



NMT Nursery Estate, Acquisition & Expansion Forum

Overcoming challenges and opportunities for growth

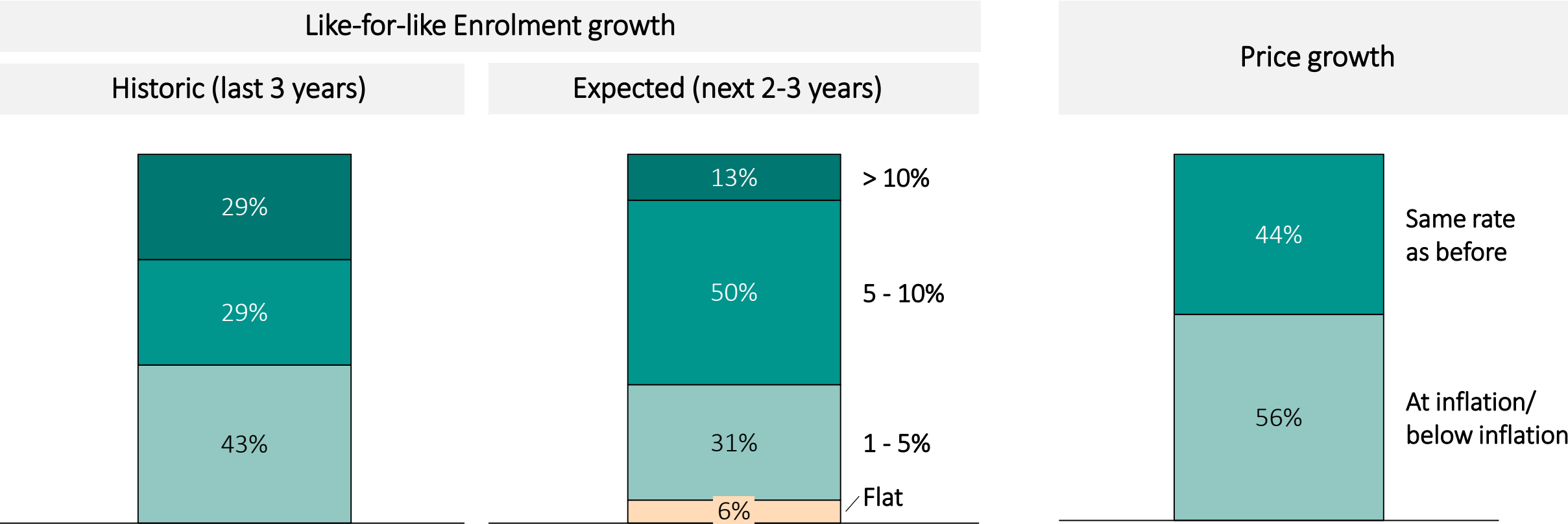
Arun Kanwar, Partner

6th March 2019

Big issues in the nursery market



Despite the uncertainty in the market, there is still optimism



London/SE
vs other:

