

EOT *Survey*

2020 Results

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About the webinar

**Thank you for joining us for today's webinar
"EOT Survey – 2020 results"**

- The presentation will last 20 minutes
- A 10-minute Q&A session will follow
- A recording of the webinar will be made available on www.rm2.co.uk and on YouTube
- Today's presenter is: **Nigel Mason – Senior Associate**
nigel.mason@rm2.co.uk

Employee Ownership Trusts

- Introduced in the Finance Act 2014
- Encourages transitions to majority employee ownership
- Provides CGT relief for business owners who sell a majority stake to an EOT
- Provides the means to give income tax-free bonuses to employees
- The trust must operate for the benefit of all employees on similar terms

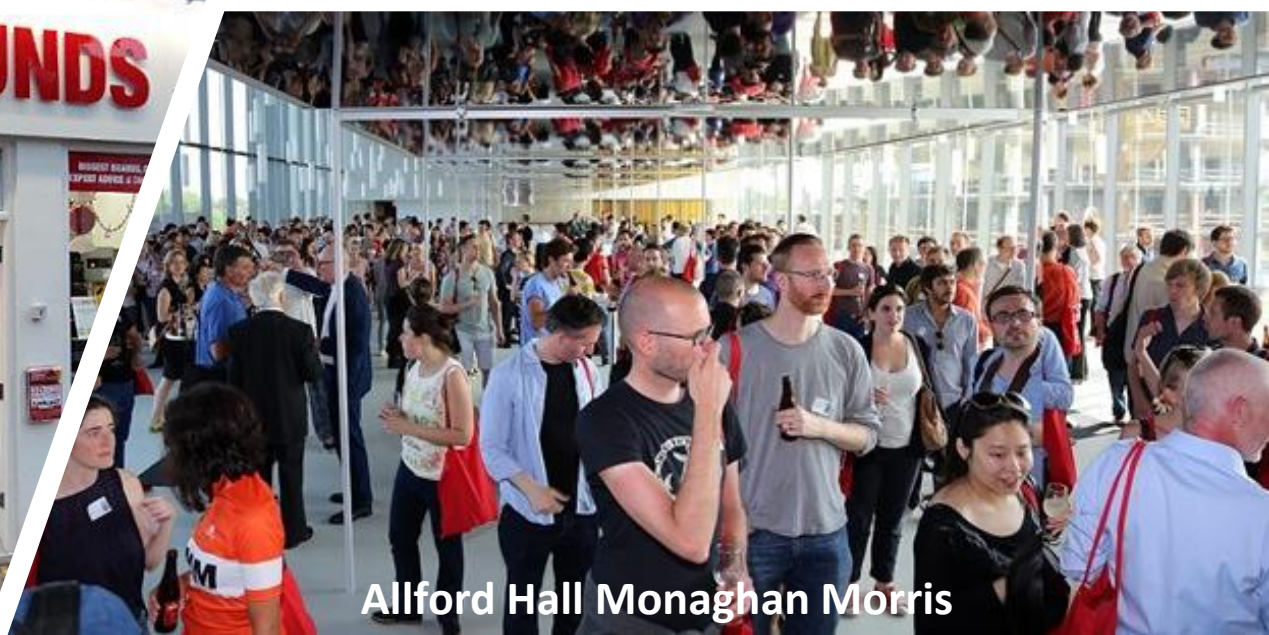




Aardman Animations



Riverford Organics

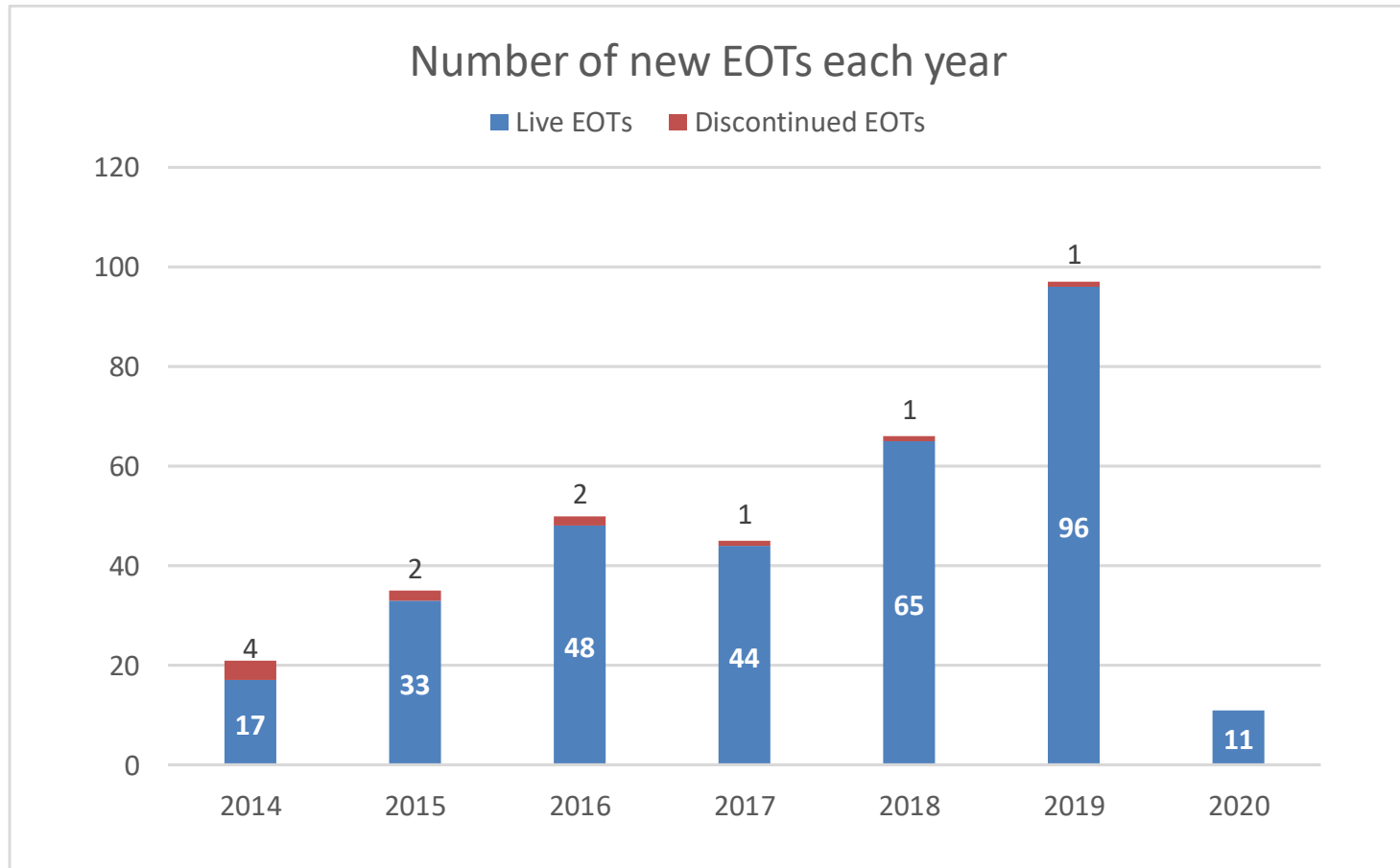


Allford Hall Monaghan Morris

Survey and Methodology

- EOT Survey started in October 2015 to monitor the growth in the EOT sector.
- EOT companies were identified from multiple sources: Companies House records, EOA member firms, internet searches and the EOT Survey website.
- The list was closed for analysis in mid-March 2020.
- Percentage ownership and date of EOT establishment were obtained from Companies House records and verified with advisers where possible.
- Employee numbers for larger EOT companies were obtained from their latest accounts filed at Companies House. For smaller companies that are not obliged to file full accounts, employee numbers were estimated from total assets, which is disclosed for all companies.
- Location and trade sector were downloaded from FAME, a data service owned by Moody's.
- We are grateful to Professor Andrew Robinson at the [White Rose Employee Ownership Centre](#) for his support in cross checking our list of EOTs.
- We hope to have more results (and more EOTs) by the time of the EOA conference in November.

