



# Cairneagle LaingBuisson UK Childcare Market Report Launch

Arun Kanwar, Partner

*23<sup>rd</sup> March 2020*

EducationInvestor  
Awards 2015  
**WINNER**

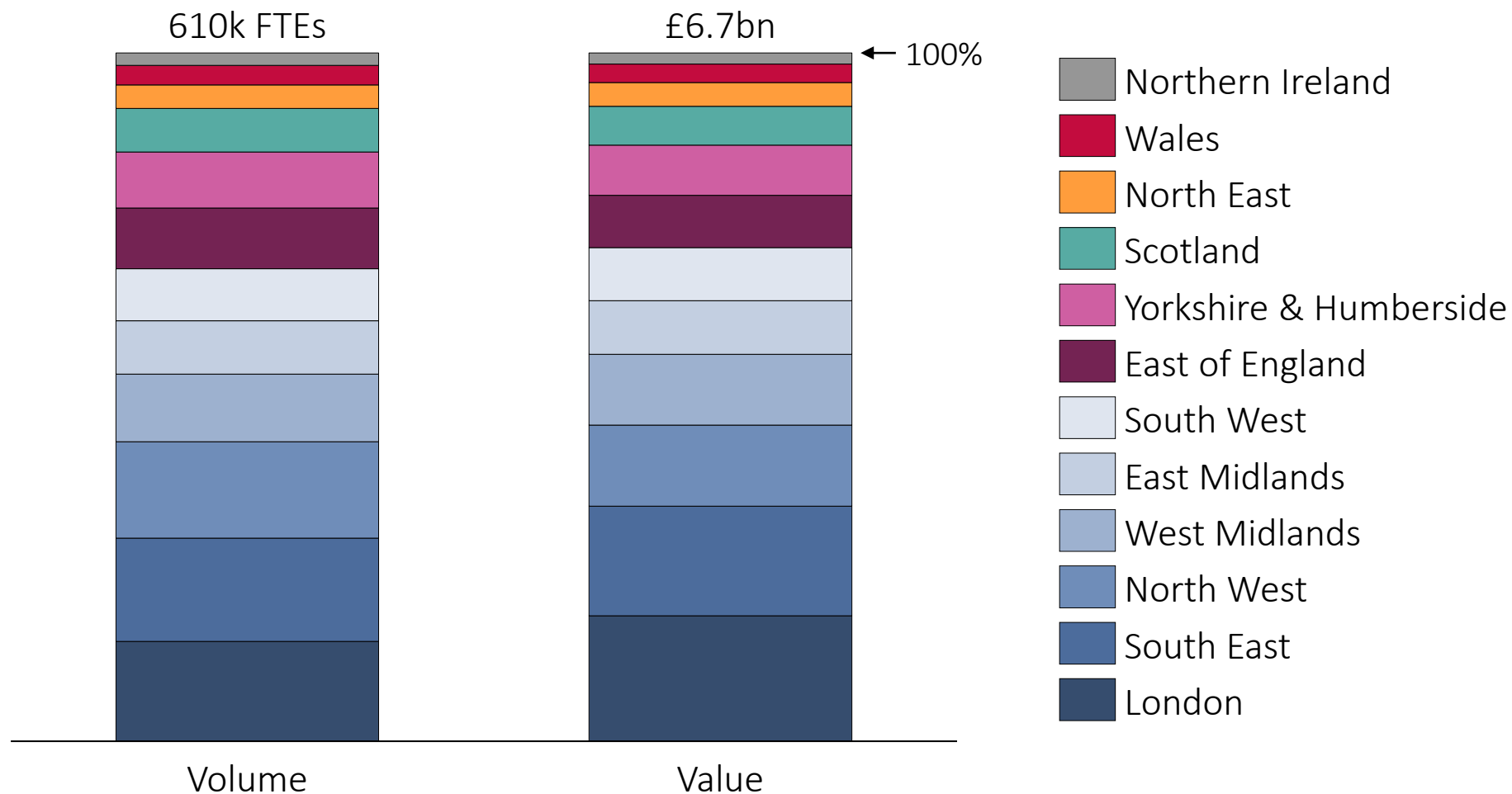
EducationInvestor  
Awards 2016  
**WINNER**

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Awards 2019  
**WINNER**

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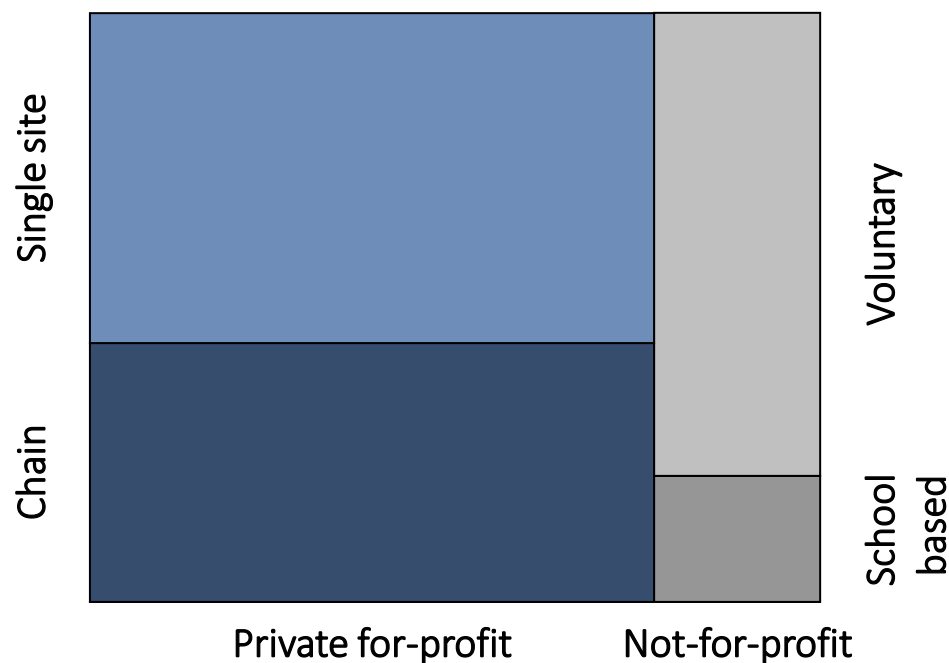
## A £6.7bn market with 610k FTEs

