



## Case Study

# Share incentives for employees

Business-owner solutions & services

**Sector:** Software design, engineering and development company  
**Enterprise Size:** R100m+  
**Project Duration:** 6 months

### Introduction

An established business owner wanted to develop a sound employee share ownership plan that successfully combines equity ownership with incentives to grow the business and create wealth for employees.

### Objective

Develop the processes and support structures with the Business Owner to allow existing employees to become shareholders.

### Our approach

With multi-disciplinary professionals contributing over 100 years of combined experiences, our firm combined global best practice with hands-on transaction expertise.

Our proprietary models used data sourced from banking databases.

Our deep experience in local markets was complemented by an independent review.

### Work performed

1. Provided advice on various mechanism for creating reward mechanisms for staff.
2. Developed a share option scheme that met the business and existing shareholder's needs.
3. Implemented the legal framework necessary to facilitate implementation of a share option plan.
4. Concluded an independent business valuation and assessment.
5. Reviewed and aided with drafting and finalisation of necessary legal and compliance documentation.
6. Liaison and project manage interaction between legal and accounting professionals.
7. Coordinate and resolve areas of conflict and complexity throughout.

### Outcomes achieved

- Establishment of Employee Share Ownership Plan (ESOP).
- Converted the company to appropriate legal structure to accommodate the ESOP.
- Drafted Shareholders Agreement and other necessary documents.
- Provide annual reporting in line with financial year-end of company.

### Client Comments

“We normally threw people into the deep end, but we took it to a whole new level this time. Thank you for working your B#tt off for the past six months to help our business. I appreciate it very much! You have brought a wealth of commercial experience to our business.”

### Conclusion

The following matters are worth noting when considering the implementation of a long-term share incentive structure.

1. Involve an independent expert in determining the value of the share incentive structure concerned.
2. Make sure that the scheme implemented can accommodate changes to the staff complement, that is, new joiners and employees leaving.
3. Consider the practical implications of potential growth, as well as possible contraction in the company fortunes, for both the company and the employees concerned. Be prepared to engage vigorously with employees if circumstances deviate from the plan!
4. Consider what possible transactions involving the company's equity during the lifetime of the structure will have on such a transaction and the participants of the share incentive. This may form an important part in the negotiation process.
5. Always consider the tax consequences!

For further insights and our services or visit [www.addisoncomline.co.za](http://www.addisoncomline.co.za)

### About Addison Comline

Addison Comline provides insight, advice and direction to senior executives, business owners and shareholders with an emphasis on high-impact, value-enhancing work that is clearly understood and supported by our clients.

Our services include corporate finance, legal and business-owner solutions, for example share structures, incentive structuring and succession plans.

Our custom designed solutions help clients achieve their business and financial goals.

### Areas of expertise

#### Corporate finance

Providing access to funding sources, capital structuring solutions and enhancing investment decisions.

#### Legal services

Corporate & commercial legal services including contractual negotiation, drafting, vetting and management; M&A transactions; corporate structuring and corporate finance; private equity & Financial transactions; personal client estate structuring and wealth management and corporate governance.

#### Business-owner solutions and services

Advice, assistance and help for entrepreneurs and owners of business who require specialist solutions to enhance and realise sustainable value within their enterprise as well as for themselves.

### Contact details

Telephone +27 (0) 10 005 3277  
Email [info@addisoncomline.co.za](mailto:info@addisoncomline.co.za)  
Web [www.addisoncomline.co.za](http://www.addisoncomline.co.za)

