Case Study: Employee Ownership Trust [EOT]

Client: Interiors by Abode Limited

About the company

Abode (Interiors by Abode Limited) was founded in 2015 in Leamingron Spa by Interior Designer, Jon Pilling. Specialising in creating design-led interiors, with environmental consciousness at their core, Abode have built a successful business designing detail driven showhomes for new build property developers throughout the UK.

Their business model relies on building strong relationships with a strong focus on trust and dependency together with creative, industry leading design for their clients. B Corp Certification emphasises the importance for Abode of commitment to their existing values of social and environmental transparency and accountability.

ABODE
SHOWHOME INTERIORS

The idea of using the EOT was attractive to me because it answered all the key questions I had surrounding Abode's future: Can Abode continue after I retire? How can I ensure the team's jobs to be secure? Can the current team be better rewarded for their hard work?

Jon Pilling - Interior Designer
Interiors by Adobe Limited

Why an EOT?

By 2025 the business employed more than 25 employees and many more key subcontractors. Jon, with many years of experience behind him, was starting to consider succession planning. In fact, he was well ahead of the game here, with an eye to a long handover period. With no immediate exit in mind, Jon found out about the EOT as a considered exit route from a family member, whose business had already taken the step to transition to employee ownership.

A minority shareholder in the business was also keen to obtain a pure exit.

For Jon, the EOT answered a lot of questions about the next steps for ownership at Abode:

- The values of the business, in particular the B Corporation Certification, aligned perfectly with the concept of wider ownership among the wider group of employees – the people who had helped build success in the business.
- Prior to the EOT, the Company operated an employee wide bonus scheme, so the concept of profit share for the team was already embedded in the Company's culture.
- The gradual transition provided by the EOT meant that Jon had plenty of time to get the next generation of managers fully invested in their new management roles, ensuring that his financial return would be delivered over a timeframe corresponding with long term succession planning for the business.
- Using an EOT requires a change of ownership but not management. With Jon remaining as a director on the Company's board, this delivers a strong element of continuity for the business, including providing comfort for clients.
- Selling to the employees ensures that the soul of Abode remains unaltered – the business can continue to offer the same superior and trusted service levels to its customer base.
- The sale of the shares to an EOT delivered a tax efficient exit not only for Jon, but for the other minority shareholder who had not involvement in the business.