2019 UK nursery market volume and value by region



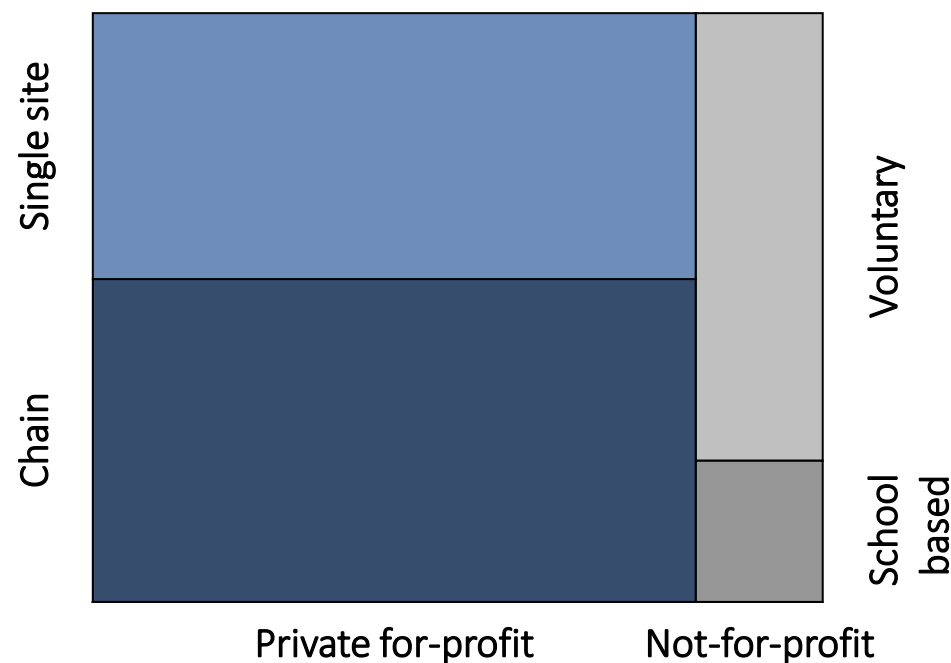
## Private, for-profit operators dominate the market

