



ON MY CV

TAKING CONTROL

Employee buy-outs are on the rise. **Mary Erb**, partner at law firm Fieldfisher, is increasing awareness of the option in the North West

WHAT IS THE DEAL?

The sale of 80% of the share capital of the holding company of Tonic Construction, a civil engineering and groundworks contractor based in Wiltshire, to an employee ownership trust. Managing director Tony Iles, along with his wife and finance director Deborah Iles, founded the business in 1999. They sold the shares for an undisclosed amount and retained a 20% stake. In the year to March 2018, the business had turnover of £29m and 166 employees.

HOW WERE YOU INTRODUCED TO THE DEAL?

Matthew Emms, a tax partner at BDO, undertook an initial assessment to ensure that the key qualifying conditions for an employee buy-out were met and dealt with clearance applications. He has strong links with Fieldfisher and once the relevant clearances were obtained, he referred the deal to us. We're trying to grow awareness of employee ownership as an option for owner managers in the North West. We've completed three employee buy-outs in the Manchester office this year. Graeme Nuttall OBE, who is the UK government's independent adviser on employee ownership, heads the employee ownership structuring team here at Fieldfisher. That team has a strong pipeline, however you'd be surprised how many businesses don't

understand what employee ownership is, how it works or what the benefits can be – it's a real process of education.

WHAT WERE THE TIMESCALES?

There was a very tight timetable for the transaction. We were instructed in mid-June and completed on 5 July 2019. Our team had to respond to the instruction rapidly, and given the wealth of expertise in such deals, we could do just that. Having the resources and the knowledge to deliver such a transaction so quickly was absolutely critical to its success.

THE CV

Mary Erb is a corporate partner in Fieldfisher's Manchester office. She specialises in M&A and MBOs/MBIs. Having qualified in law at Liverpool John Moores University, her career started with Gorvins Solicitors. She joined Addleshaw Goddard's corporate team in 1999, and then moved to Heatons, becoming corporate partner in 2007. Heatons merged with Fieldfisher in 2014. Fieldfisher is a member of the Corporate Finance Faculty.

Recent deals

- EBO of architects, Buckley Gray Yeoman
- Acquisition of Blakemore Middlesbrough for Parfett's, an employee-owned company
- Disposal of Edina Power Services



WHAT WAS THE STRUCTURE OF THE DEAL?

The deal followed the standard transfer to employee ownership trust blueprint – the EOT was established, ensuring that all employees had an indirect ownership of the holding company of the trading entity. No external finance was required – cash balances and future cash flows financed the deal. That helped us complete so quickly.

WHO WERE THE ADVISERS?

BDO provided the tax and structuring advice on the deal and, from Fieldfisher, cross-office support was provided with a team from the Manchester office providing the advice on the corporate side of the deal, in conjunction with support from the tax team in London.

WERE THERE ANY LESSONS LEARNED?

The move to employee ownership offers many valuable advantages, including enhanced employee engagement, reduced absenteeism and overall improved business performance. As a result interest is growing. It's not suited to every situation – it may be that the second tier management have different expectations of their future ownership. But, if you get everything agreed up front, it's a very effective exit route for owners and delivers benefits for employees and the company. What's not to like about that? ●