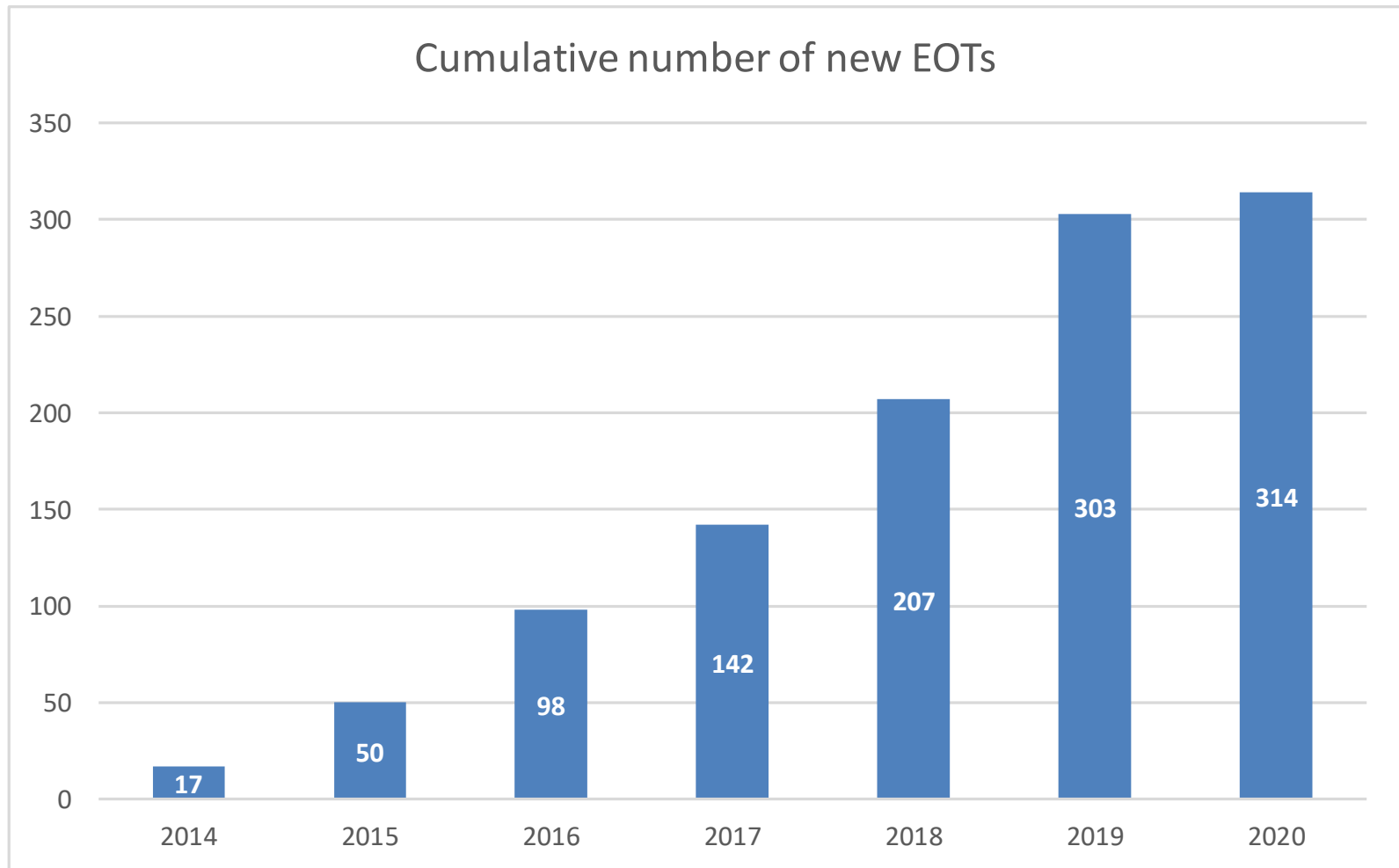
2019 was a record year for EOTs



Year means the calendar year when the EOT first acquired shares, usually a controlling interest, in its sponsoring company. Data for 2020 is up to the middle of March.

Including 11 discontinued EOTs, there have been 325 new EOTs in total since mid 2014.

There are now 314 live EOTs



Data for 2020 is up to the middle of March.

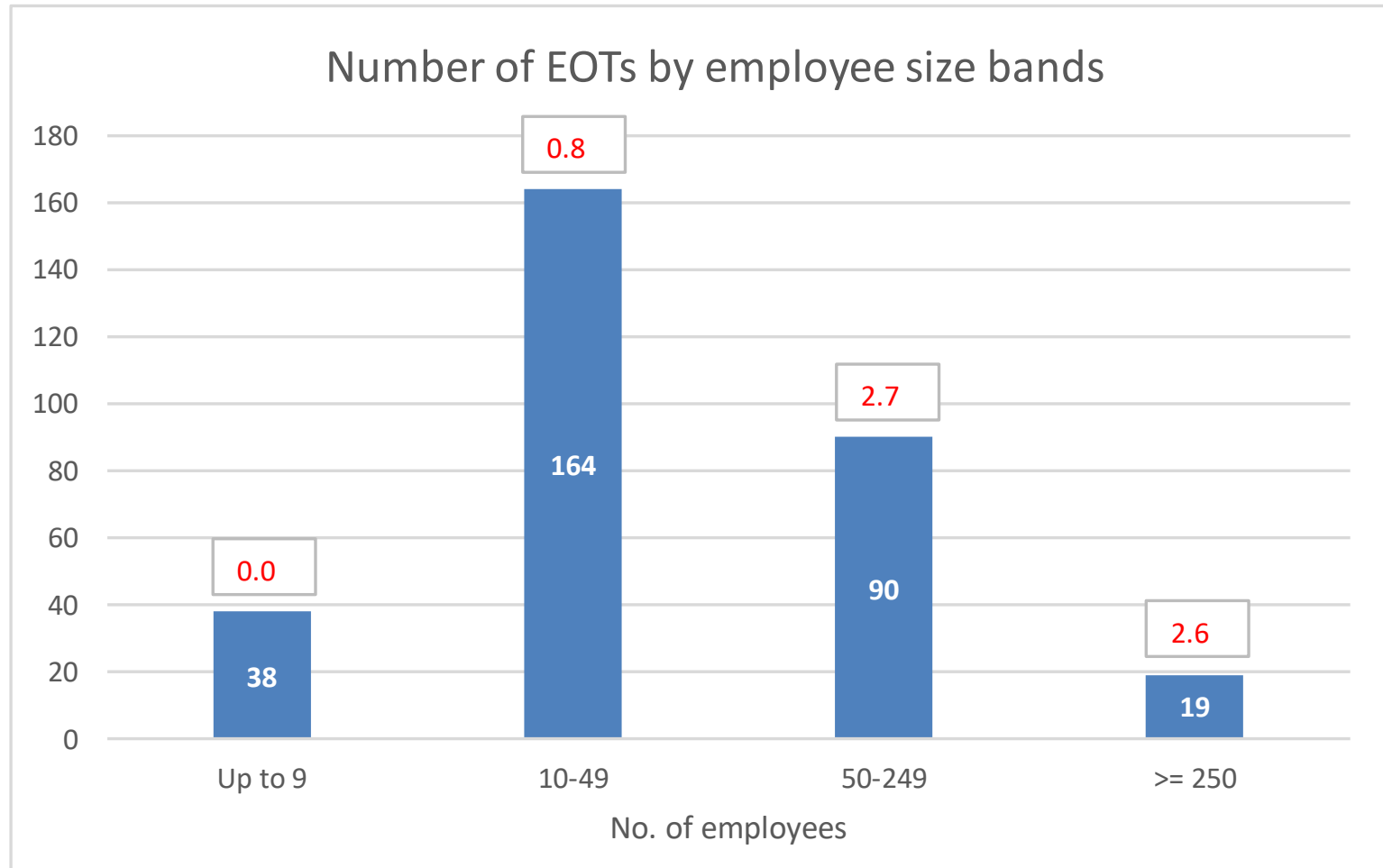
On current trends, there could be nearly 2,000 EOT companies by 2030.

EOTs now represent a significant sector

	New EOTs	Deemed EOTs	Total EOTs
No. of companies	314	36	350
Employees	28,000	87,000	115,000

1. Data as at mid March 2020.
2. The larger number of employees in deemed EOTs is attributable largely to the John Lewis Partnership.
3. For smaller companies that publish abbreviated accounts, employee numbers were estimated from total assets, which is disclosed for all companies.
4. The following slides relate only to the new EOTs.