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



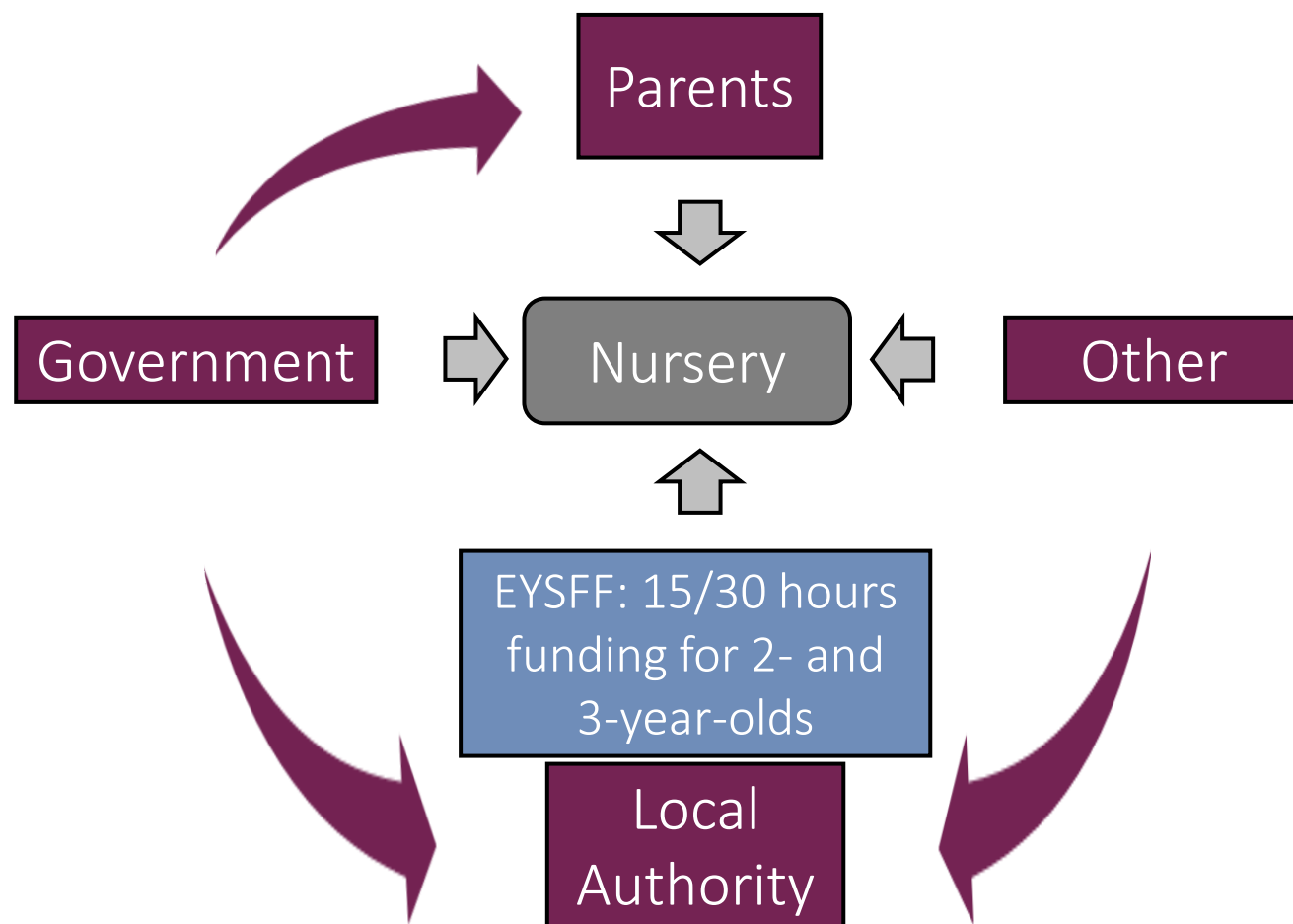
Wales



Northern Ireland

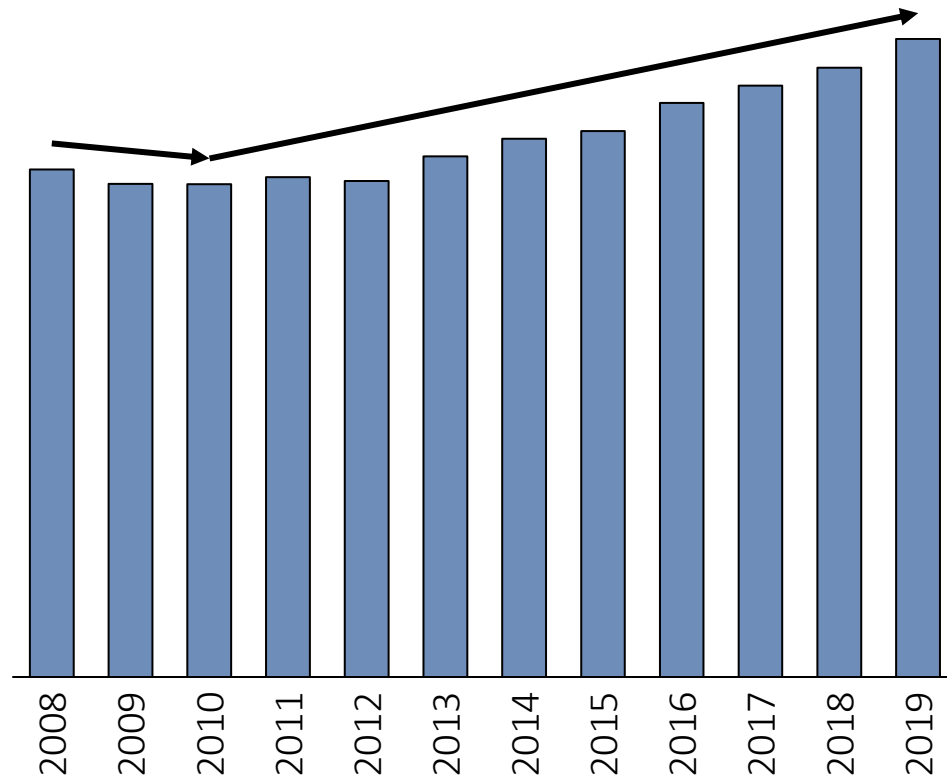


## An overview of funding in England



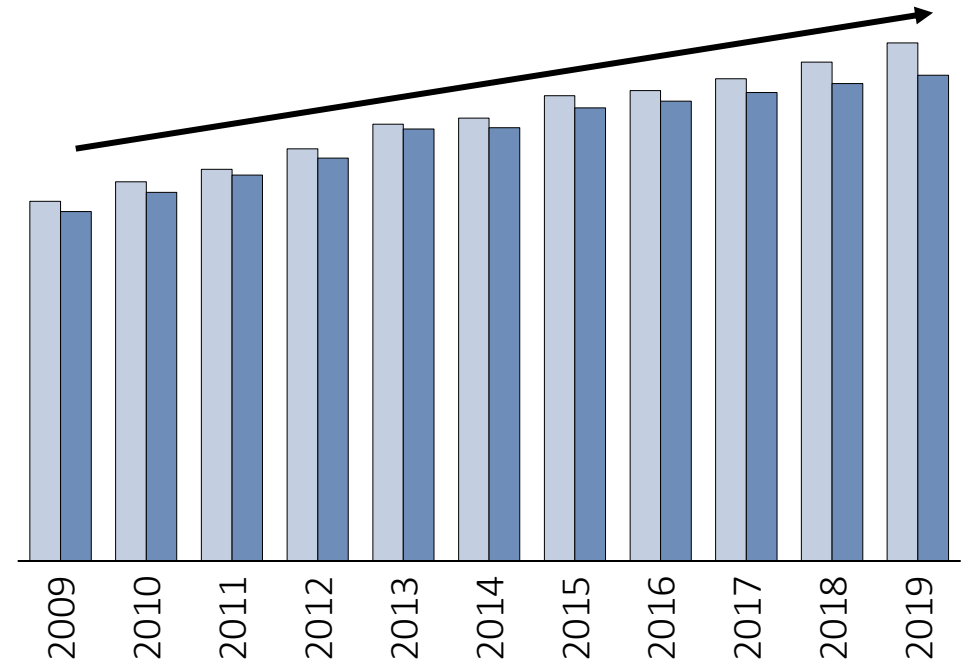
# Volume growth has been strong despite rising fees ...

