



Cairneagle LaingBuisson UK Childcare Market Report Launch

Arun Kanwar, Partner

23rd March 2020

EducationInvestor
Awards 2015
WINNER

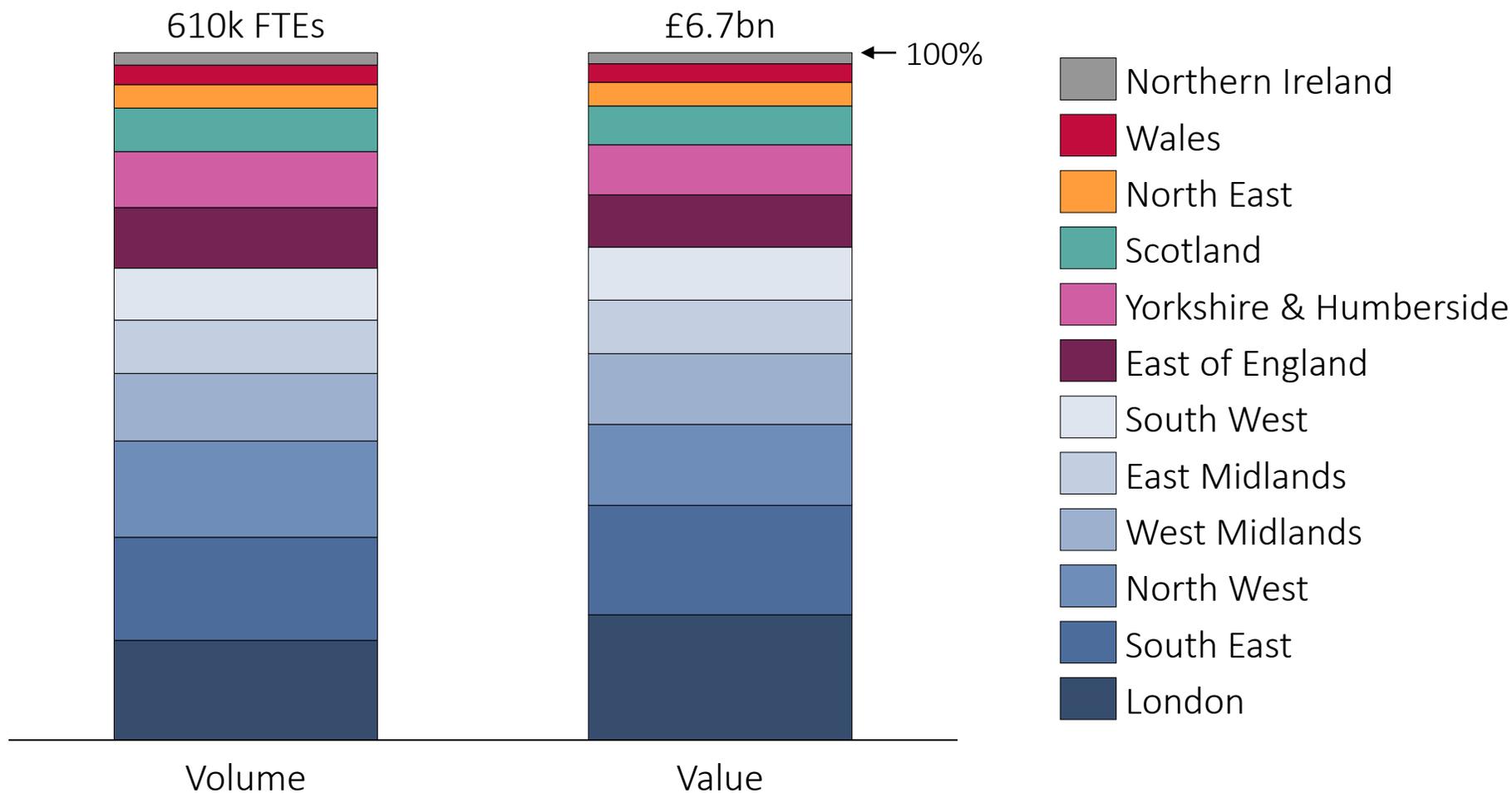
EducationInvestor
Awards 2016
WINNER

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Awards 2019
WINNER

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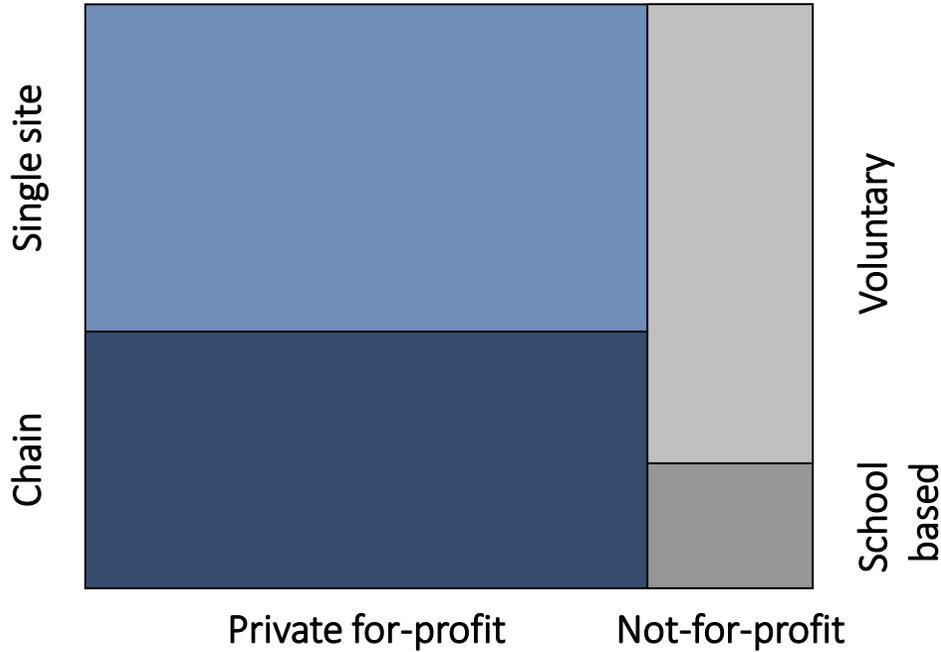
A £6.7bn market with 610k FTEs