EOTs are popular in smaller companies

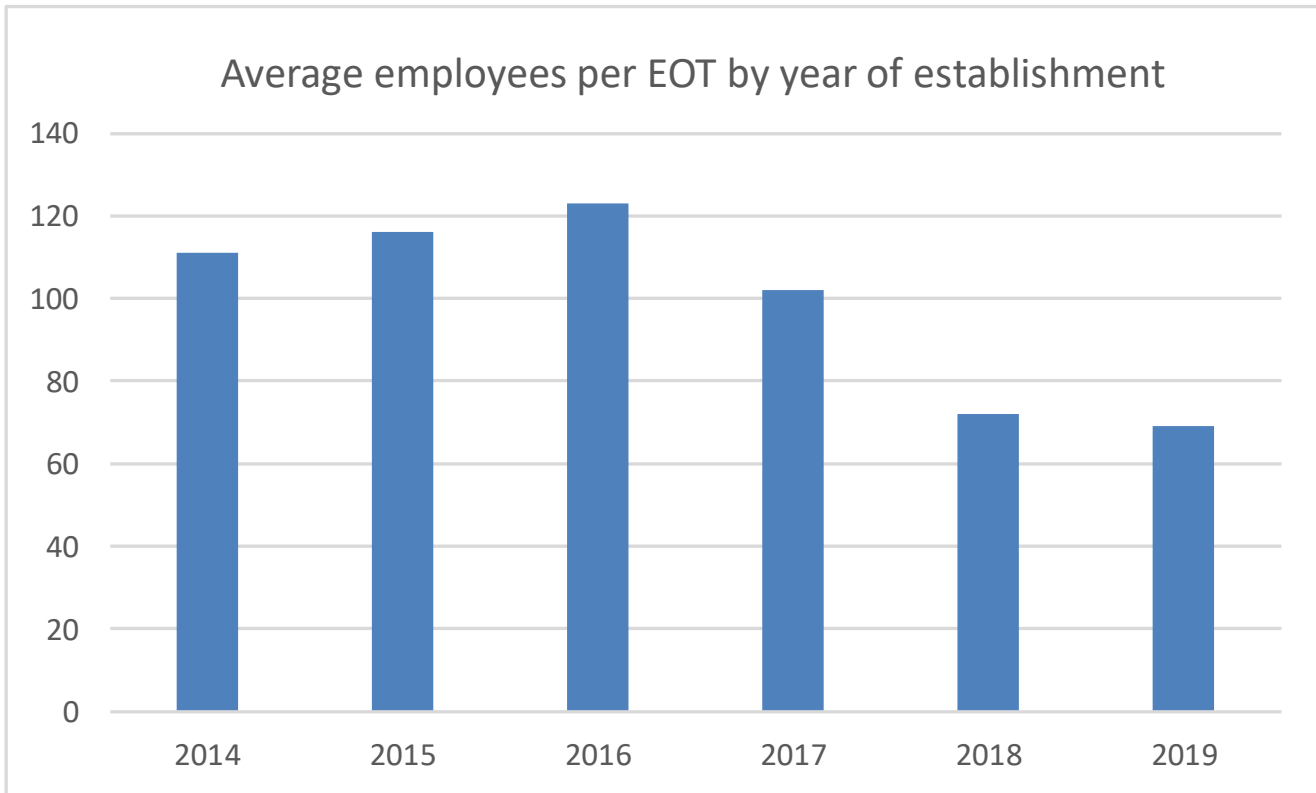


Figures in red denote number of EOTs per 1,000 private companies in that size range nationally. EOTs have the highest take-up in companies with between 50 and 249 employees.
Source: Oxford Economics report for Institute of Family Businesses 2019

