Case Study: Multiple Share Plan solutions for a fast growing VC backed business

Client: Stark Software International (Holdings) Limited

About the company

Incorporated in 2016, Stark has been helping organisations cut energy costs and change the way people use energy for more than 40 years. Stark employs over 500 talented individuals and combines state of the art metering, reliable data and flexible reporting to provide unparalleled insight into energy consumption. With more than 30,000 non-domestic customers throughout the UK, Stark is one of the leading UK energy data services providers.

Adapting equity incentives in a growing company

Employee share ownership has been fundamental to Stark from the outset. They operated an Enterprise Management Incentive (EMI) scheme for key employees until around 2020, with an Employee Benefit Trust (EBT) acting as an internal market place.

By that time, a series of successful acquisitions meant the company had too many employees to qualify for EMI. In addition, external investment from venture capital meant that Stark was no longer a small, privately held company, but a larger and very fast-growing enterprise, with external investors strongly focused on returns.

A new approach to employee equity incentives was required.

Multi-share plan solutions

Between 2019 and 2024, Stark and RM2 worked together to create a suite of share plan solutions tailored to meet the company's exacting requirements. These include:

An all-employee Share Incentive Plan (SIP): Stark uses all the flexibility provided by this tax advantaged share plan, with employees offered the opportunity to acquire Free Shares, buy Partnership Shares, and receive a further free (Matching) Share for each Partnership Share bought. The approach ensures that every employee has the chance to acquire shares in the business; and for those who are happy to invest a small amount, any financial risk is mitigated by the additional Matching Shares being made available.

A tax-advantaged Company Share Option Plan (CSOP): options can be awarded to all employees, but on a discretionary basis. The 3-year exercise period attaching to CSOP options encourage retention of key staff. After 3 years, employees can either take a financial risk by exercising options and becoming shareholders; or they can retain their options, and still benefit from a future exit should one arise.

Growth Shares: this is a higher risk, higher return share plan aimed at the most senior employees. Tax efficiency is delivered by way of Capital Gains Tax treatment should an exit occur.

> *Equity incentivisation has been a key part of aligning our team and providing long term incentive and reward.*

Joel Stark, Founder and Managing Director

Outcome and the future

Stark has negotiated a carefully planned growth strategy to achieve its current position as a fast-growing medium sized business with venture capital backing. Investors will inevitably seek an exit in the future, but the variety of share plans in place ensures that Stark's employees will be in a good position to see returns themselves when the inevitable exit arrives.

How RM2 helped shape the future

In addition to designing and drafting the share plan documentation, the team at RM2 assisted with various areas of work required to ensure the success of this complex share plan programme, including:

- Acting as corporate trustee first of the EBT and then of the Share Incentive Plan;
- Agreeing valuations with HMRC in respect of all the tax-advantaged share plans;
- Building a tailored on-line portal for CSOP and SIP participants;
- Assisting and delivering employee communications as required; and
- Managing the compliance and administration of all the share plans, including managing all share plan reporting to HMRC.

> *There is a clear correlation between the introduction of the various schemes and the growth of Stark.*

Joel Stark, Founder and Managing Director

Drawing on their deep experience and technical know-how, the RM2 team delivered a comprehensive, end-to-end service that helped ensure the smooth implementation of a complex suite of employee ownership share schemes. RM2 combined expertise and collaboration to turn a need for share plans into a well-managed success story.

> *We are extremely proud to have the vast majority of our colleagues now participating in the SIP, CSOP or Growth Share schemes, who are now able to participate in the equity value they create.*

Joel Stark, Founder and Managing Director

RM2

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

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