## 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

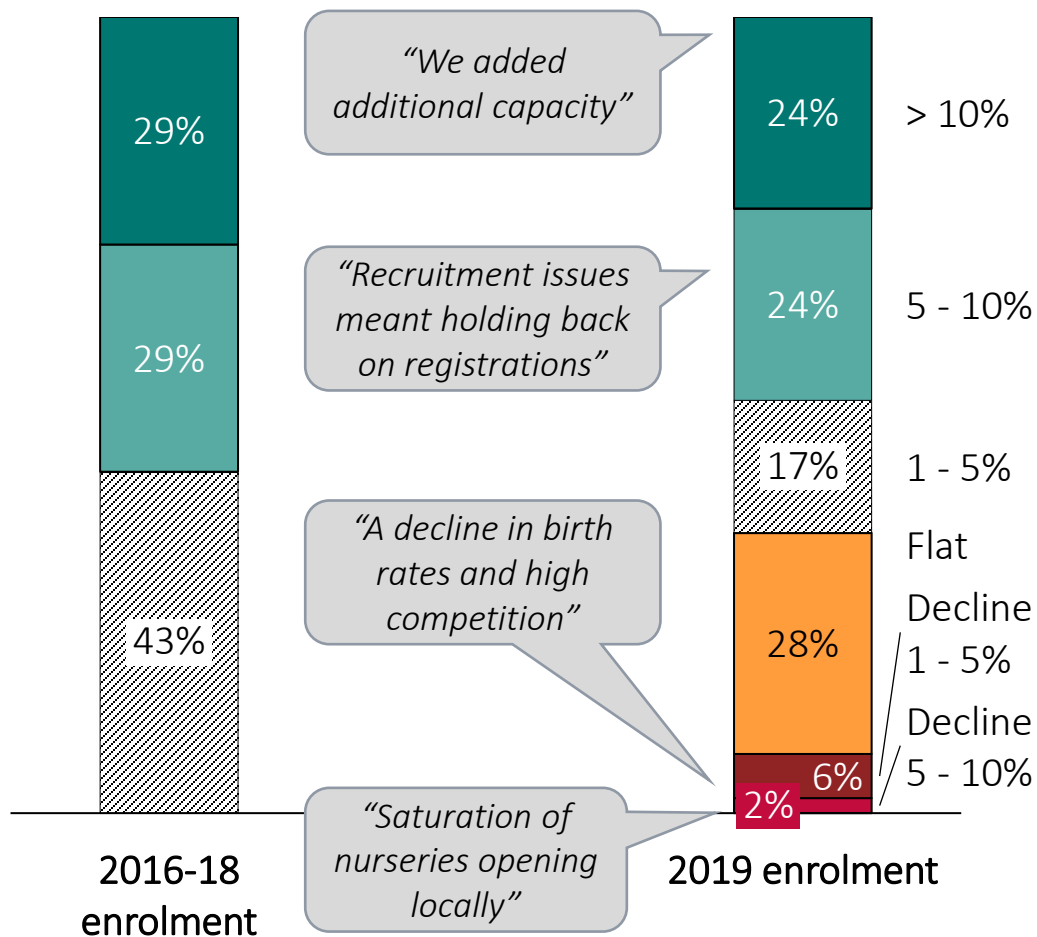


... but key market drivers are slightly less positive than historically ...

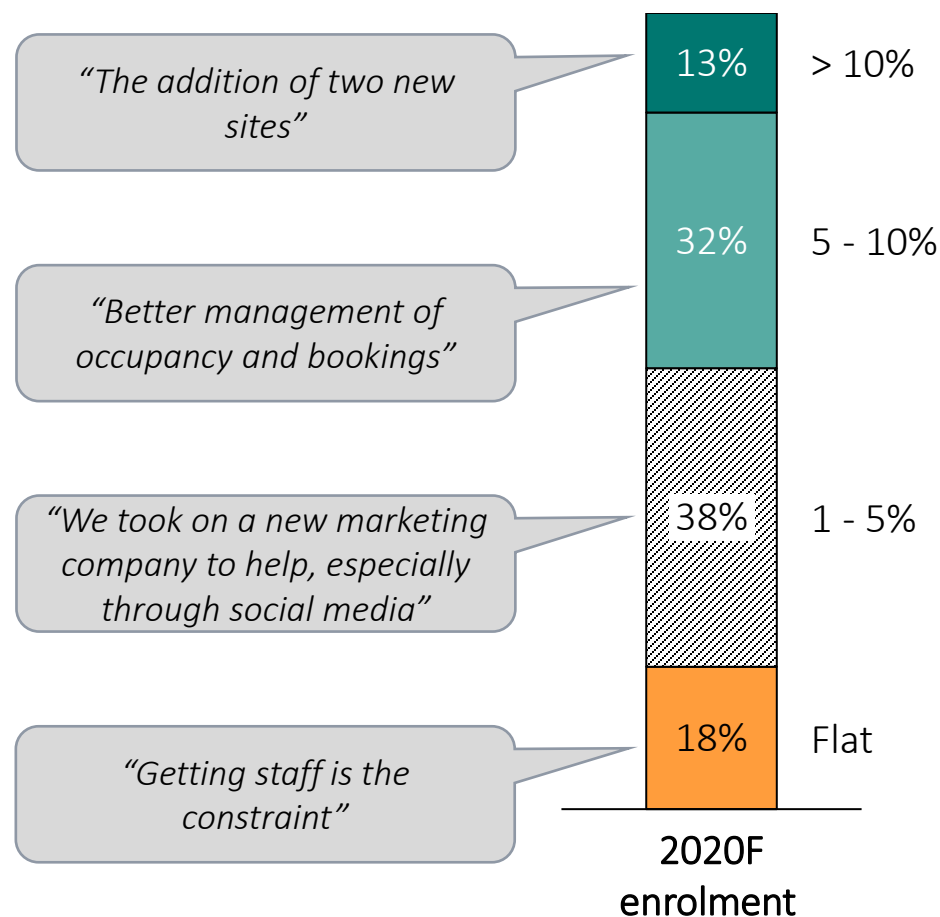
Driver			Impact	
			Past	Future
Market (Demand)	Driver 1	Driver 1 a	=	-ve
		Driver 1 b	=	+ve
	Driver 2		=/+ve	+ve
	Driver 3	Driver 3 a	+ve	=/+ve
		Driver 3 b	=	-ve
		Driver 3 c	-ve	-ve
	Driver 4		+ve	+ve
Market (Supply)	Driver 5		=/+ve	=
	Driver 6		+ve	+ve
Regulation & policy	Driver 7		=	=
	Driver 8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