Largest EOTs by employee numbers

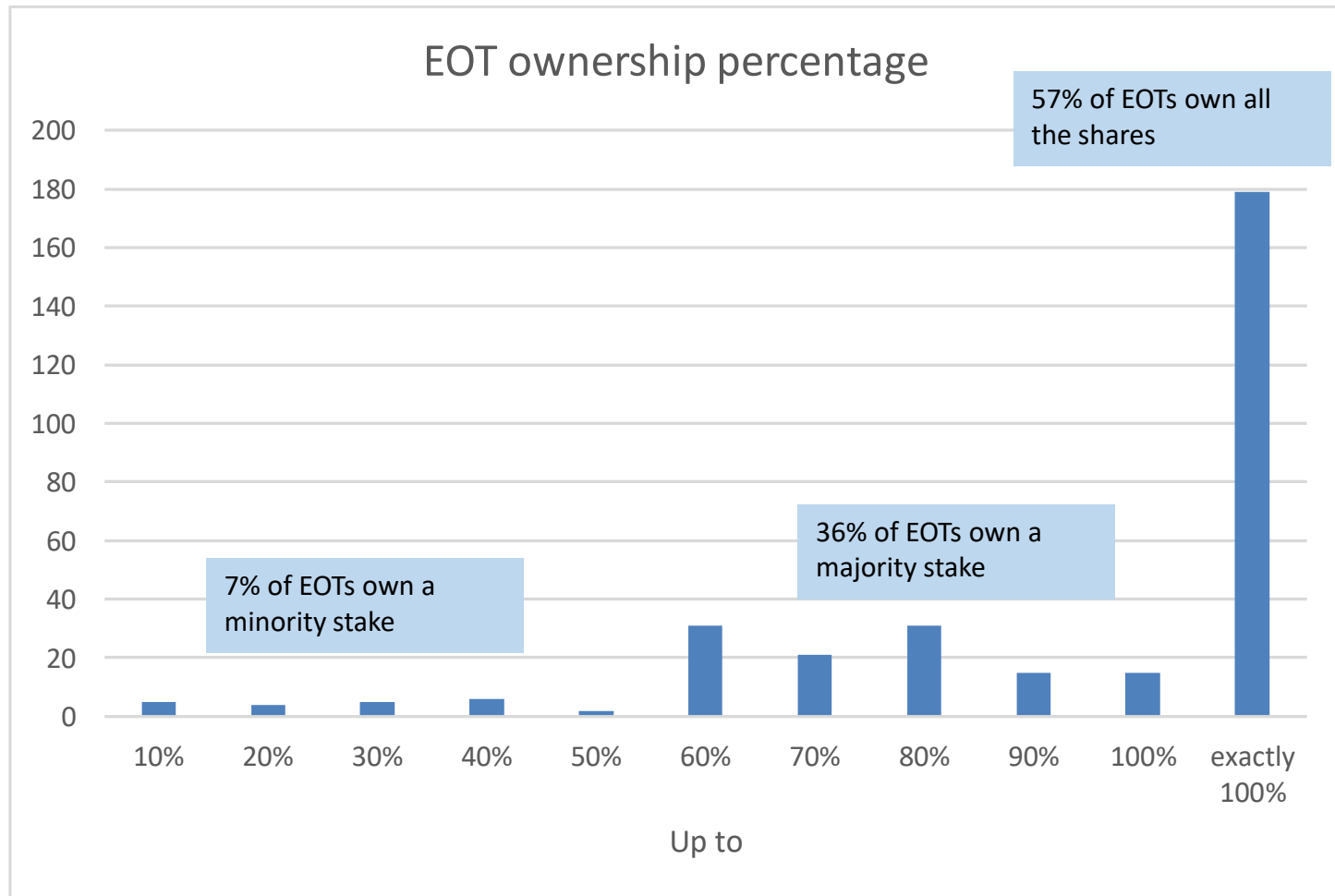
	Name of Topco	Employees	Turnover	Date	EOT %
1.	Control Risks Group Holdings Limited	2,637	£227.3m	Feb-16	100%
2.	Childbase Partnership Limited	1,922	£51.9m	May-17	100%
3.	Seetec Business Technology Centre Limited	1,341	£80.3m	Dec-19	51%
4.	Agilisys Holdings Limited	1,327	£129.1m	Jul-15	57%
5.	BE Caring Together Ltd	808	£15.5m	Dec-14	51%
6.	Alfa Leisureplex Group Limited	700	£42.2m	Jul-15	75%
7.	Riverford Organic Farmers Limited	699	£68.1m	Jun-18	74%
8.	Erith Holdings Limited	651	£190.3m	Nov-16	100%
9.	Richer Sounds Limited	498	£171.2m	May-19	60%
10.	Broadway Malyan Holdings Limited	496	£47.1m	Nov-16	59%