> *"RM2 made the whole process of the EOT clear, simple and seamless."*

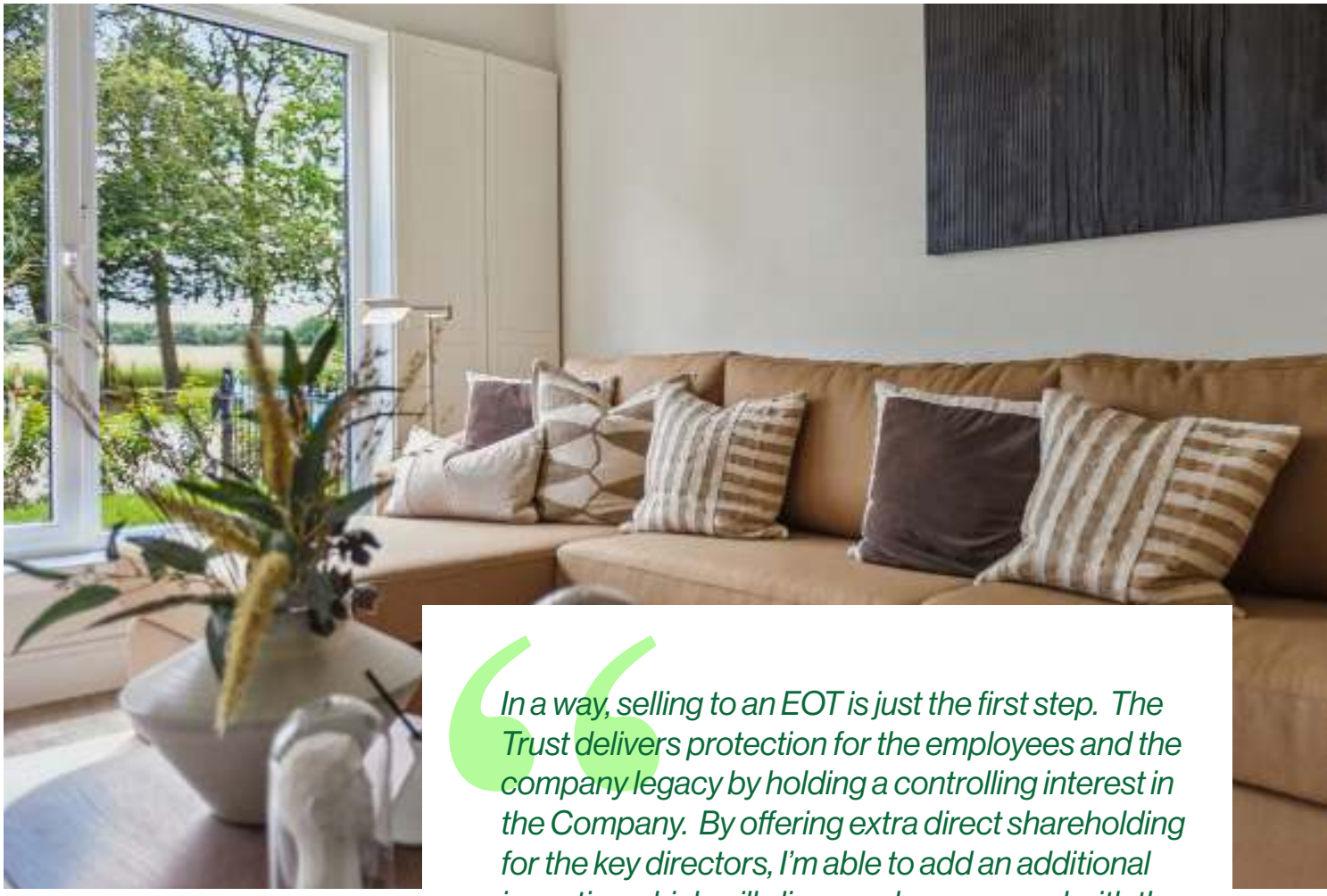
Jon Pilling - Interior Designer
Interiors by Adobe Limited

How RM2 helped

RM2 helped throughout the EOT transaction from our initial call with Jon through to completion. Our feasibility study provided important background for Jon including information about EOT governance, the best choice of EOT trustees and the key financial elements, including likely repayment periods.

Having ascertained that the EOT was the right direction for Jon and his business, we supported Abode throughout the transaction. As well as arranging the key transaction documents, we established the EOT itself, including appointing appropriate trustee directors, and ensured the provision of an independent valuation to be delivered to the trust board prior to completion.

There was a big change to the tax treatment of EOTs part way through this transaction but for Jon, tax was only one part of the bigger picture. Despite the increase in the CGT charge on the transaction, a sale to an EOT still delivers a very tax efficient exit route for owners, so the transaction continued to completion.



In a way, selling to an EOT is just the first step. The Trust delivers protection for the employees and the company legacy by holding a controlling interest in the Company. By offering extra direct shareholding for the key directors, I'm able to add an additional incentive which will align employee reward with the debt repayment. So everyone is working towards the same goal!

Jon Pilling - Interior Designer
Interiors by Adobe Limited

Now

Abode is now 100% owned by an EOT on behalf of all of the employees. The next steps for Jon are to start building on the succession strategy, training and mentoring the next generation of managers. To cement the ongoing commitment of future leaders, the Company is currently in the process of establishing an Enterprise Management Incentive (EMI) option scheme, on which RM2 is also advising.

RM2

For shareholders and employees to own the future of their business.

020 8949 5522
enquiries@rm2.co.uk