

An offshore oil rig is visible in the distance on the right side of the image, with a plume of dark smoke rising from its stack against a cloudy, overcast sky. The ocean is dark blue with white-capped waves in the foreground.

5 Ws... An EO Start-Up

EOA Conference – Transition to Employee Ownership

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What are we?

- We are a firm of consulting engineers
- We fix problems relating to the operation of oil and gas production facilities (oil rigs)
- Sort of architects to the oil and gas business
- We work for the blue chip oil companies
- Highly qualified professional staff
- These are in short supply
- A people business

Why are we?

- Our industry has been notable for consolidation. Small, specialist firms had been sold to larger organisations
- Generally, no benefits came to the employees through this transition
- Changes in ownership led to:
 - Narrow distribution of the rewards as founders sold out
 - Career plan destruction
 - Dislocation of families as the firm moved
 - Value destruction of parts of the firm
 - Conflicts of interest for clients
- We decided there was an opportunity to do things in a fairer way and build a successful firm that looked after its people properly

When and how did things happen?

- Read about EBO in Sunday Times. Attracted to EO and its benefits
- In 2005 and 2006 we entered into EBO negotiations to purchase a former company (it wouldn't sell)
- Not really interested in VC (not fair enough and would lead back to a situation we were trying to escape from)
- Baxi Partnership Trust changed its rules to support a start-up for the first time and provided start-up finance
- EO fixes, fairness and equity issues and allows us to plan for the long term
- EO helps make the most of our only asset, our people

What EO features does our company have?

- Difficult to set up EO companies – complicated legal structure
- Baxi Partnership Trust helped us do it
- To ensure company is run for the benefit of current and future employees:
 - Always more than 50% shares in an EBT (plus poison pill)
 - Wide distribution of shares (no more than 5% per person)
 - One shareholder one vote representation (not one share one vote)
 - Elected directors and trustees

What's happening now?

- Profit in years 1 and 2 (expected losses)
- Weathered the financial crisis and world recession
- Better margins so bonus and dividends paid to all staff
- Engaged workforce (aligned, very keen on the numbers)
- In capability comparisons with our competitors, we come out on top
- Talented and committed recruits to the firm
- It has been an excellent start – we now enjoy our business and particularly the satisfaction of helping it steadily grow
- EO is the foundation that supports the firm