As EOTs have grown, they have become more popular in smaller companies

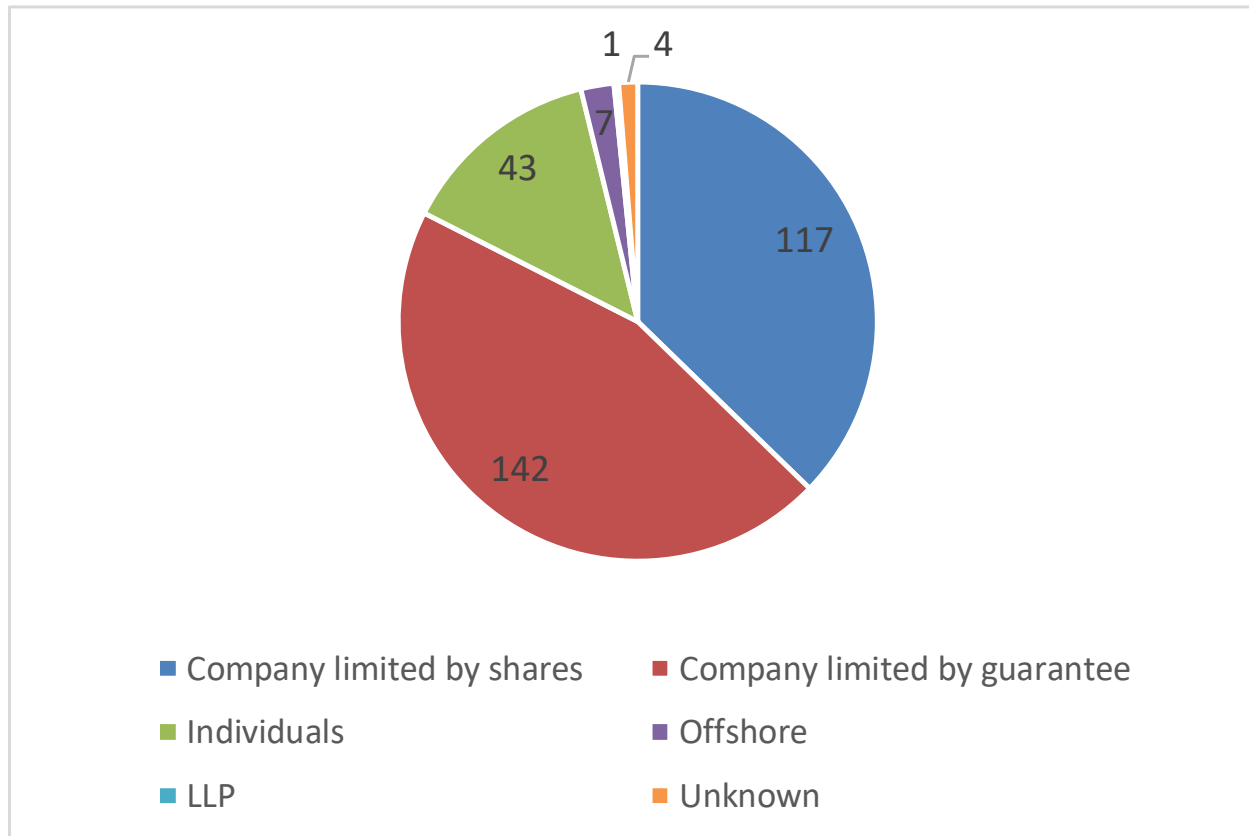


The mean number of employees per EOT overall is 90. The median number is 29. The change to entrepreneurs' relief announced in the March 2020 Budget should increase the attractiveness of EOTs to larger companies.

A majority of EOTs own 100%



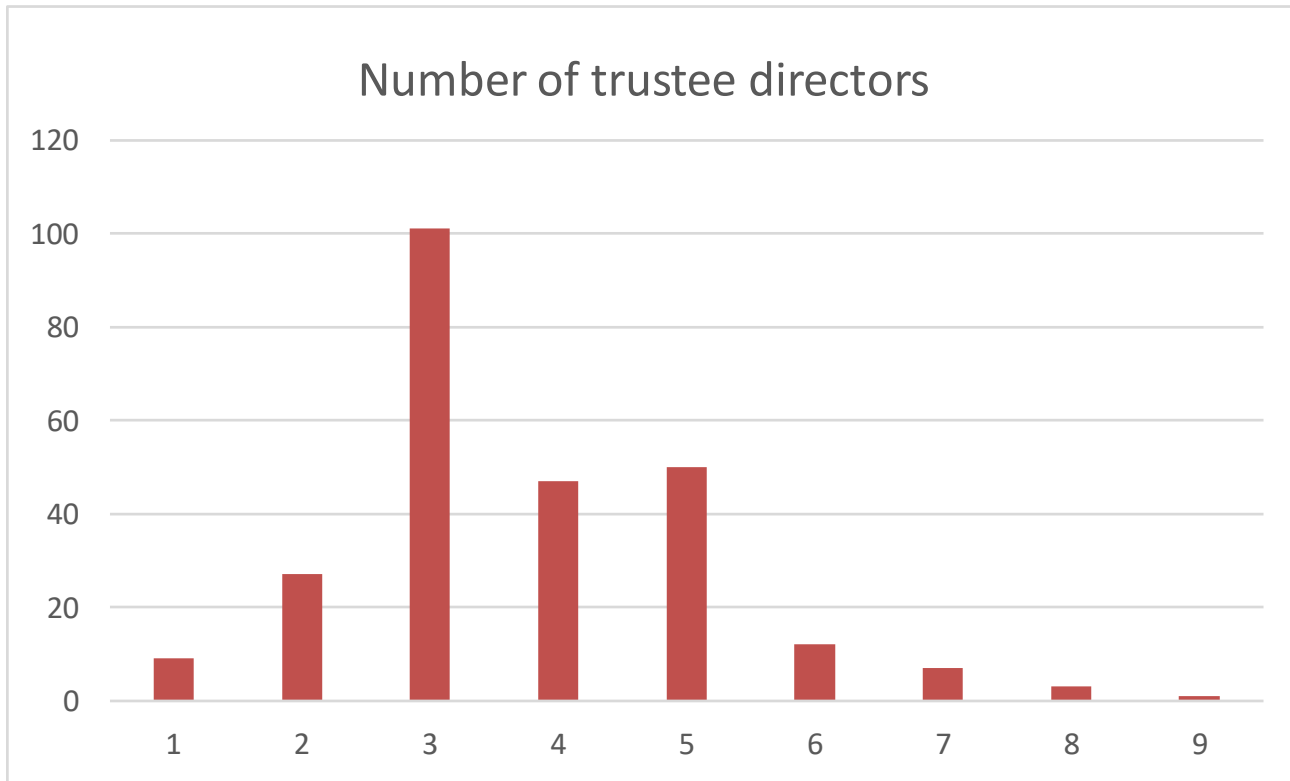
Type of EOT trustee



Only 37% of EOT trustees are established as companies limited by shares, despite the fact that this is the only type of trustee structure which both affords the protection of limited liability for individuals and allows companies to operate an EMI share option scheme.

The offshore trustees are in larger EOT companies, with average employee numbers of 604.