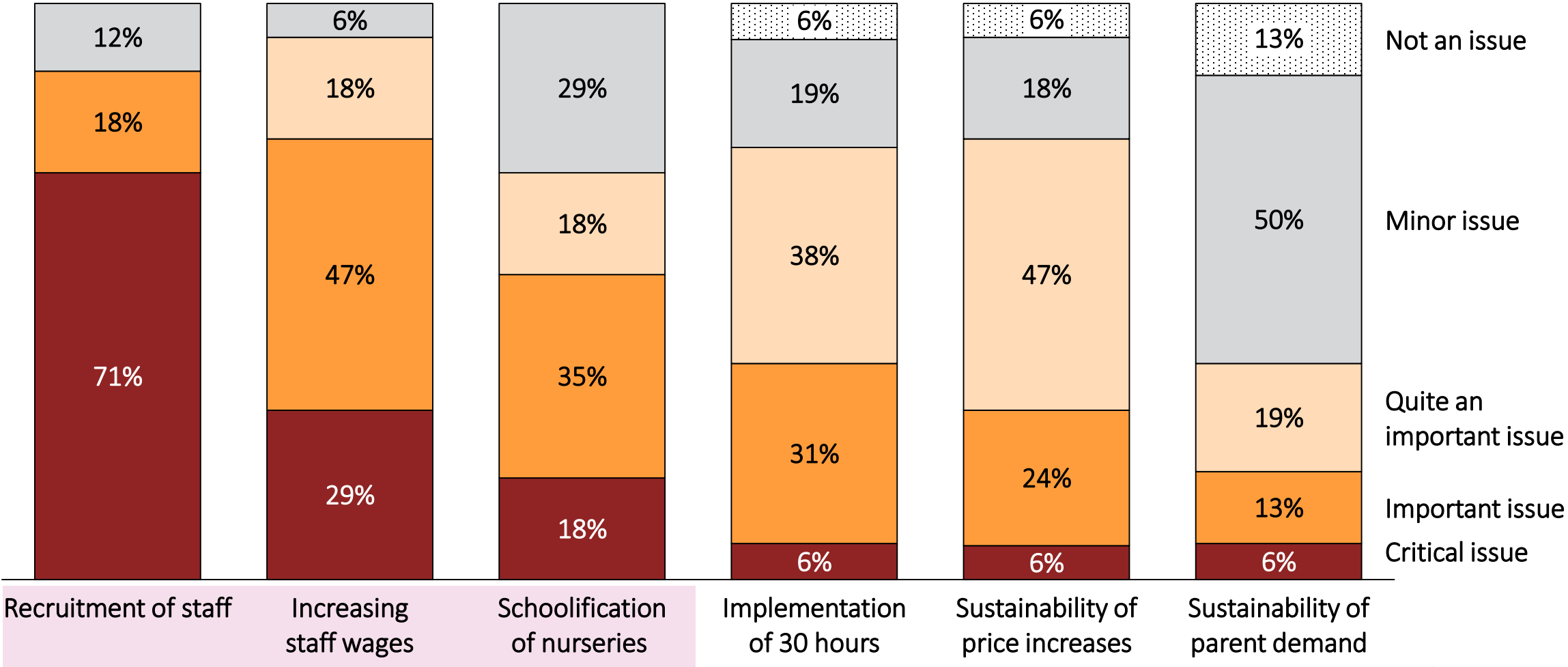
Groups in London/ South East expect lower growth enrolment growth, but higher ability to increase fees

Large vs
small
groups:

Larger groups experienced lower enrolment growth but predict higher ability to raise fees in the future

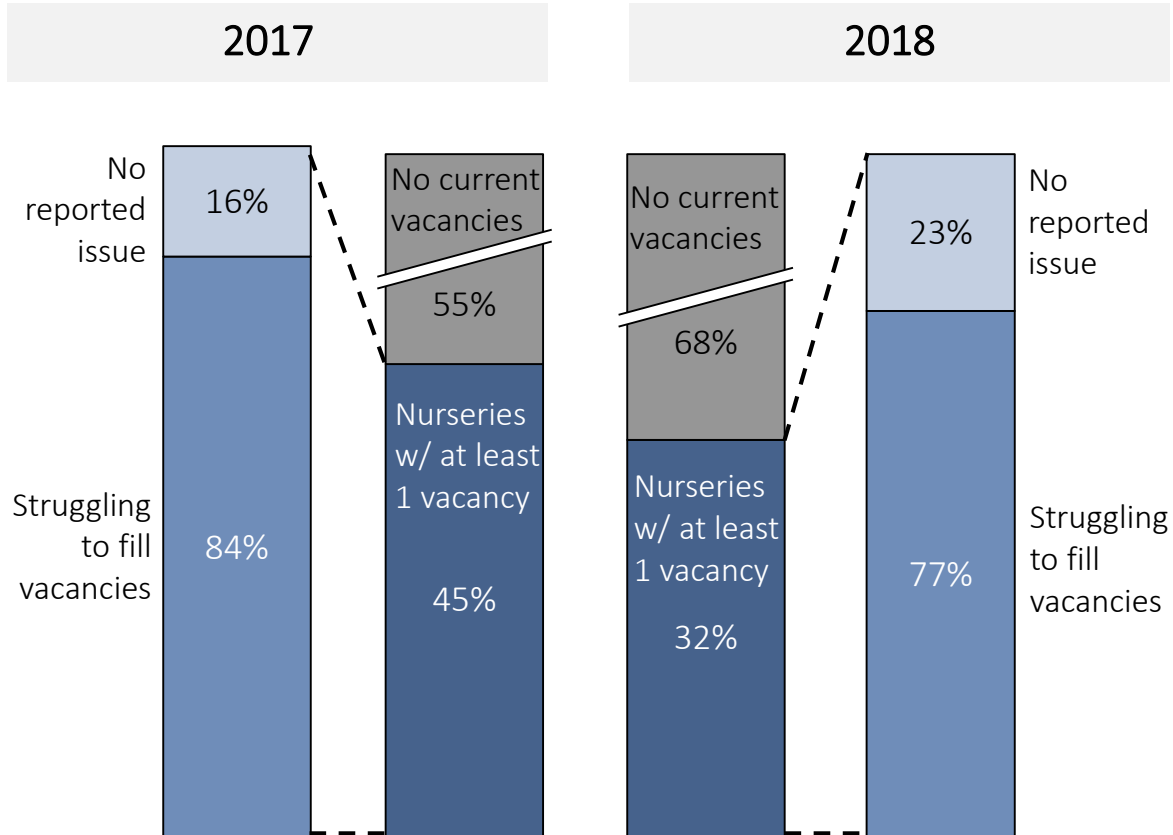
Consensus that staffing is the most key issue in the sector

