com