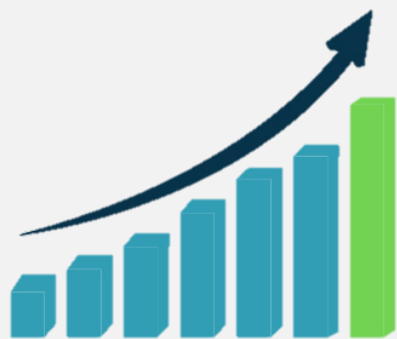
### What you expect for 2020



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



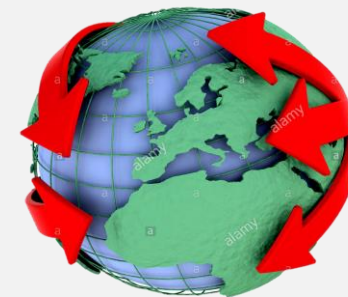
Socially responsible



Ability to raise funds & multiple arbitrage on exit



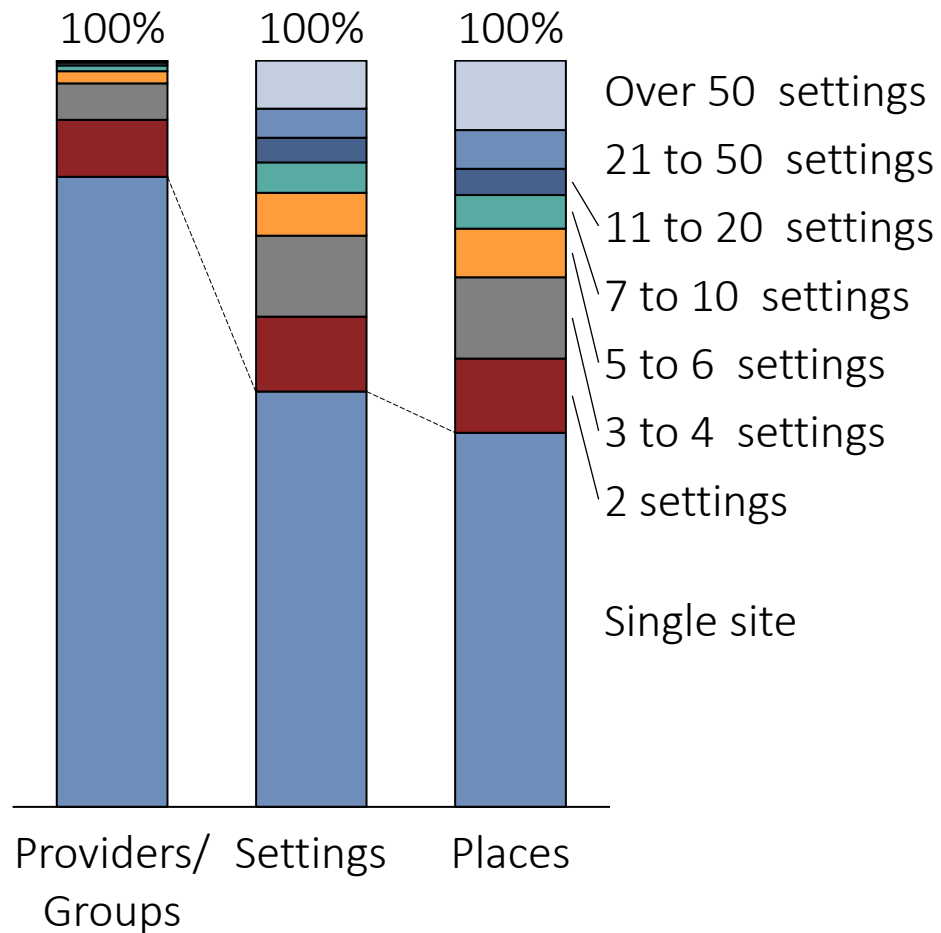