2019 UK nursery market volume and value by region



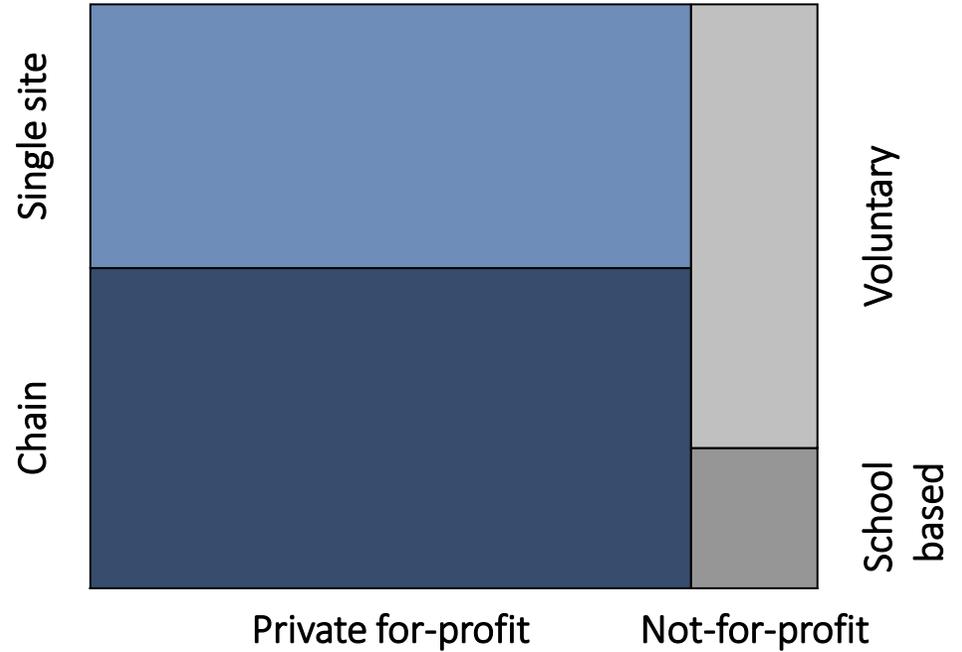
Private, for-profit operators dominate the market

