

What's next?

Business owner seeks *fresh challenge?*



RVE – Realising value through Employee Ownership





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About RVE



RVE was founded to provide business owners with independent financial and legal advice on the sale of their business, with a particular focus on a sale to the business's employees through an Employee Ownership Trust ("EOT").

A sale to an EOT is now a mainstream option, and RVE expects EOT transactions to continue to grow in popularity as business owners become better aware of the significant tax and commercial advantages that an EOT transaction offers, as well as the benefits and incentives that becoming employee-owned bring to the business and its employees.

Employee Ownership?

Your journey starts here

Dear Business Owner



There is a right time for everything, including the time to move on from your business, be it to take up a fresh opportunity or quite simply because you have plans to retire. In these circumstances what should you do with your business? What's best for you, your employees and customers?

You will want a fair price for your business - it may be the source of your retirement funds - and you will likely consider options such as selling to a trade buyer or to management. These exit routes may get you to the right number in terms of valuation but can come with strings attached - such as an extended earnout period during which you have less control. Also guarantees for your valued management team and employees may be hard to secure, and what about the company identity and culture you worked to create?

That's where selling to an Employee Ownership Trust (EOT) comes in. An EOT is a trust which owns between 51-100% of a company, holding the shares on behalf of the company's employees. When you sell to an EOT you get more control and flexibility over the sale process and you also benefit from very generous tax reliefs. The owners take the sale proceeds over a number of years and can choose how long they wish to remain in the business in an operational role. They can also provide the succession planning for key employees and maintain the company culture.

From the employee perspective, the EOT model is empowering and rewarding and can provide a stable long-term ownership structure. Employees are more engaged and typically more motivated - having a real hand in how the business operates and develops. They can also share in the success of the company and can benefit from tax-free bonuses.

We hope you find this introduction to Employee Ownership Trusts informative and useful. If you would like to explore this further, we would be absolutely delighted to help you.

The RVE Team

EOT deals

- a mainstream exit option

There is no doubt that EOT deals are moving into the mainstream. The positive press coverage of high-profile EOT transactions, such as Richer Sounds, Aardman Animations, Riverford Organic Farms and Go Ape has raised awareness and moved EOT transactions from a niche area of the M&A market into a mainstream option to consider when selling a business.

At RVE we very much welcome this press coverage and the interest it is helping to stimulate. We firmly believe that the option of selling to an EOT remains underused.

Guardian News & Media

Richer Sounds founder hands over control of hi-fi and TV firm to staff

Chairman John Lewis in employee ownership as staff get £60,000 for each year they have worked



The high-profile Richer Sounds deal of May 2019 was an example of a well-known name choosing to convert to employee ownership. Whilst it is the large household names that grab the headlines, by far and away the largest number of EOT deals are in the SME sector.

Charlie Bibby / FT



Husband and wife founders of Go Ape Tristram and Rebecca Mayhew have stepped back from executive roles but will sit on the board of trustees of their newly formed EOT (Aug 2021)

There are around 2,500 UK businesses under EOT ownership as of July 2025 but this represents a small percentage of the 250,000 UK businesses of between 10 and 250 employees in the 'SME' sector alone. However, the number of EOT-owned SME businesses will grow strongly in the next five years as the benefits of the EOT structure are becoming better understood by business owners and their advisors.

Employee ownership is well represented across all industries in the SME sector. Our analysis shows however, an increasingly significant number of deals involving professional services businesses typically valued at between £5m and £30m for whom this model represents a particularly well-suited exit route. We expect to see many more EOT deals in this area.

Your future starts here

The decision to sell your business can be daunting but all business owners must at some time plan what comes next for their business. You may already have some idea of what you want to do personally and in what time frame but may have spent less time on planning the detail of how you get there and what that might mean for the business.

Employee ownership is still a relatively recent option so do some research of your own (we certainly feel that the contents of this booklet will help in that respect) and **take some advice**, speak to others that have chosen this route and consider joining the Employee Ownership Association (see details below).

Most business owners will benefit from specialist professional advice when selling their business. You should expect advice and analysis on the merits (and any shortfalls) of an EOT deal for your specific requirements as well as an analysis of alternative options together with modelling of those options. You can then make an informed and hopefully inspired decision!



Lifestyle pictures / Alamy Stock Photo

The Employee Ownership Association (EOA)

The EOA is a not-for-profit and politically independent organisation that represents businesses which are employee owned or transitioning to employee ownership across the UK.