Internationalisation potential



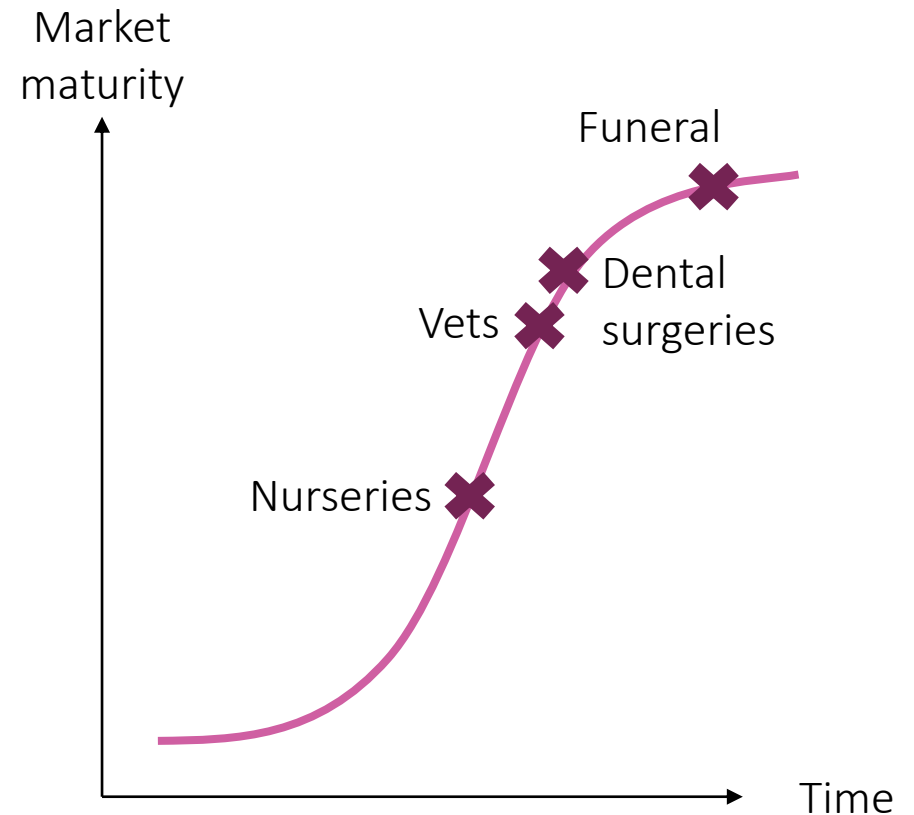


# The market remains incredibly fragmented

Breakdown of private full daycare settings by groups and places

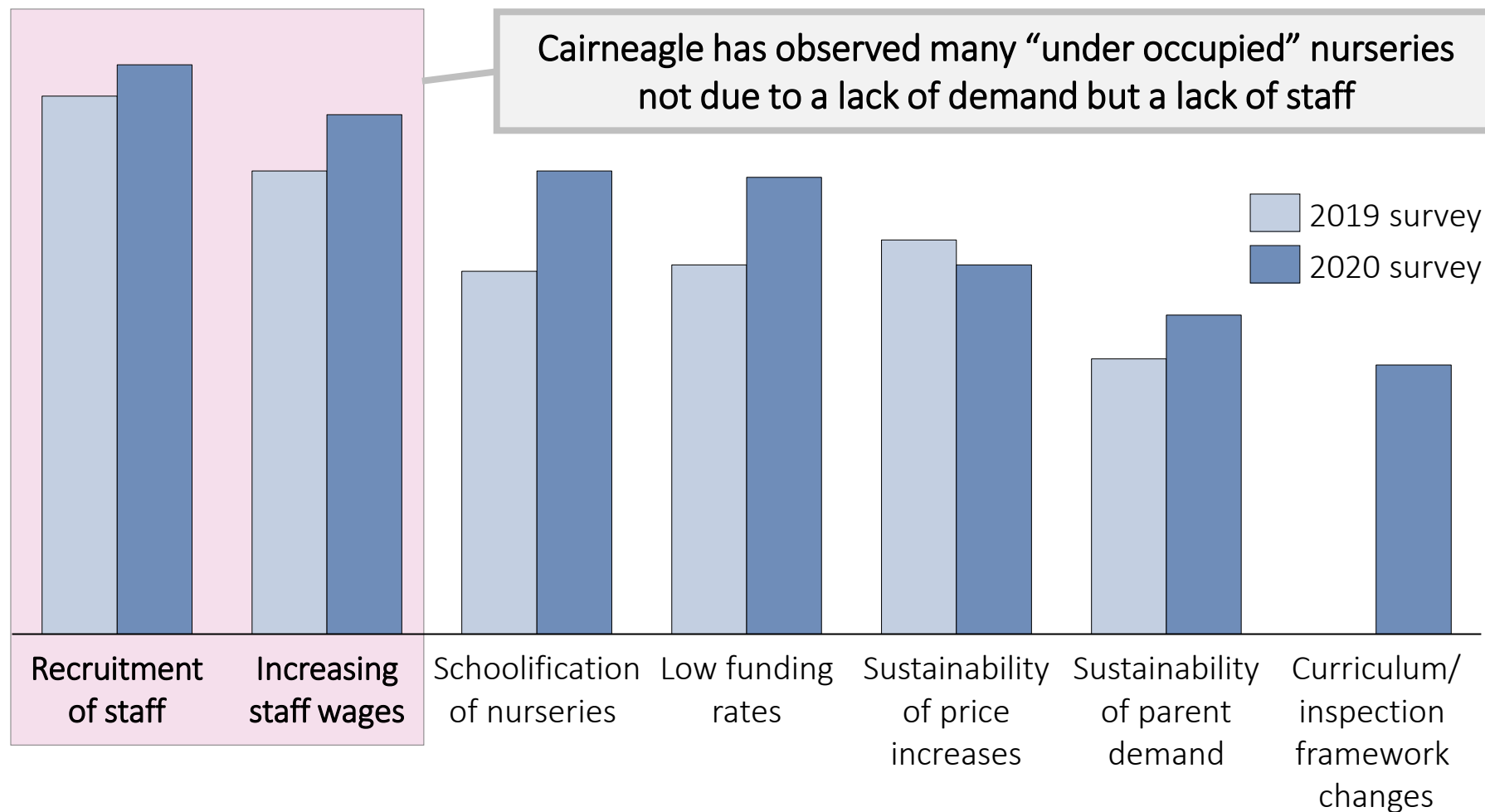


Fragmentation of comparable markets