Key issues faced in the UK Early Years sector



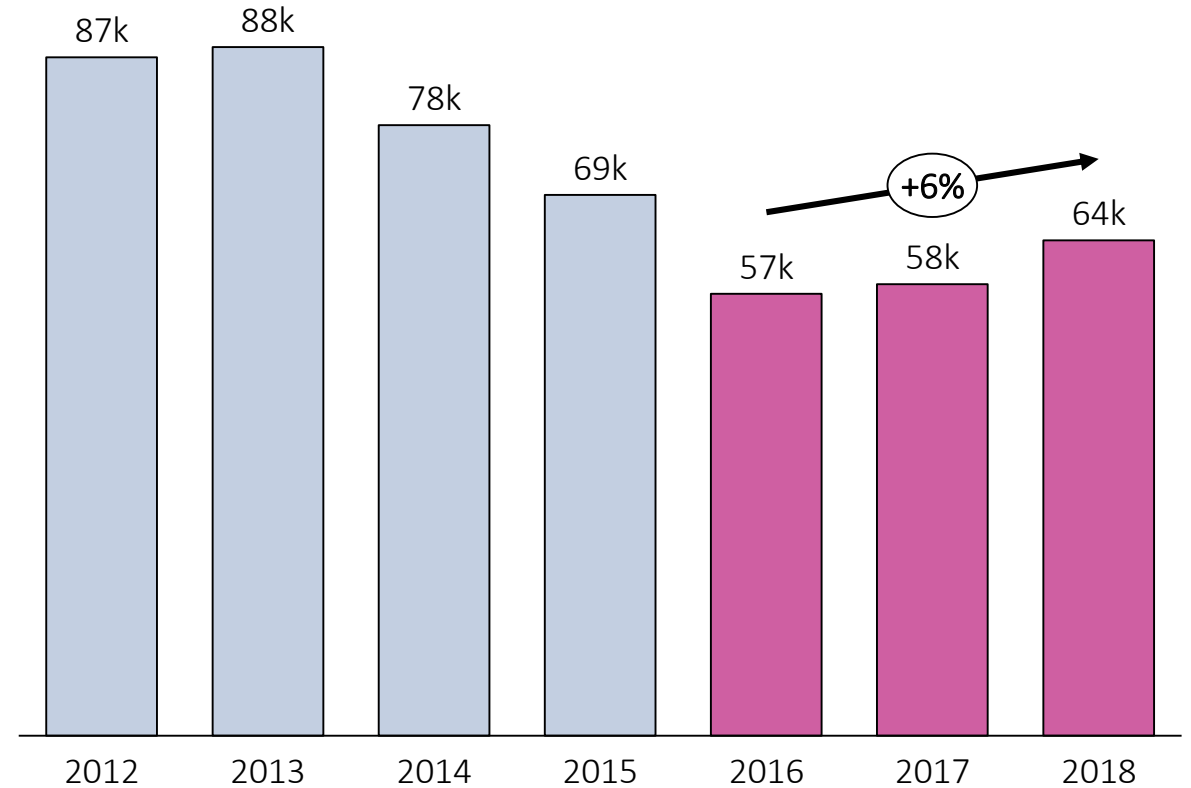
The recruitment crisis is easing (but still challenging) ...