Estimated no. of UK childcare settings in 2019



Over half of the private childcare settings in the UK are still independent

2019 UK nursery market value by operator type



The private sector accounts for over 80% of total market value

The regulatory and funding picture

UK childcare regulatory bodies

England



Scotland



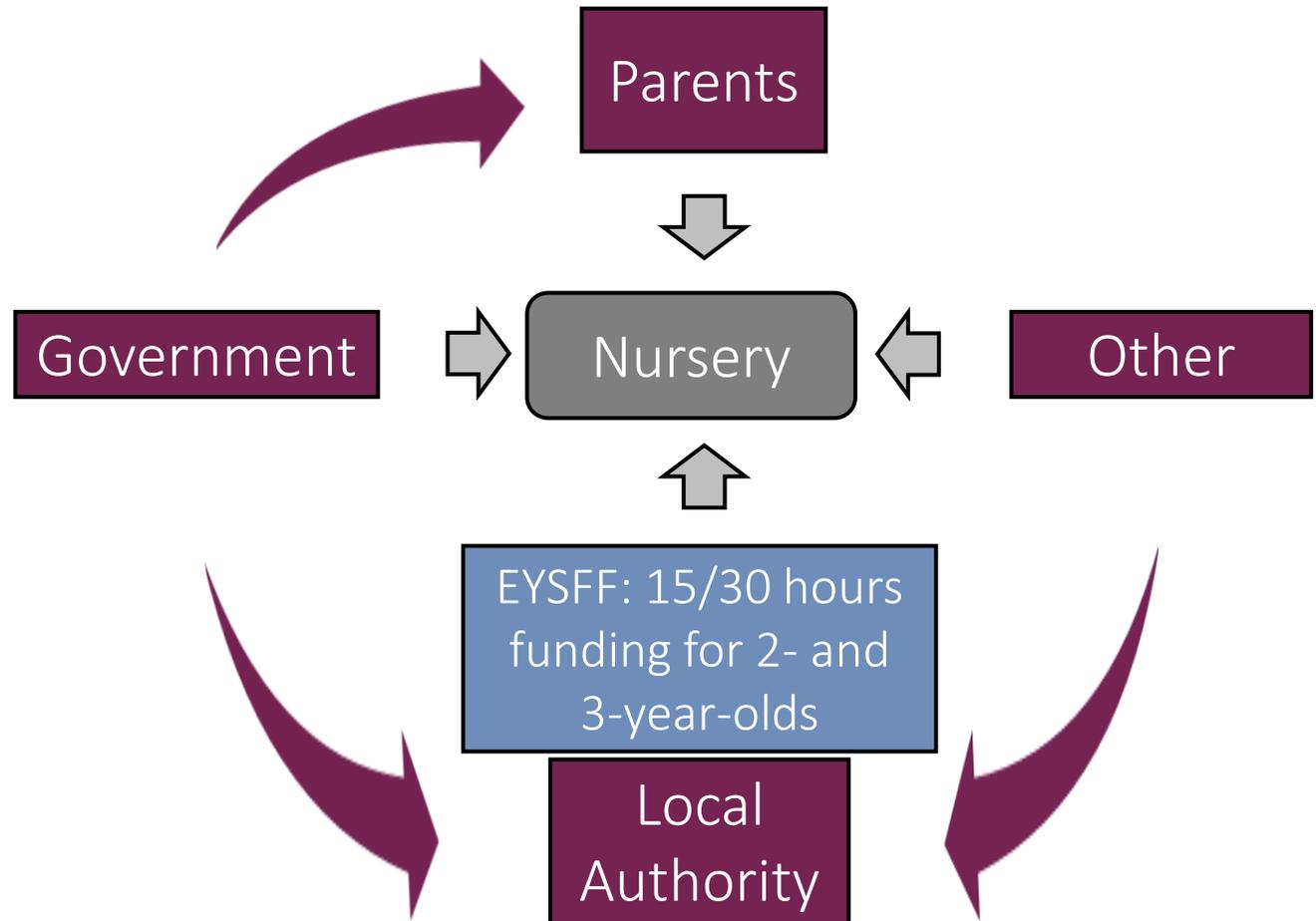
Wales



Northern Ireland

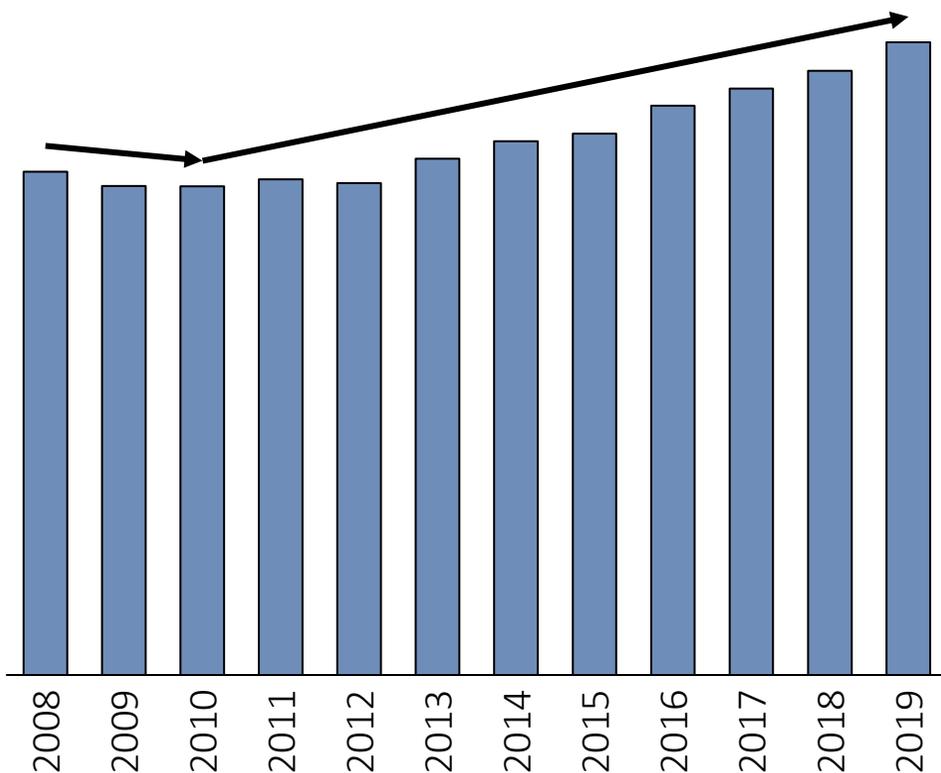


An overview of funding in England



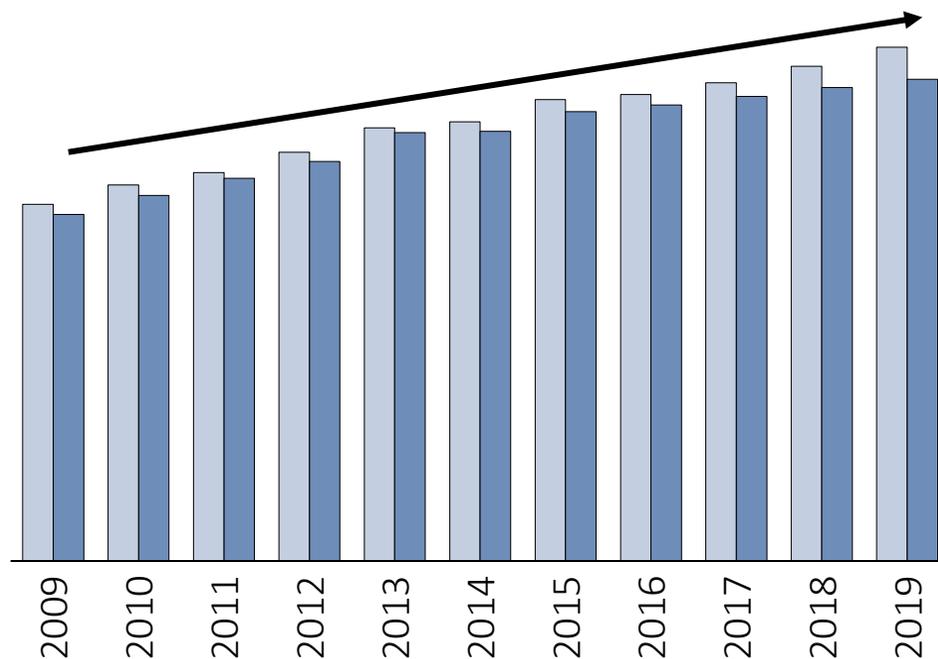
Volume growth has been strong despite rising fees ...