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

How important are the following issues?



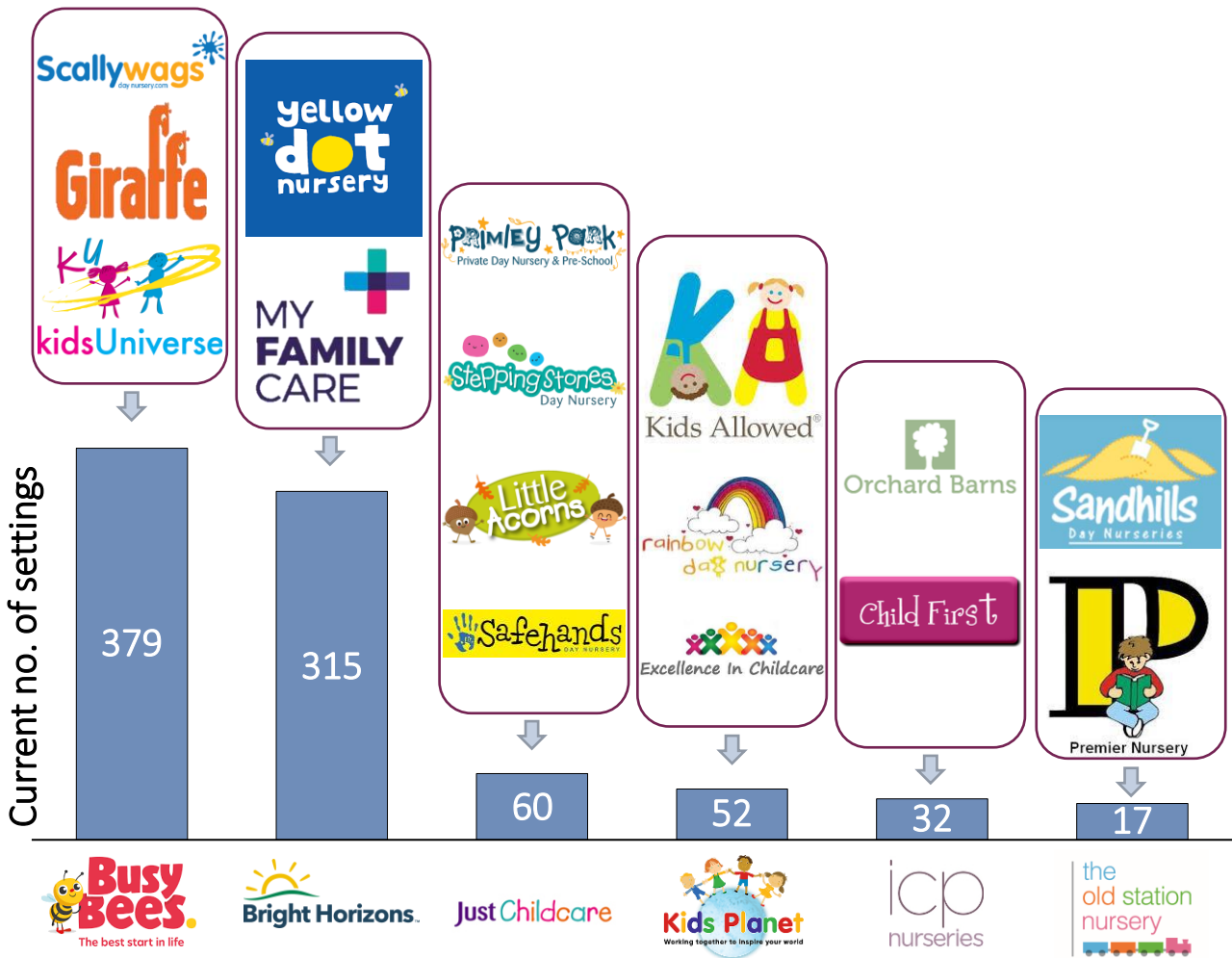
## ... group operators can navigate these challenges better than others



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"