Nursery vacancies in England



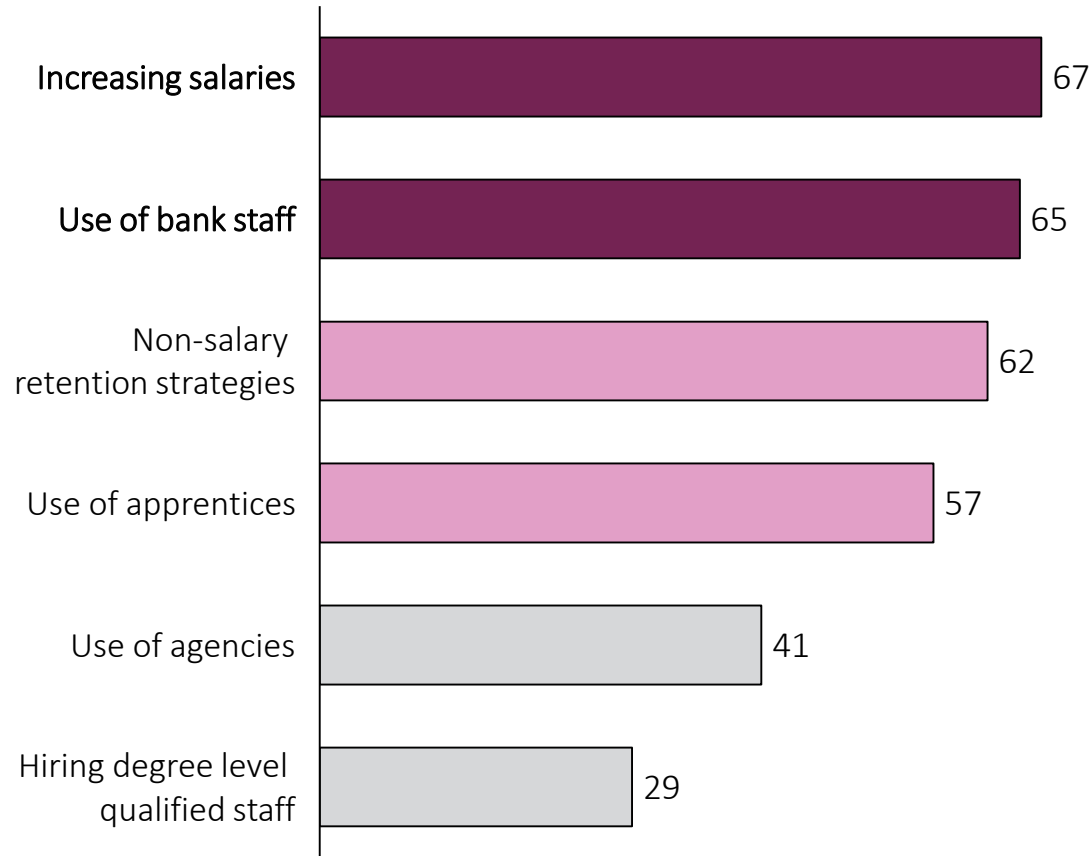
Qualifications in child development and well-being