Historic full day-care FTEs in the UK



Estimated average weekly private rate per FTE in the UK 2009-19

UK 0-2 fees UK 3-4 fees

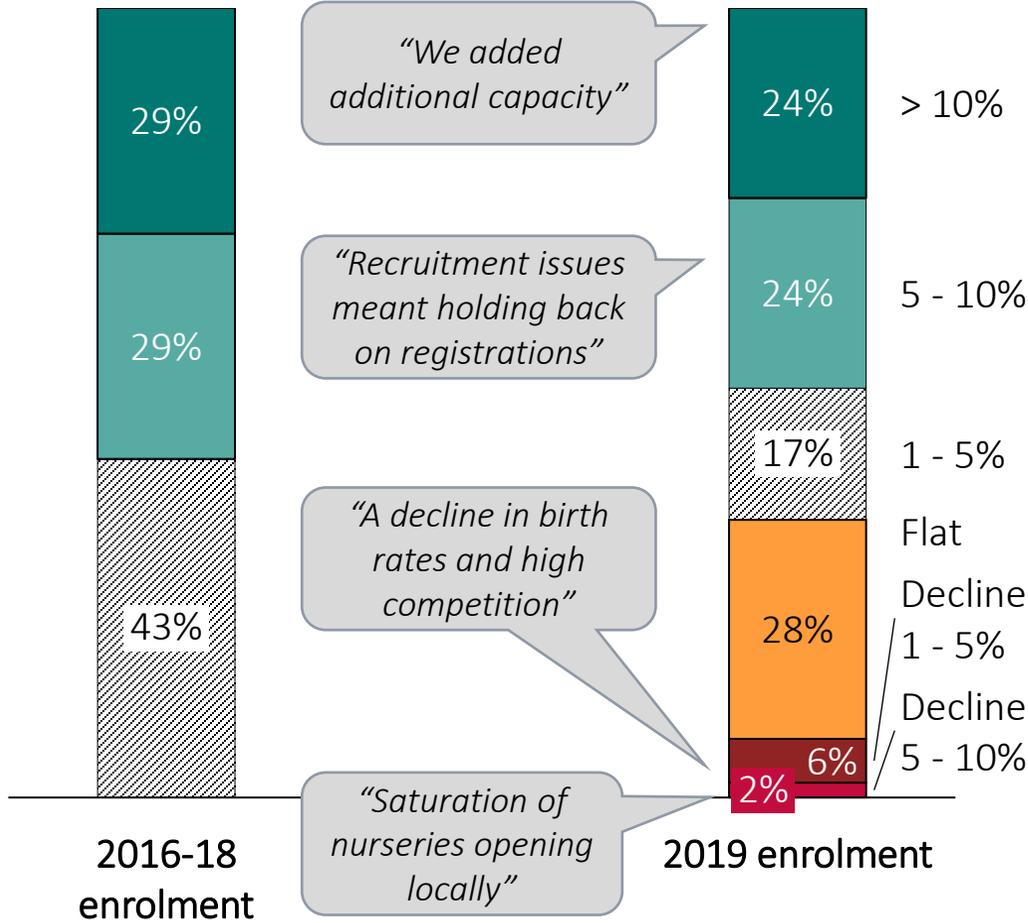


... but key market drivers are slightly less positive than historically ...

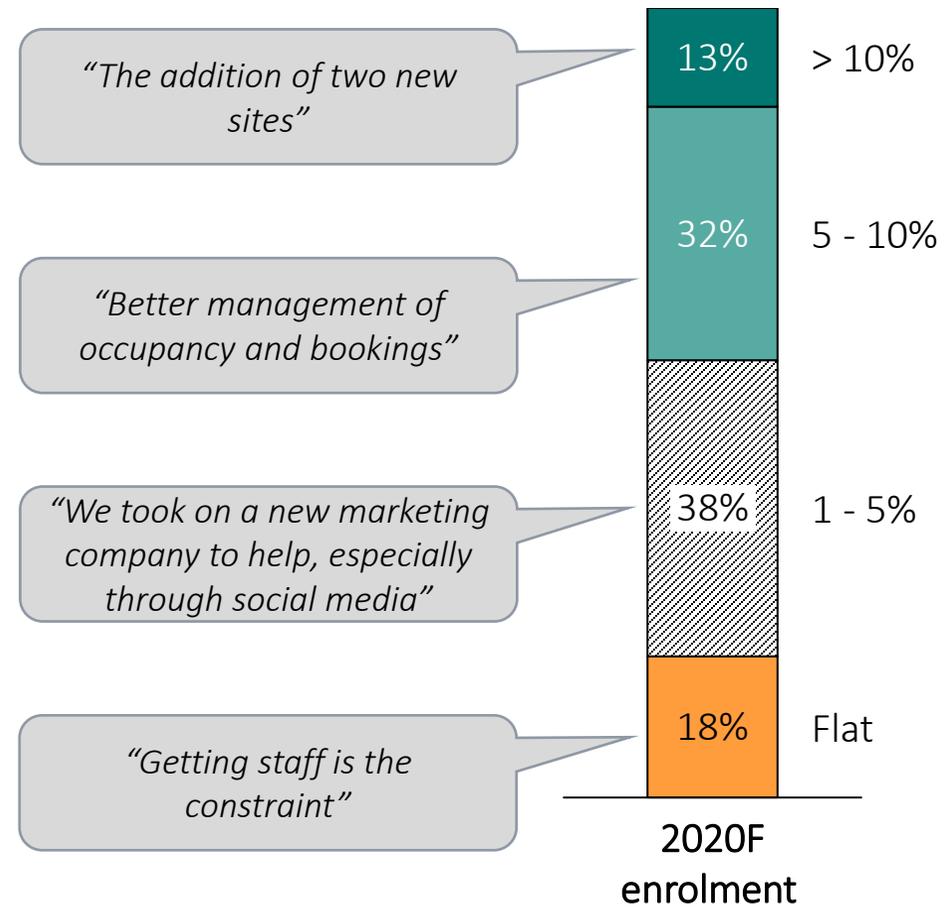
Driver			Impact	
			Past	Future
Market (Demand)	Driver 1	Driver 1 a	=	-ve
		Driver 1 b	=	+ve
	Driver 2		=/+ve	+ve
	Driver 3	Driver 3 a	+ve	=/+ve
		Driver 3 b	=	-ve
		Driver 3 c	-ve	-ve
	Driver 4		+ve	+ve
Market (Supply)	Driver 5		=/+ve	=
	Driver 6		+ve	+ve
Regulation & policy	Driver 7		=	=
	Driver 8		=	=/+ve
Staffing	Driver 9		=/-ve	-ve
	Driver 10		-ve	+ve
	Driver 11		=	=
	Driver 12		=	=/-ve