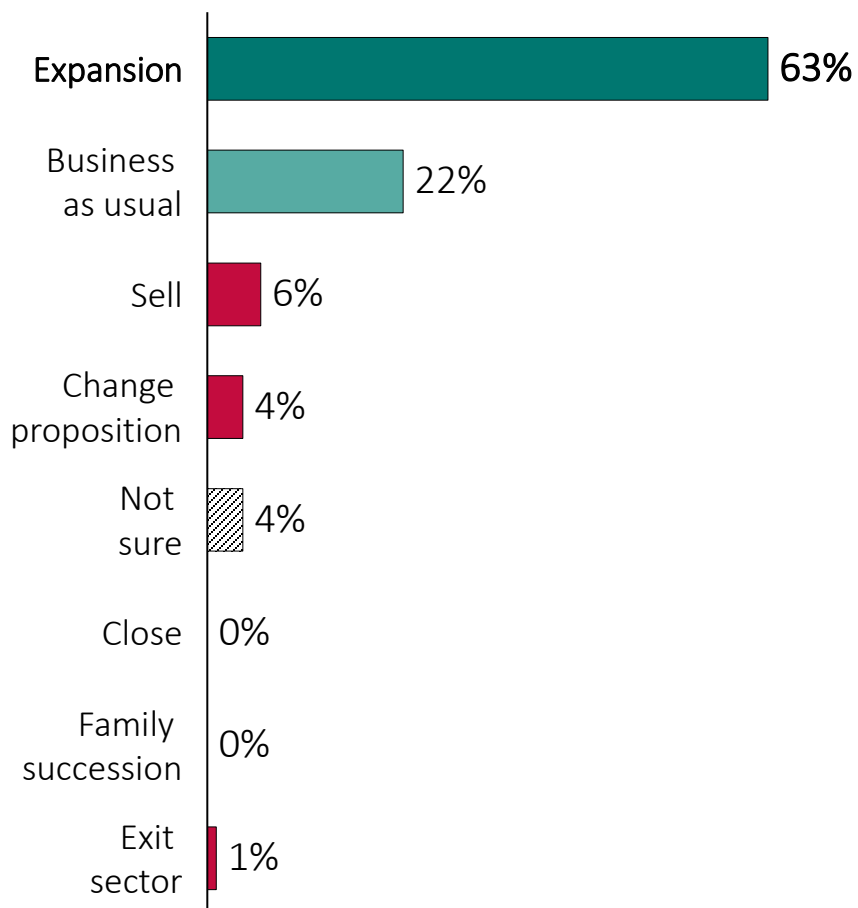
Large

Small

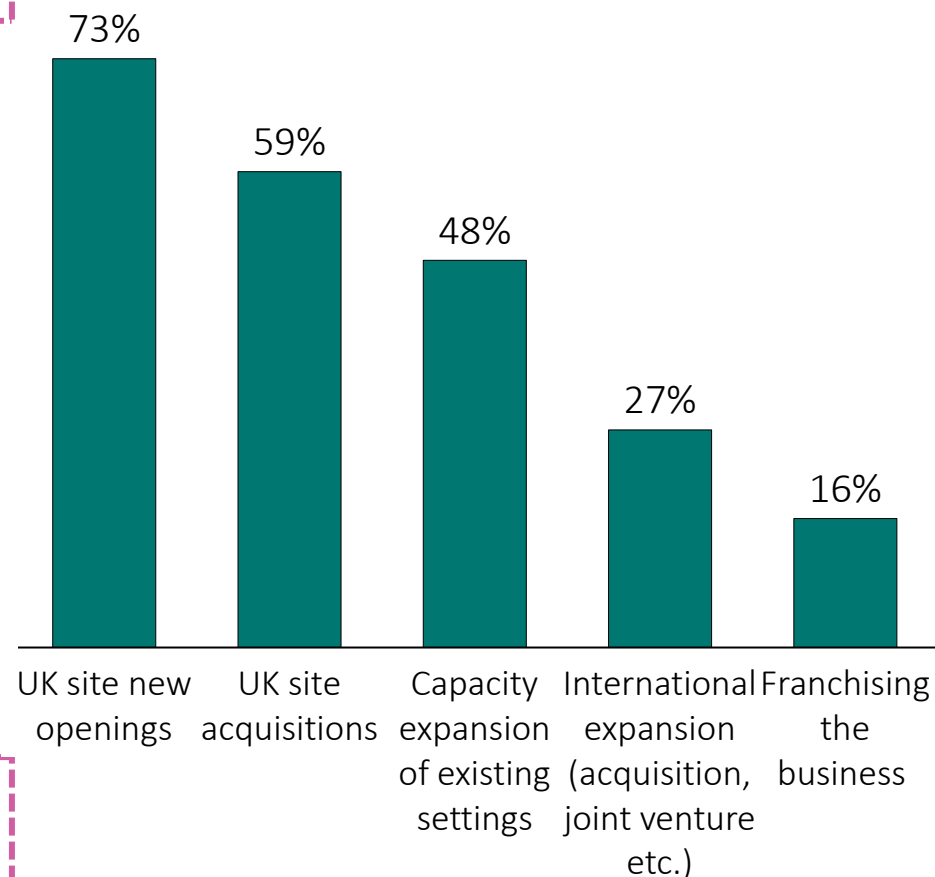
2012 2013 2014 2015 2016 2017 2018 2019 2020F 2021F

# Looking to the future: expansion is the flavour of 2020

## Plans for the future



## Expansion priorities



## Cairneagle Associates – About the Authors

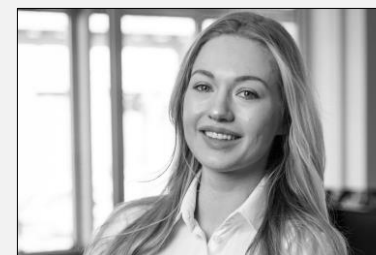
### Arun Kanwar, Partner

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.



# Cairneagle Associates

17

YEARS FOCUSSED 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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