Qualifications awarded in all levels, 2012 to 2018

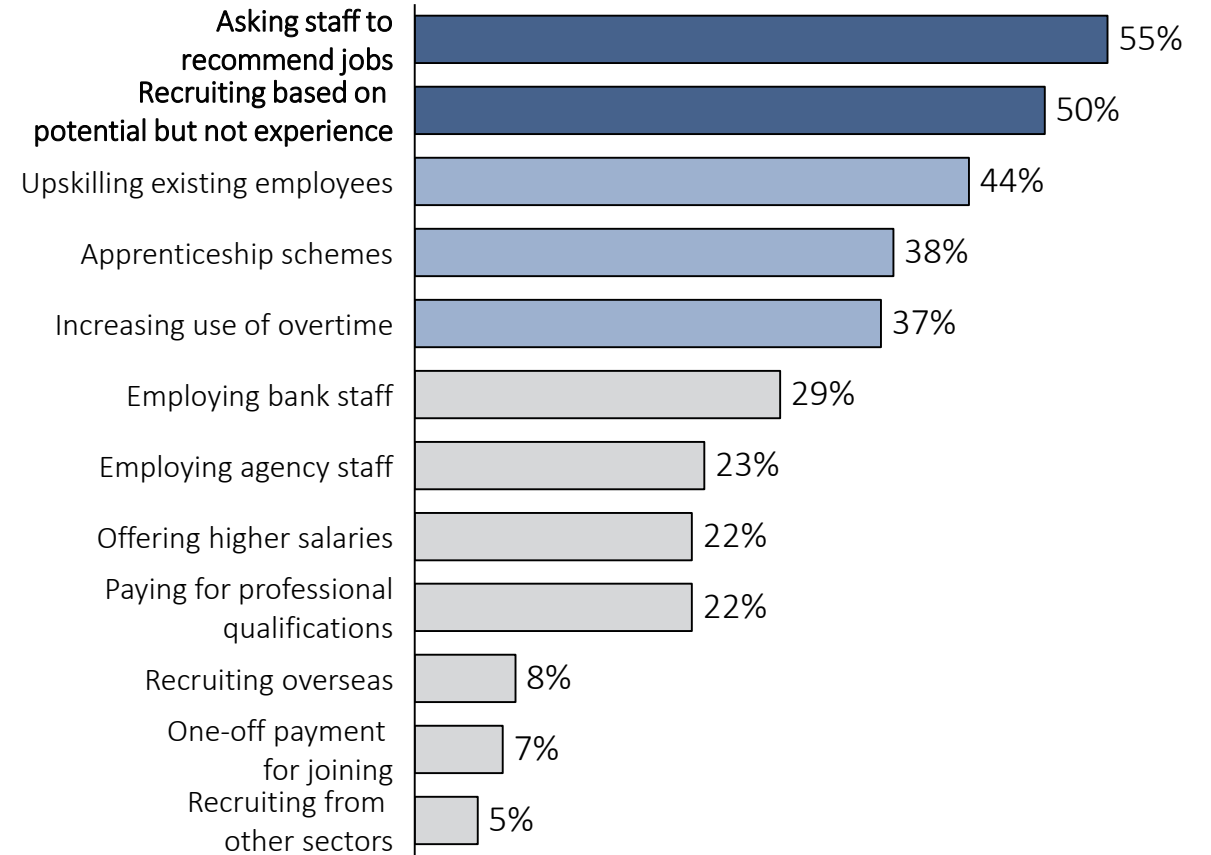


... you have several strategies to deal with the staffing issues ...