... and this is backed up by operators' experiences

How your enrolment has changed



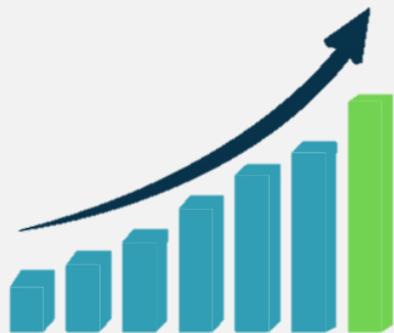
What you expect for 2020



These judgements do not take into account the impact the coronavirus pandemic is having on the key drivers of the UK nursery market

The investment thesis for the UK nursery sector remains strong

Strong growth fundamentals



Fragmentation of the market



Commercial decision-making & economies of scale



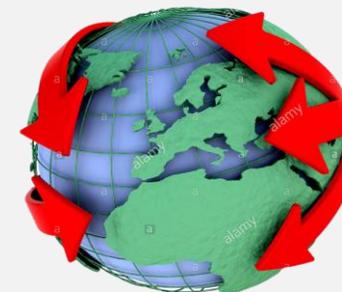
Socially responsible



Ability to raise funds & multiple arbitrage on exit

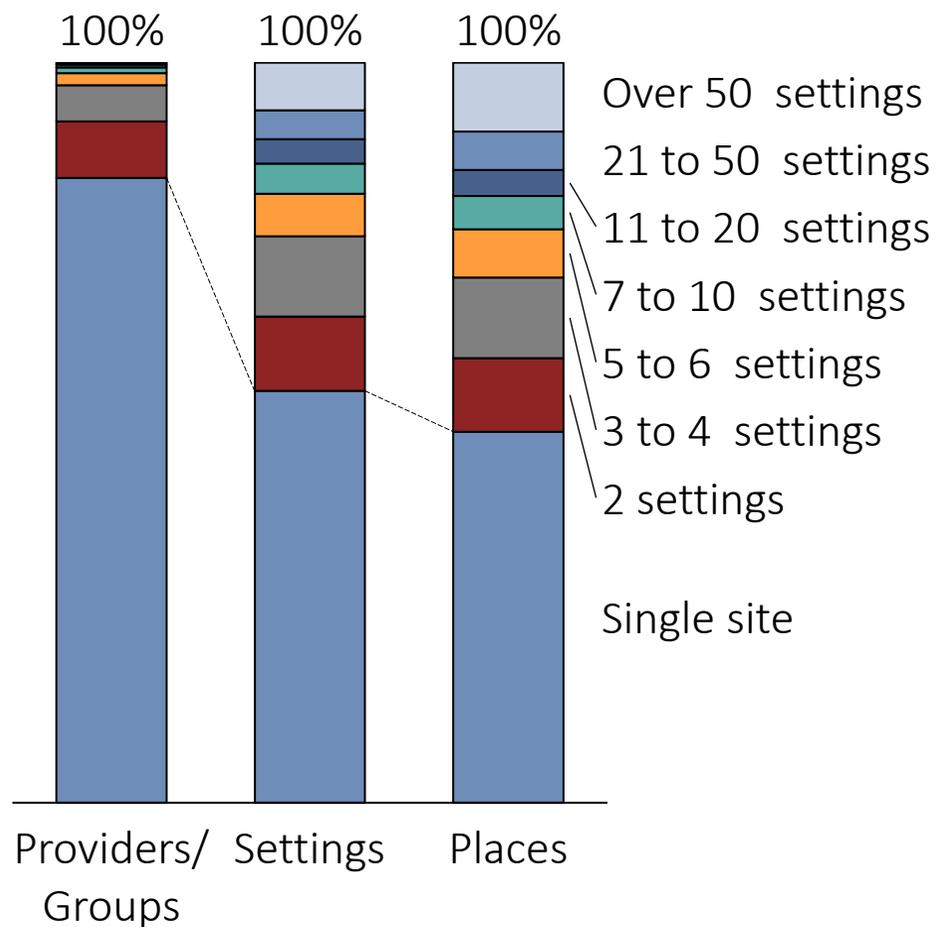


Internationalisation potential

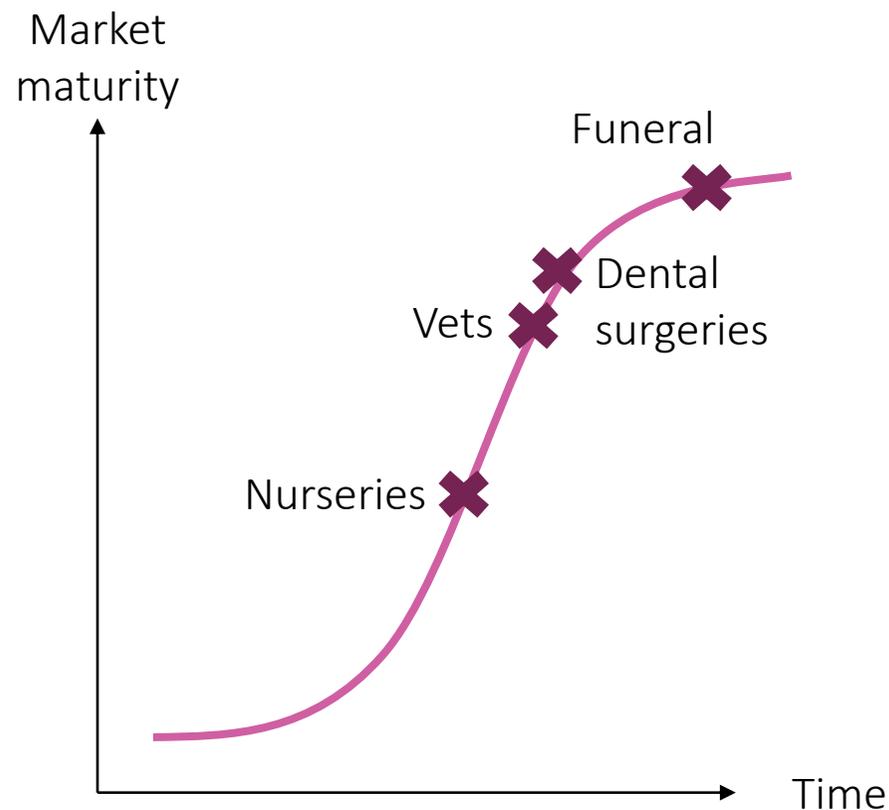


The market remains incredibly fragmented

Breakdown of private full daycare settings by groups and places

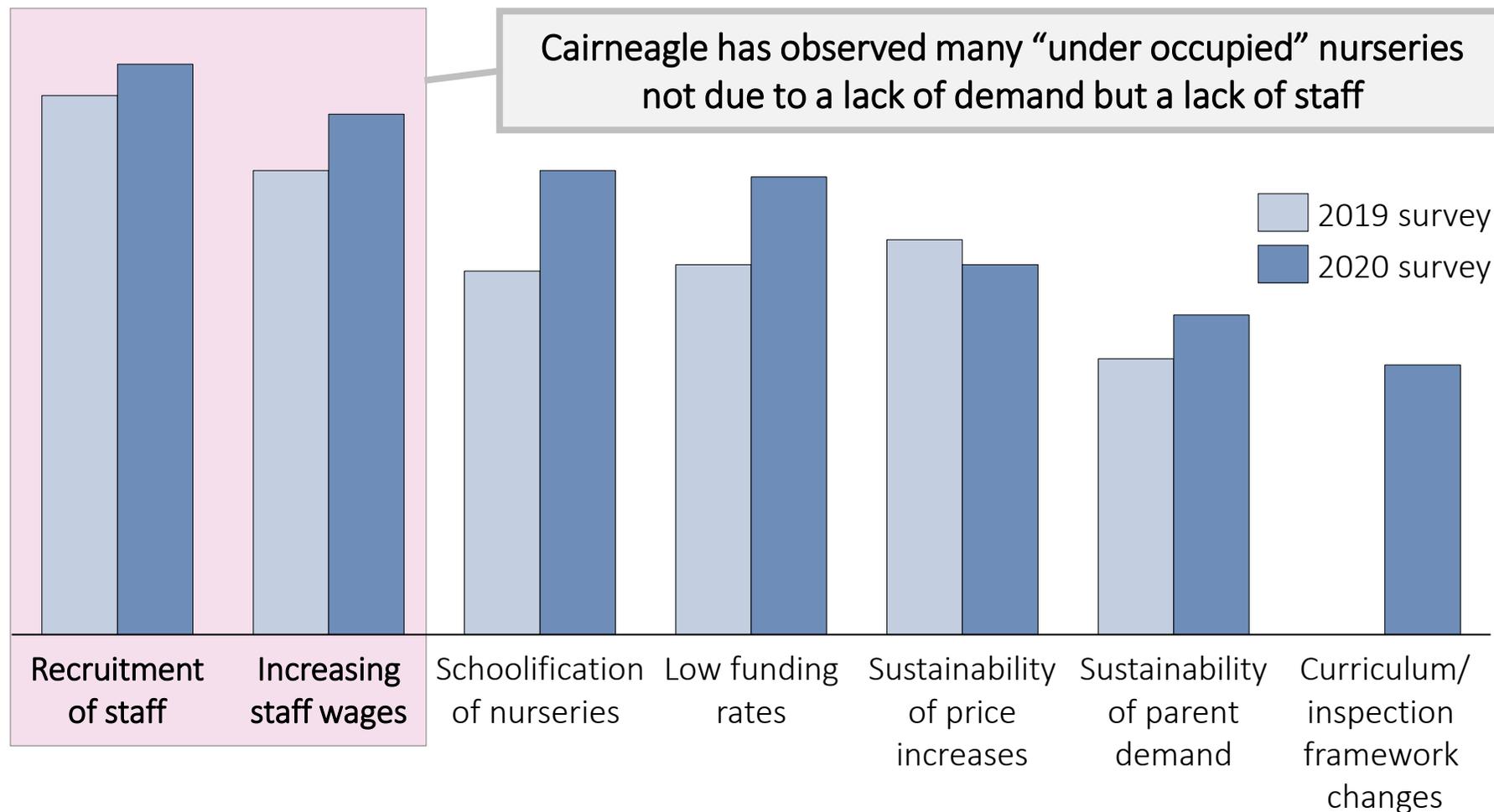


Fragmentation of comparable markets



They key challenges have been the same for the last two years ...

How important are the following issues?