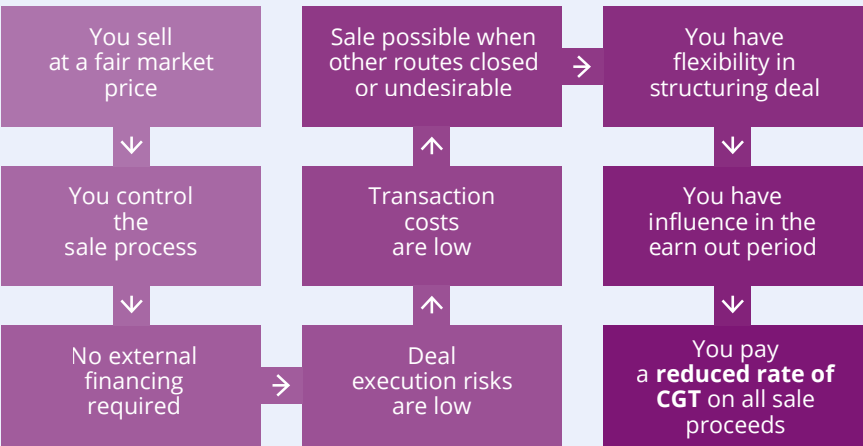


The EOA has been the leading voice for employee ownership in the UK since 1979. Supporting more than 1500 businesses, the EOA works in close partnership with its members to champion, promote and provide insight into the business case for employee ownership, and advocate the place of employee ownership within the UK economy.

Key advantages

of selling your business to an EOT

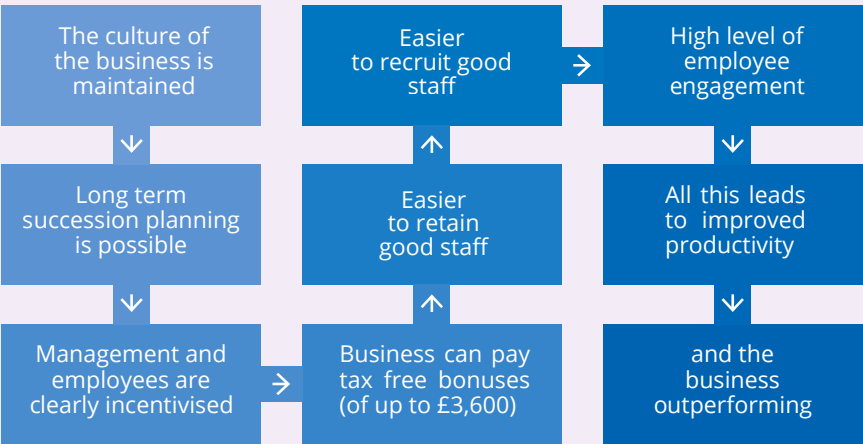
These include selling at a fair market price with reduced rate of CGT (12% from November 2025) on all sale proceeds including any surplus cash in the business distributed to the owners (which might otherwise be taxed as income at 35.75% or 39.35%).



Benefits

for the business *and* employees

These include being able to maintain the business culture post sale and to fully incentivise management and staff.



Qualifying conditions

to obtain the EOT tax reliefs

There are four key conditions that need to be met in order for the sale of the business to an EOT to qualify for the EOT tax reliefs:

The owners must be selling shares in a trading company or group

The EOT must acquire a controlling interest in the company at a fair value

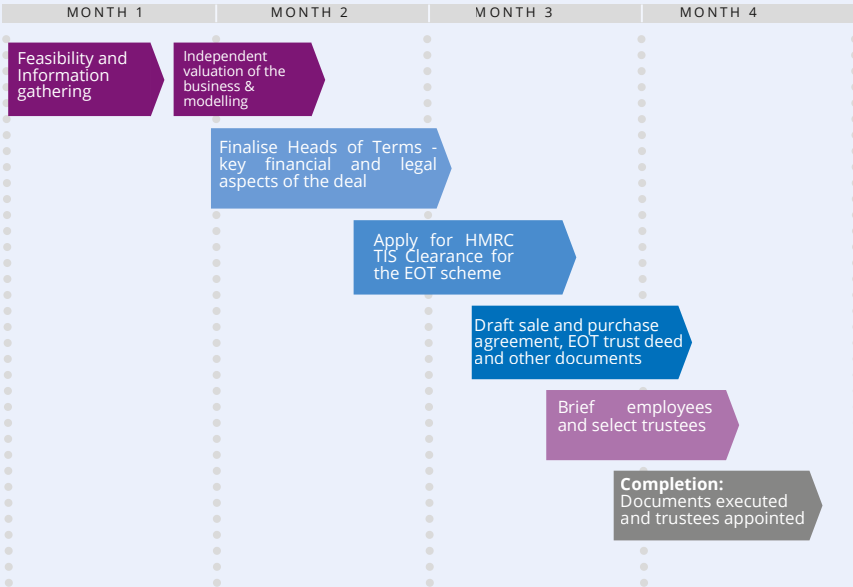
The company must have sufficient employees who are not shareholders or connected persons

The EOT must be established for the benefit of all the employees and the trustees must be able to act independently of the former owners

High level timetable

for an EOT transaction

Selling to an EOT is an “in-house” transaction that does not require detailed due diligence by the purchaser or fund raising. It can therefore be completed in a relatively short timeframe (typically 3 to 4 months).



Case Studies

Vibe Teacher Recruitment



Vibe Teacher Recruitment is an agency which places teaching professionals on permanent and temporary contracts with schools and colleges throughout London and its outer suburbs. The company employees around 60 staff who are based at its offices in West London.