Strategies from Cairneagle's survey providers¹



Strategies from CEEDA's nursery survey providers

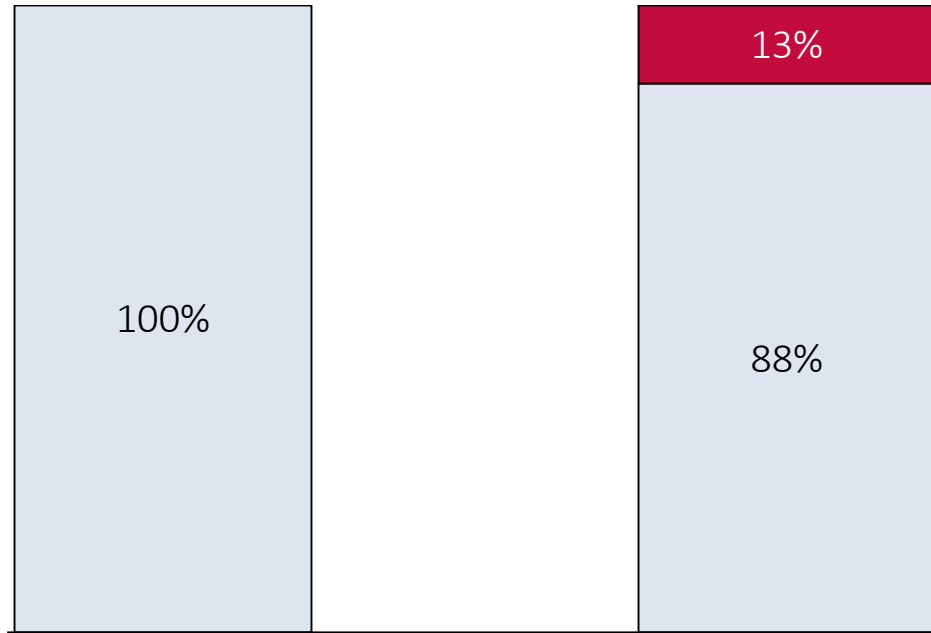


.... but Brexit poses a risk to this

Brexit impact on enrolment

As experienced

Expected

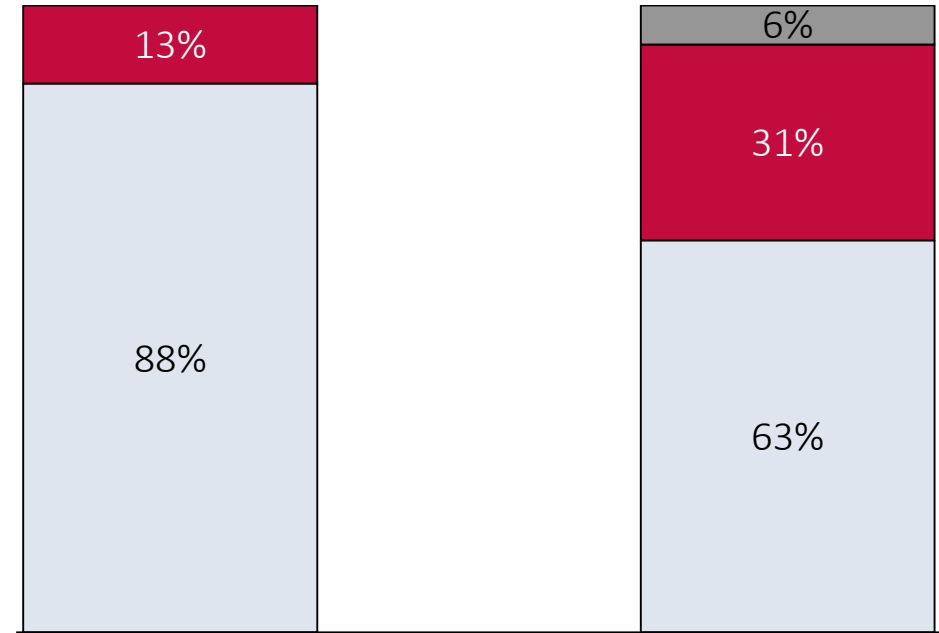


Don't know Negative Neutral

Brexit impact on recruitment