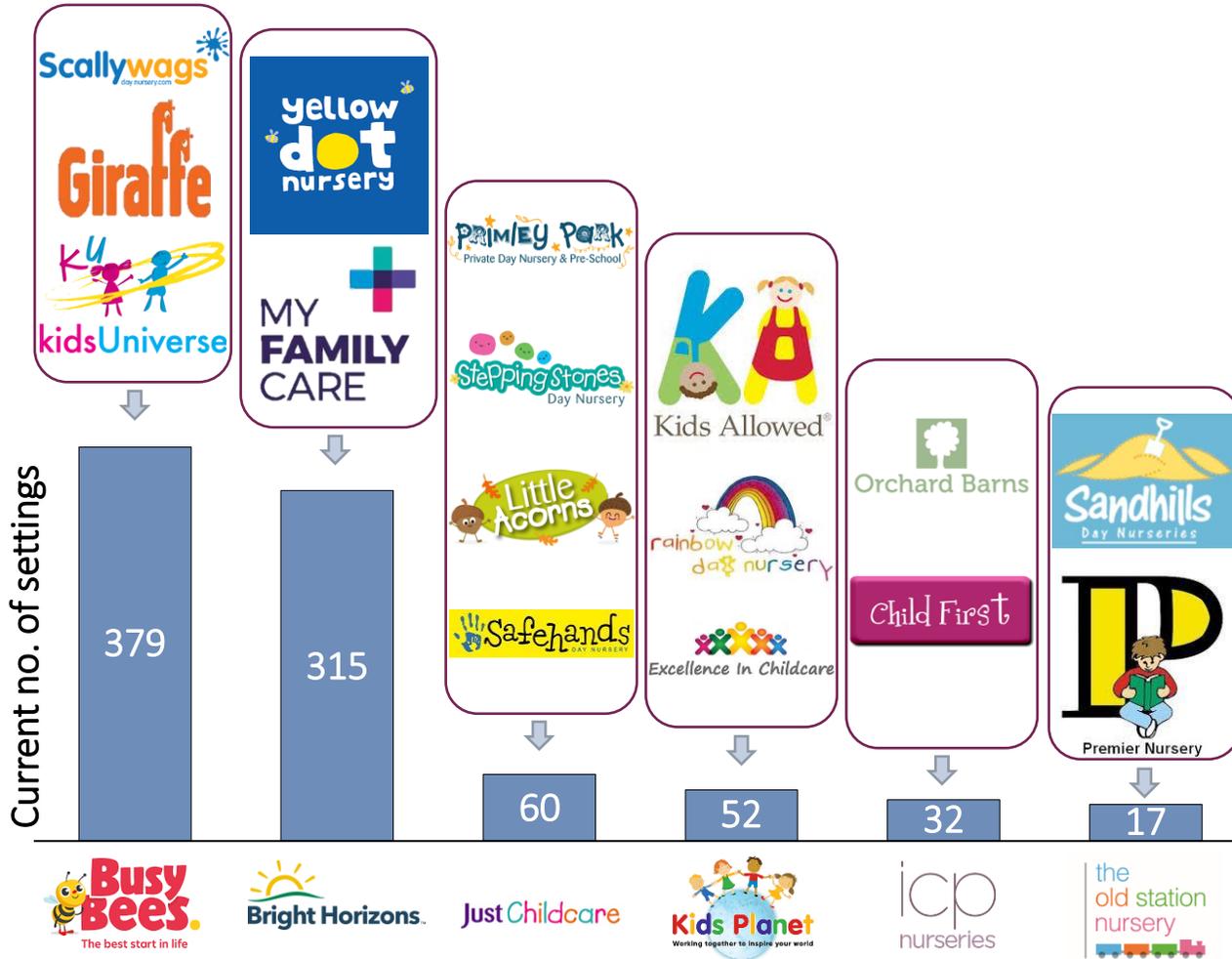
... group operators can navigate these challenges better than others



Underpinned by KPI tracking

Acquisitions have increased dramatically since 2017

Examples of acquisitions made by some of the largest operators (by no. of settings) since 2017



Other groups consolidating the market



Is pricing overheated?