Number of trustee directors

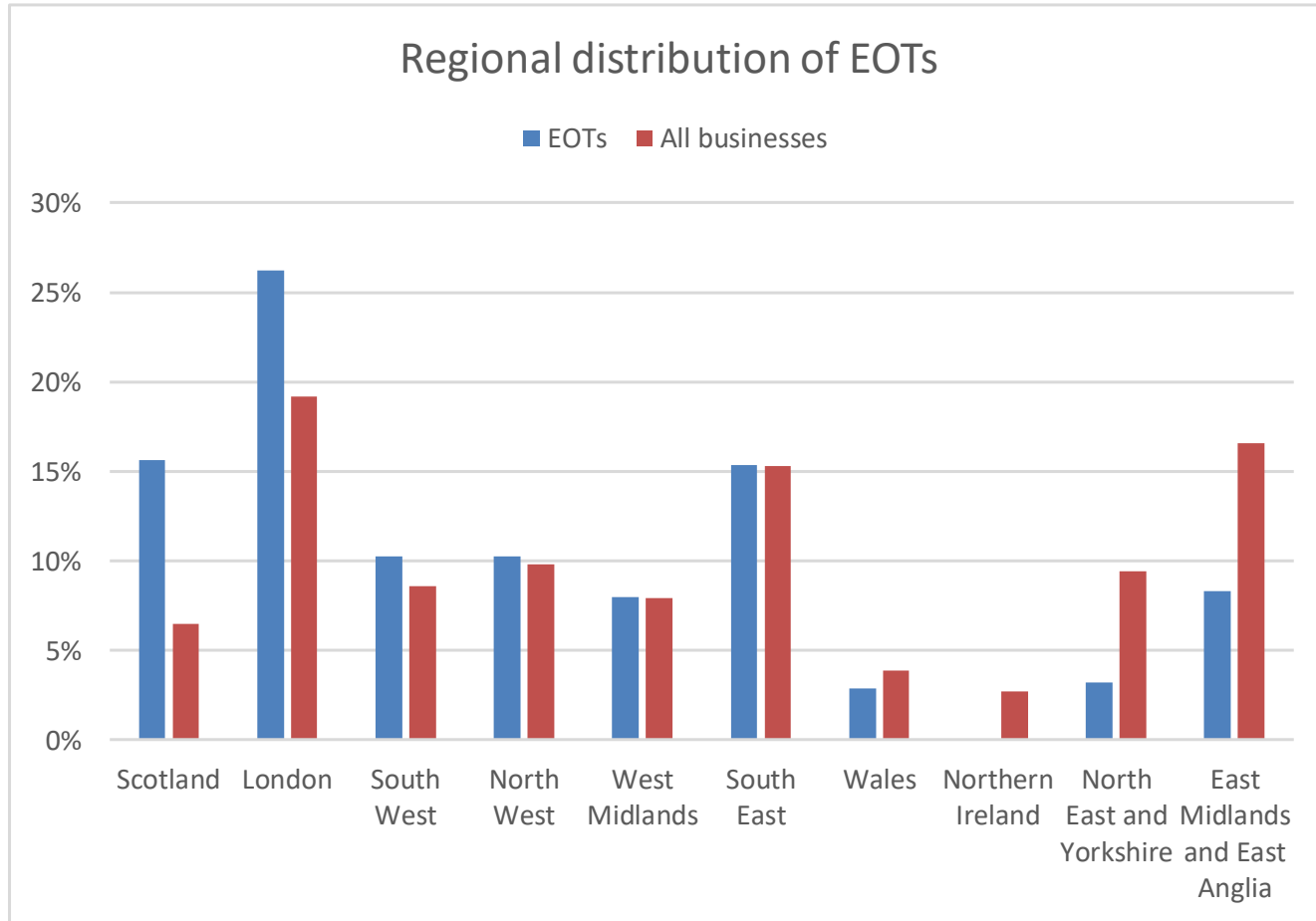


Proportion of trustee boards where at least one director has no other directorships: 69%

Proportion of trustee boards where such directors are in a majority: 29%

Proportion of trustee boards that appear to have independent professionals: 19%

EOTs are well represented in Scotland and London

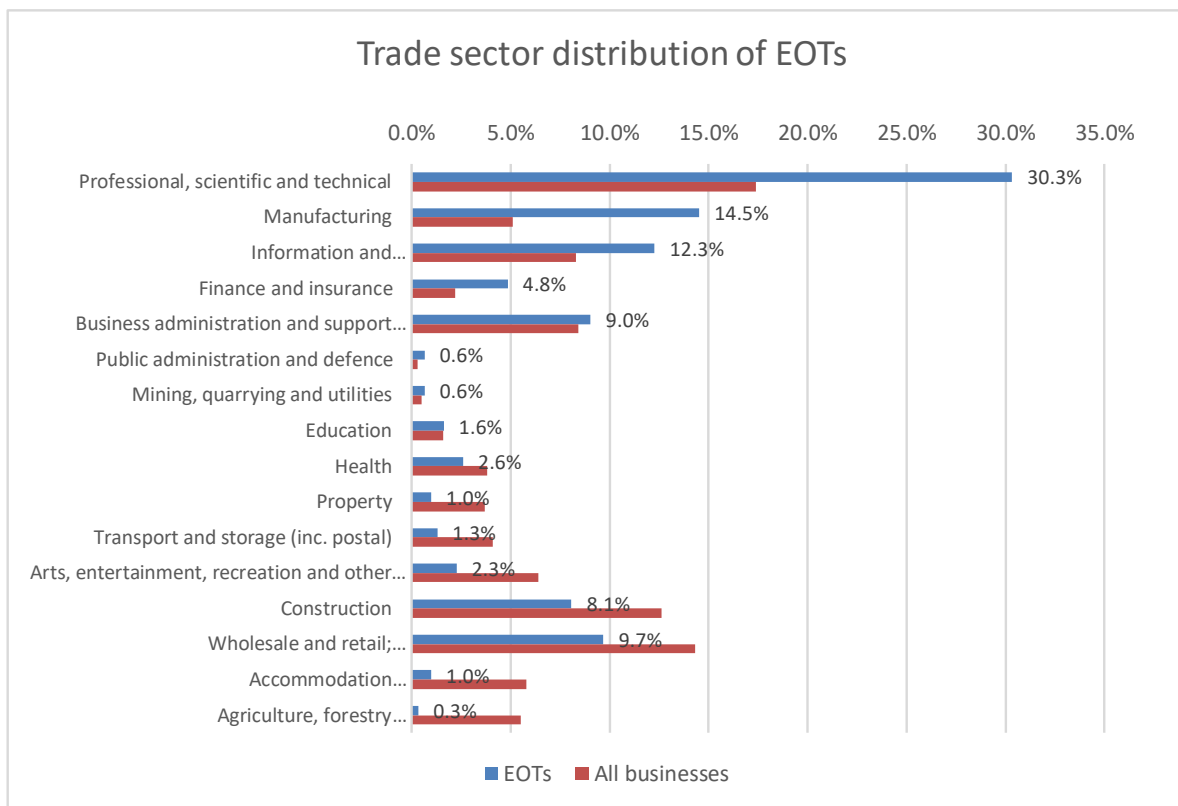


The regions are ranked in decreasing order of relative EOT representation.