As experienced

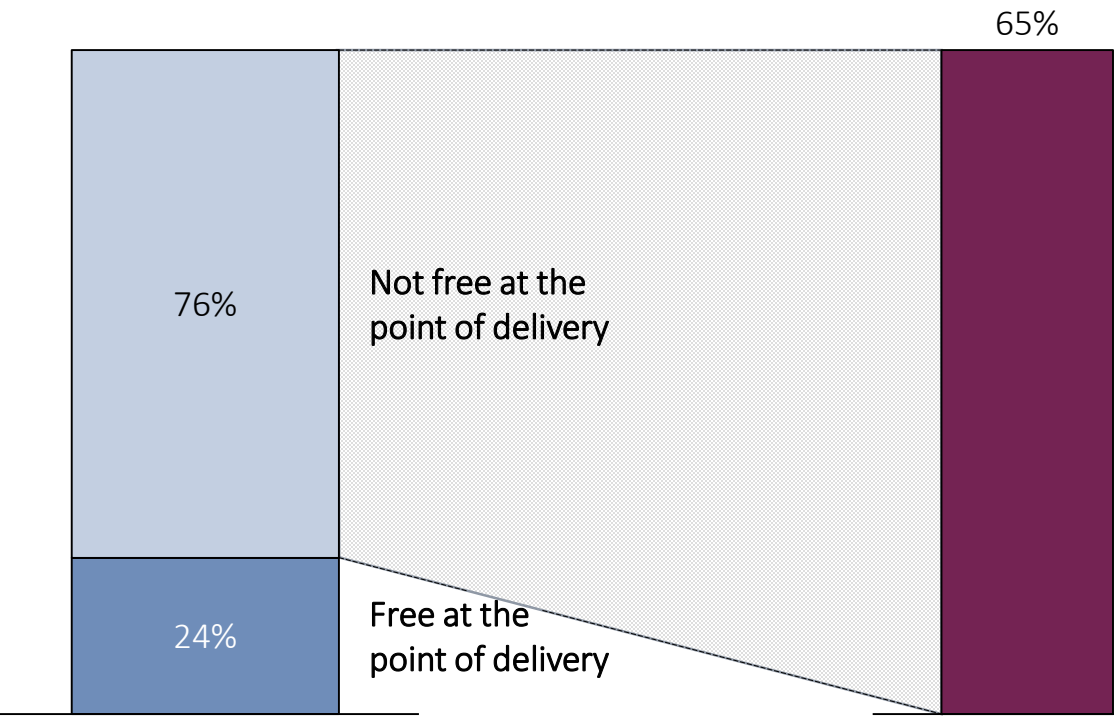
Expected



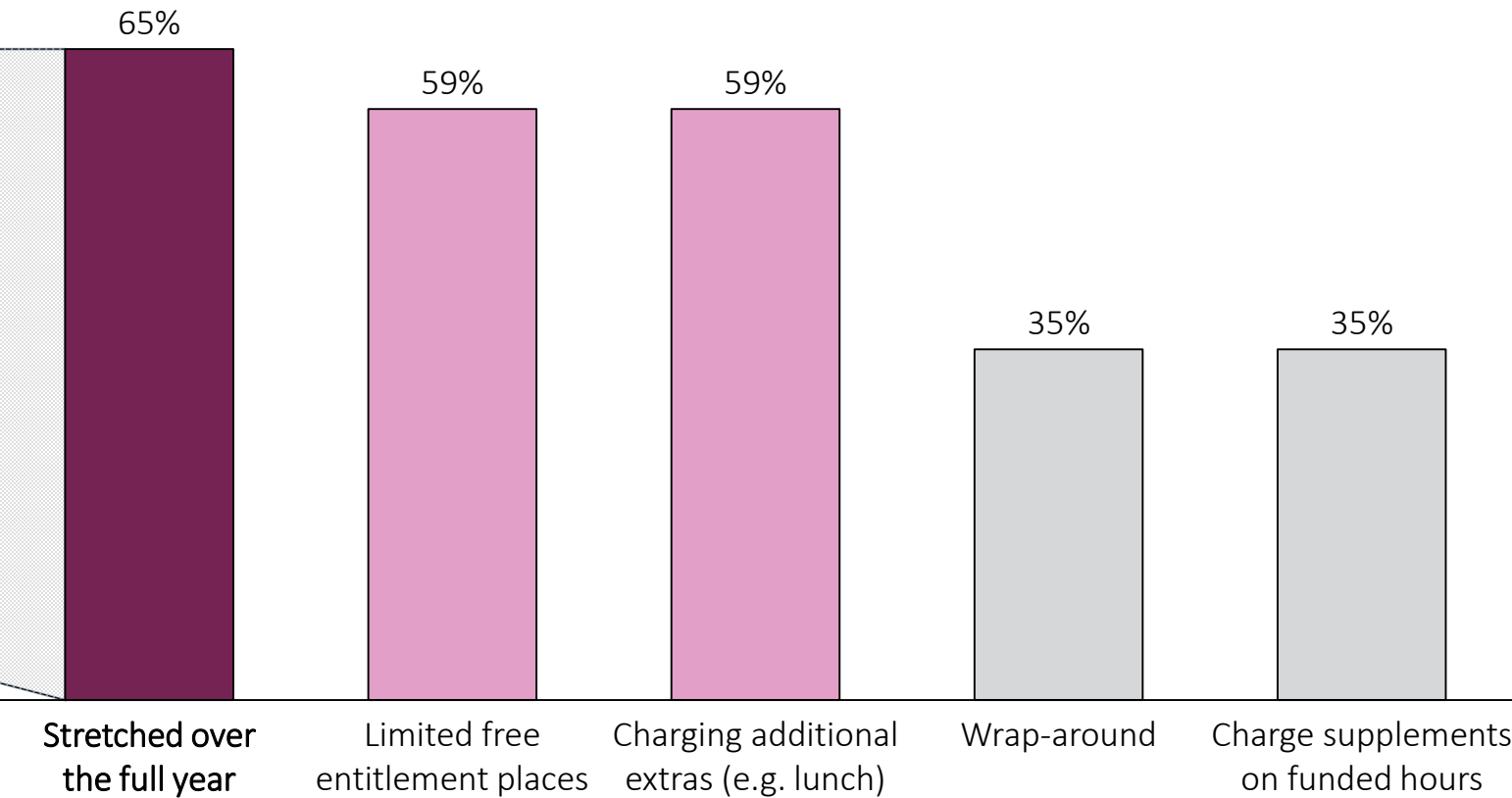
EU staff make up 5.1% of all childcare staff nationally.
Possible post-Brexit preference for 'high skills' jobs

30 hours has been mostly managed by commercially minded operators

How do you offer 30 hours?