Illustrative acquisition multiples, 2012-2021F

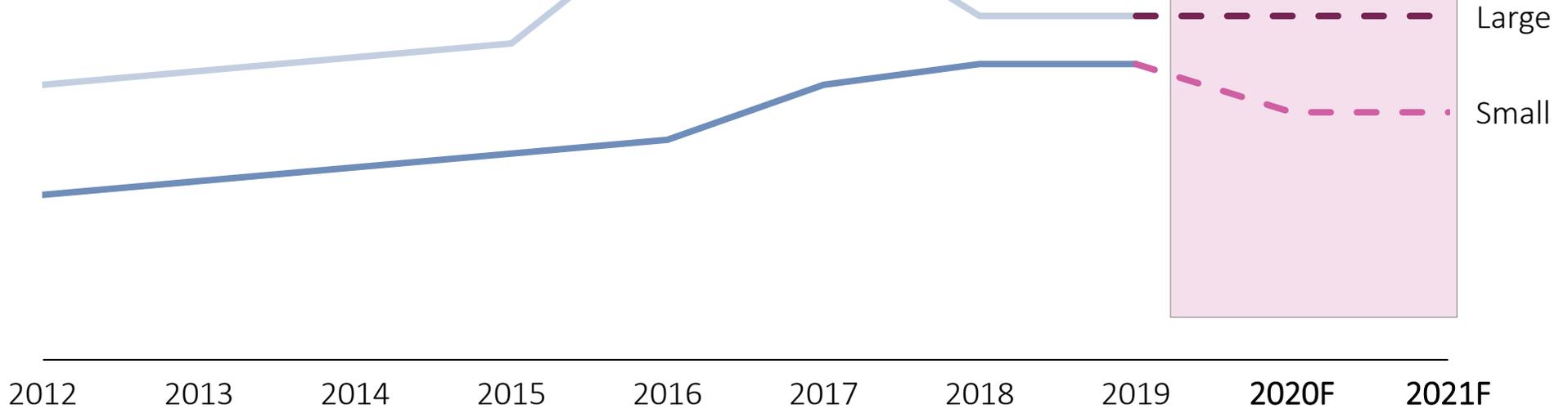
ILLUSTRATIVE

Misunderstood multiples

Bright Horizons
acquires Asquith

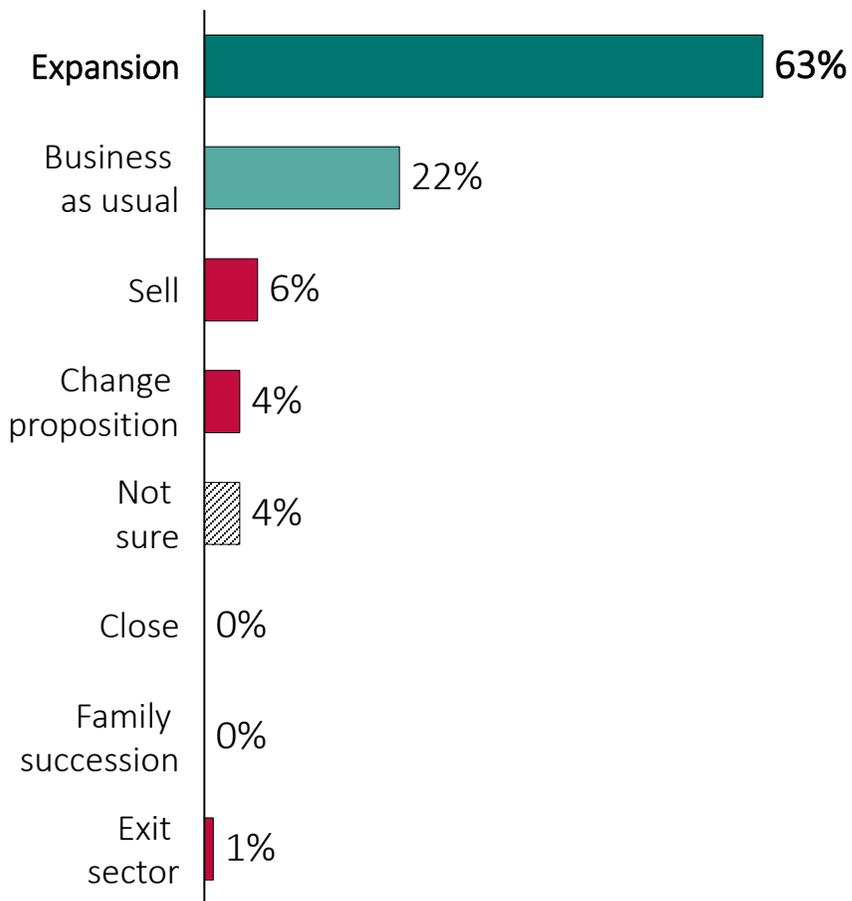
Busy Bees
acquires Treetops

"FORECAST"

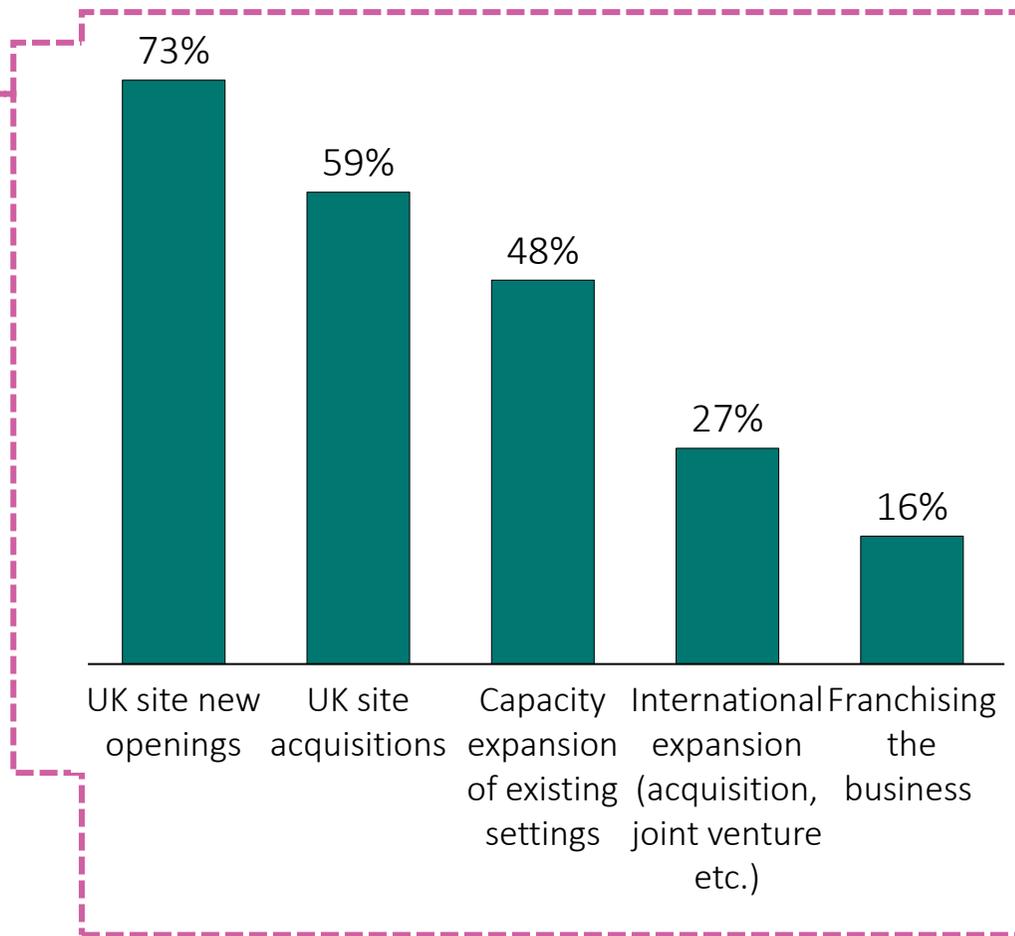


Looking to the future: expansion is the flavour of 2020

Plans for the future



Expansion priorities



Cairneagle Associates – About the Authors

Arun Kanwar, Partner

Arun leads Cairneagle's childcare practice. He joined Cairneagle from Bright Horizons, one of the world's leading nursery chains – where as Head of UK Acquisitions he bought over 120 nurseries and defined the strategy to drive synergies from scale, as well as having responsibilities for UK and global strategy development. Arun also has experience at LEK and PwC Consulting. Arun has an MChem in Chemistry from the University of Oxford.



Ina Todorova

Ina has a BA in Business Management and holds a Masters from the University of Cambridge. Prior to Cairneagle, she had experience as both a Management Consultant and a Global Strategy Analyst.



Pierce Hickey

Pierce holds a Management Masters from LSE and a BEng in Biomedical Engineering from Imperial College. Prior to Cairneagle he held positions at a training agency, two strategy consultancies, and worked as a private tutor.



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YEARS FOCUSED ON QUALITY AND DELIVERING
VALUE FOR MONEY

200+

PROJECTS IN EDUCATION OVER THE LAST 5 YEARS

50%

INTERNATIONAL WORK

3

THREE TIMES WINNERS OF EDUCATION INVESTOR AWARD

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