

| Deal Type: | Sale to Trade or Investor | Management Buy-Out (MBO) | Sale to Employee Ownership Trust |
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| Definition | Sale to a third party buyer, a trade buyer with a strategic interest or an investor group / Private Equity firm | Sale to an identified / existing management team within the business | Sale to a new trust entity set-up for the benefit of the employees of the business. |
| Valuation | Possible to achieve a premium value from a buyer with funds and strategic interest | Valuation likely to be based on providing management with a reasonable ROI | Valuation based on independent valuation report and must provide EOT with a reasonable ROI |
| Deal Structure | Typically 70% to 100% of deal value paid on completion with remainder paid over 1 to 3 years | Completion payment based on level of funding that can be raised against the company's balance sheet assets. Remainder paid over 3 to 5 years. | Completion payment based on level of funding that can be raised against the company's balance sheet assets. Remainder paid over 5 to 7 years. |
| Funding for deal | Buyer's own cash/equity reserves + Funding on company's assets (if necessary) + Company's cashflow post completion | Management team's own cash/equity reserves. (These tend to be limited) + Funding on company's assets (if necessary) + Company's cashflow post completion | Funding on company's assets + Company's cashflow post completion |
| Legal protection for sellers on deferred payments | Personal Guarantees from buyer and/or charge over shares of the company | Personal Guarantees from management team and/or charge over shares of the company | None Selling Shareholders cannot take legal action against EOT for non-payment of deferred payments. |
| Negotiation of deal | If presented to the market there will be multiple interested parties and a process run to negotiate the best overall deal and to determine the preferred bidder. Buyers will put downward pressure on the price, Sellers will put upward pressure and some negotiations can be tough and stressful from reaching Heads of Agreement to Completion. | Management will know the business well. If the valuation is set to give a reasonable ROI and the deal is structured so that the deferred can be easily paid through cashflow, negotiations should be easier to conclude. | Management will know the business well. If the valuation is set to give a reasonable ROI and the deal is structured so that the deferred can be easily paid through cashflow, negotiations should be easier to conclude. |
| Due Diligence (DD) | Financial, Commercial and Legal DD will be required and scrutinised by the buyer and their professional advisors. There will be more questioning as the buyers will be new to your business. | Financial and Legal DD will be required by the management team and their professional advisors. The level of scrutiny and questioning is likely to be less as the management will know the business well. | Financial and Legal DD will be required for the EOT and their professional advisors. The level of scrutiny and questioning is likely to be less as the management will know the business well. |



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| Legal transaction | <p>The following legal contracts/documents will need to be agreed with the buyer:</p> <ul style="list-style-type: none">- Share Purchase Agreement - including detailed warranties and indemnities- Consultancy Contract for your involvement during the handover- Disclosure Letter - statement of what you have told the buyer, in particular any ongoing issues | <p>The following legal contracts/documents will need to be agreed with the management team:</p> <ul style="list-style-type: none">- Share Purchase Agreement - including detailed warranties and indemnities- Consultancy Contract for your involvement during the handover- Disclosure Letter - statement of what you have told the management about the business if unknown to them already | <p>The following legal contracts/documents will need to be agreed :</p> <ul style="list-style-type: none">- Trust set-up and rules of engagement- Share Purchase Agreement - including detailed warranties and indemnities- Consultancy Contract for your involvement post sale- Disclosure Letter - statement of what you have told the buyer, in particular any ongoing issues- Updated/new employee contracts + shareholder/employee ownership agreements for all employees |
| Tax on sale of company shares | Capital Gains Tax (CGT) of 18% with Business Asset Disposal Relief on the first £1m (from April 2026), full CGT on the remainder. | Capital Gains Tax (CGT) of 18% with Business Asset Disposal Relief on the first £1m (from April 2026), full CGT on the remainder. | Zero Capital Gains Tax (CGT) on 50% of the consideration, full CGT on the remainder. |



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| Who runs the business post sale? (Assuming a majority or 100% share sale) | The buyer | The management team | The existing management team overseen by the EOT board of trustees. |
| Top 3 benefits for sellers | <ol style="list-style-type: none">1. If the business is well-established and in a desirable sector, selling to a trade buyer or investor is likely to achieve the best deal value and structure.2. Buyer will address any succession issues with their own team or new hires.3. Buyer will bring external resources and growth opportunities to the company. | <ol style="list-style-type: none">1. No need to run a process to find an external buyer.2. Management team takes on responsibility for the ongoing running of the business.3. Less upheaval for the company. | <ol style="list-style-type: none">1. No need to run a process to find an external buyer.2. Management team takes on responsibility for the ongoing running of the business, and succession can be managed over time.3. Passing on a legacy and security for the employees. |
| Benefits for employees | New career opportunities within the buyer's management structure and wider organisation | Management take on ownership responsibilities and rewards. | Ongoing job security and opportunities within the company and share of profits of which first £3600 is tax free. Employee owned companies have been shown to achieve more sustainable growth. |
| Top 3 Risks / Challenges | <ol style="list-style-type: none">1. Maintaining confidentiality of the sale process in the market place and with staff.2. Building a relationship of trust with the buyer3. Assessing the ability and desire of the buyer to take the business forward and make good on any post-completion payments | <ol style="list-style-type: none">1. Assessing whether the management team have the appetite and necessary funds to take on the ownership of the company.2. Ensuring the ongoing motivation of the management team should negotiations fail to reach a conclusion.3. Assessing the ability of the management team to take the business forward and make good on any post-completion payments | <ol style="list-style-type: none">1. Assessing the ability of the management team to take the business forward and for the EOT to be able to make good on any deferred payments2. Communicating the plan to the employees and getting them on board.3. Selecting the right Trustee board members and setting the ethos of the company for the future. |