In 2019 the Company was recognised as the No.1 “Best Workplace” UK at the Great Places to Work Awards Ceremony (photo below)

The Founder, Paul Harris, had a number of approaches from private equity and trade buyers to buy the business, but believed that these exit routes would not preserve the Company’s unique culture and business approach

In March 2021, RVE advised Vibe on its conversion to employee ownership through the sale of 100% of the shares in the Company to an EOT.

“The transition of ownership of the business from the Founder Shareholders to the employees, was definitely the right move for Vibe as our employees and community are extremely important to us. I had been speaking to RVE for a while about exit options and was very pleased I chose RVE to advise on the EOT transaction. Gerry and his team were very professional.”

Paul Harris, Founder of Vibe Teacher Recruitment Ltd, London.



You can watch an interview with Paul Harris where he discusses his decision to sell Vibe to an EOT on our website: **www.rvecf.com**

Case Studies

TTP Group Limited



TTP Group is a technology and life-sciences research consultancy with c.400 employees based at its campus near Cambridge. Although originally owned by the employees who formed the business in the 1980s, by 2019 it was owned only 27% directly by employees, with the balance held by an EBT (12%), ex-employees (50%) and a corporate investor (11%). In total there were c 1,000 shareholders on the share register.

The Company retained a strong employee-ownership / engagement ethos, but its ownership structure was not congruent with this ethos. In 2020 RVE was appointed by TTP to advise on the feasibility of moving the Company back to full employee ownership. The Company wanted to know whether an exit at a fair value could be achieved for its current shareholders (mainly ex-employees) whilst also creating a new sustainable ownership structure that would always have the Company's employees owning the business.

After a detailed review process, the Company decided to establish an Employee Ownership Trust ("EOT") which made an offer to all shareholders in July 2021. The Offer was structured so that shareholders achieved fair value for their shares in the form of cash payable at completion, deferred consideration payable over a 8 year period and contingent consideration based on the value obtained from disposal of a number of TTP's subsidiaries established to develop new technologies

The Offer completed in August 2021 and the EOT now holds all of the shares in the Company on behalf of the employees, creating a "partnership" structure through which all employees can participate in the benefits and share the responsibilities of ownership.

"We are delighted to have implemented a structure which returns TTP to full employee ownership. We very much enjoyed working with the teams at RVE and Fieldfisher. RVE's professional and innovative approach played a key role in creating our new EOT ownership structure, and helped both our shareholders and employees understand the benefits that the Offer would bring. I hope the path we chose will also be chosen by other companies in a similar situation"

Dr. Peter Taylor, Chairman, TTP Group Ltd



You can watch an interview with Dr. Peter Taylor where he discusses the Company's decision to convert to employee ownership through use of an EOT on our website: www.rvecf.com

How selling to an EOT

compares to traditional exit routes

The table below highlights the advantages for owners of selling to an EOT versus a trade sale and MBO. Selling to an EOT achieves a fair market price for the owners and benefits from favourable tax treatment. Selling to an EOT is also possible when other exit routes are closed or undesirable.

	EOT Transaction	Trade Sale	MBO with external finance	MBO with vendor finance
You sell at a fair market price	✓	✓	✓	✓
You can incentivise management and staff with equity	✓	?	✓	✓
You can continue working in the business	✓	?	?	✓
You have flexibility in structuring the deal	✓	X	X	✓
Purchaser doesn't need to raise debt or equity finance	✓	?	X	✓
You have influence in the earn out period	✓	X	X	✓
Business culture is maintained	✓	?	?	?
Deal execution risks are low	✓	X	X	X
You pay a reduced rate of CGT on the proceeds	✓	X	X	X
Tax free staff bonuses are possible (up to £3.6k p.a. per employee)	✓	X	X	X

Most business owners will benefit from specialist professional advice when selling their business. When RVE is appointed it works with business owners to understand the business and their goals and helps determine the most suitable exit route. RVE will provide expert advice and analysis on the merits (and any shortfalls) of an EOT for your specific requirements as well as analysis and modelling of any alternatives.

You need to make the right decision and can only make that decision once!

The RVE leadership team



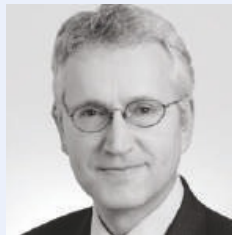
RVE is a corporate finance advisory firm which advises owners of small and medium sized companies ("SMEs") on the sale of their business. We specialise in structuring employee buyouts, where the owners sell the business to a newly formed employee ownership trust ("EOT"). With our in-house legal capabilities we can provide clients with a full-service advisory team from inception to completion of any EOT.

If the most suitable route is not an EOT transaction then RVE has the experience to advise the business owners on alternatives, whether for example a trade sale, private equity funded management buyout or vendor funded management buyout.

The team at RVE includes experienced chartered accountants and corporate finance advisers who have previously worked together at PwC Corporate Finance.



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RVE – Realising value through Employee Ownership

“We are delighted to have implemented a structure which returns TTP to full employee ownership. We very much enjoyed working with the team at RVE. Their professional and innovative approach played a key role in creating our new EOT ownership structure, and helped both our shareholders and employees understand the benefits that the Offer would bring. ”

Peter Taylor – Co-Founder, TTP Group

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For more information on RVE please see: www.rvecf.com