The prevalence of EOTs in Scotland can be explained by the prominent role of Scottish Enterprise in promoting them and in subsidising feasibility analyses. The prevalence of EOTs in London can be explained by the large number of professional service businesses headquartered in the capital city.

Source data: ONS, number of VAT and/or PAYE registered businesses by region, 2019.

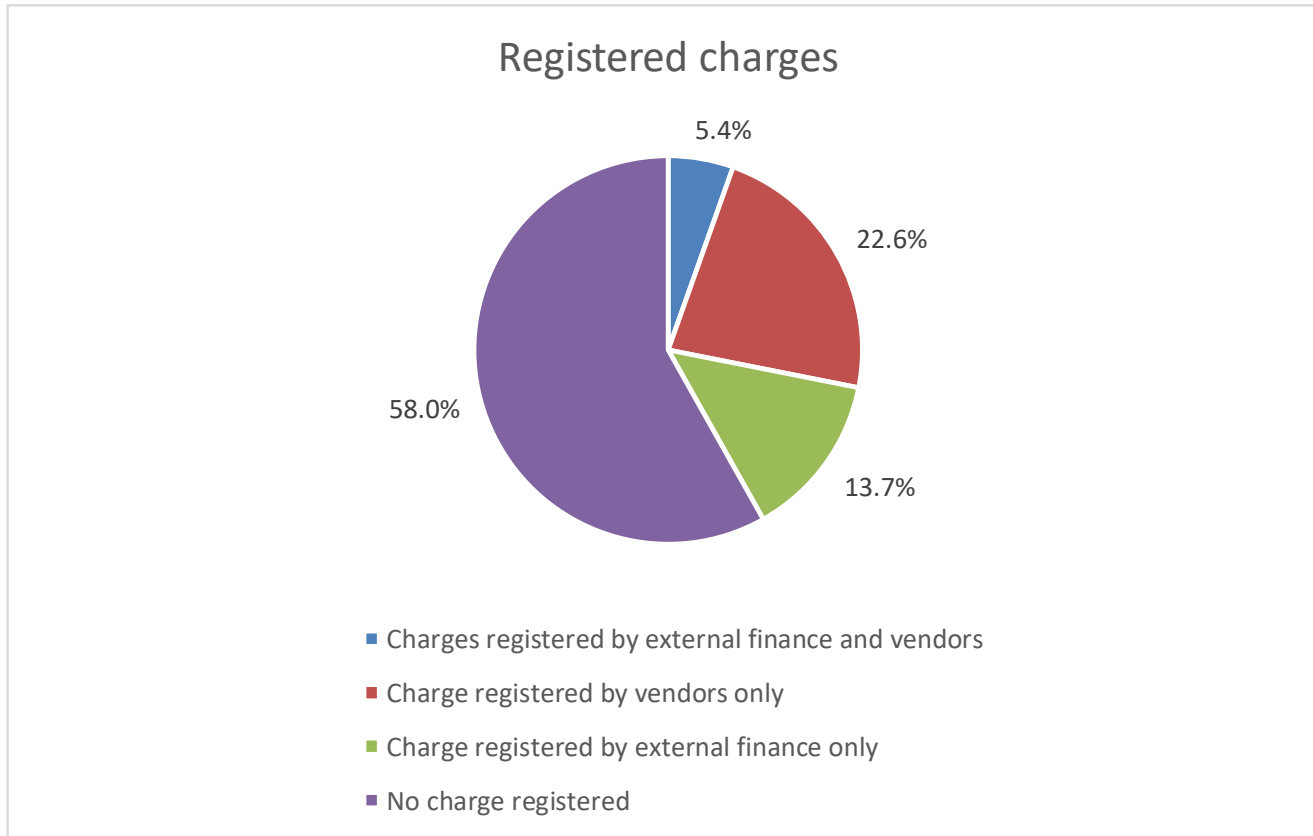
EOTs are well represented in the professional services and manufacturing sectors



The trade sectors are ranked in decreasing order of relative EOT representation. Nearly one third of all EOTs are in the professional services sector.

Source data: ONS, number of VAT and/or PAYE registered businesses by industry group, 2019.

One in five EOTs is externally financed



Most EOTs are vendor financed to an extent, so the fact that 72% of EOTs have no charge registered in favour of the vendors must mean:

- Some may involve no deferred consideration
- Some may have charges registered at the subsidiary level
- Most vendors are willing to accept deferred consideration without security

Please complete the survey or, if you are an adviser, please encourage your clients

eotsurvey.co.uk

Questions?

Thank you for joining

A recording of this webinar should be available on the RM2 website by the end of the week.

If you have any follow up questions after today's session, please do not hesitate to contact me:
nigel.mason@rm2.co.uk

You may be interested in our next EOT webinar:

Subject: "Introduction to EOTs"

Presenter: Richard Cowley, Director, RM2

16:00 on Wednesday 13th May

Register on the RM2 website under "Resources"