Mitigation strategies when not operated free at the point of delivery



30h funding still presents a challenge because funding rates may remain static over the next couple of years, resulting in lower achieved blended price increases or above-inflationary price increases which will need to be passed on to parents

Focus on improvement

Priorities to optimise current nurseries

Better enquiry mgmt.

Better Marketing

Invest. in facilities

Invest. in teacher training

Fee increases

Invest. in resources

Nursery-level cost control

Central office cost control

Priorities for technology investment

Electronic parent communication

E-learning

Invoicing and accounting

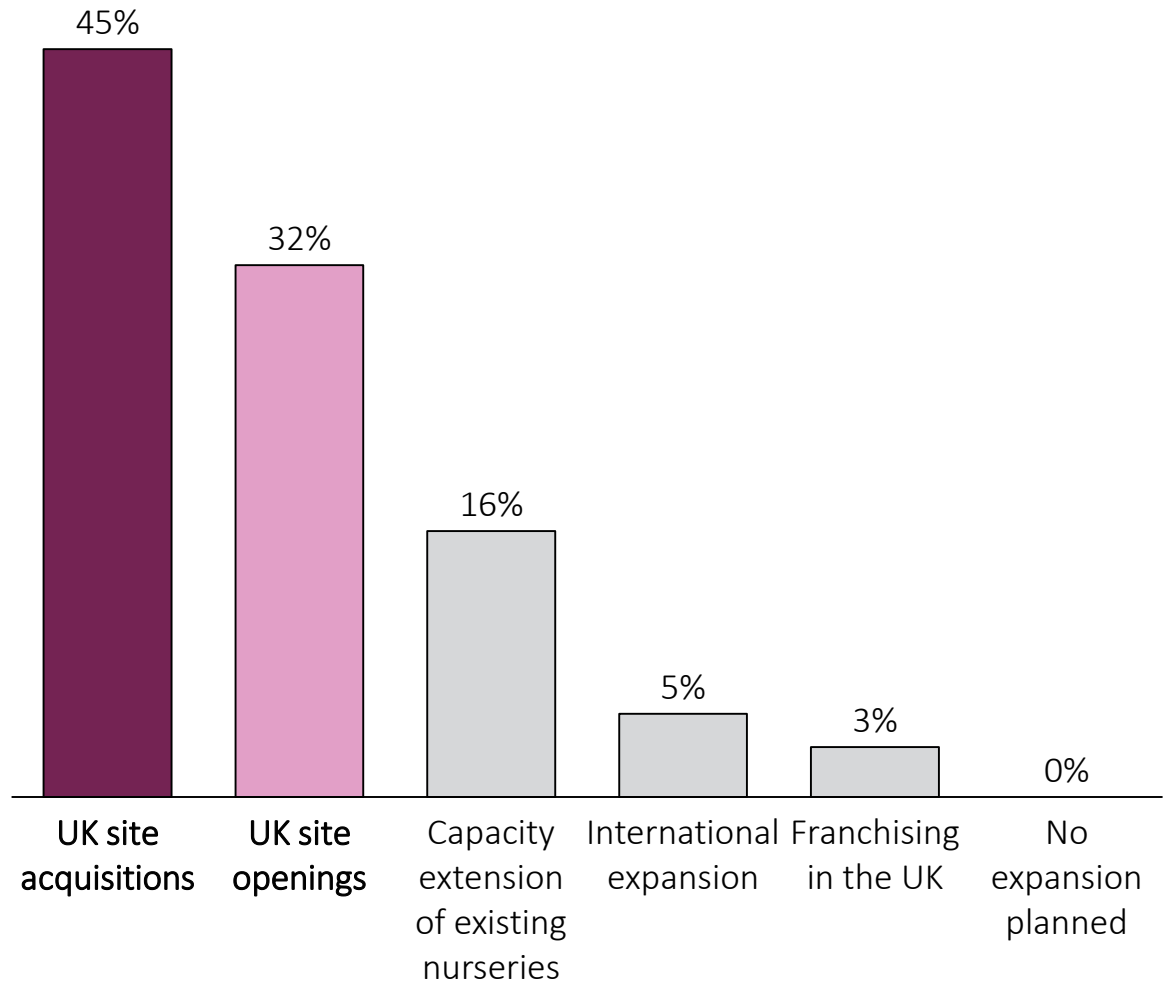
Electronic ERP

Electronic learning journals

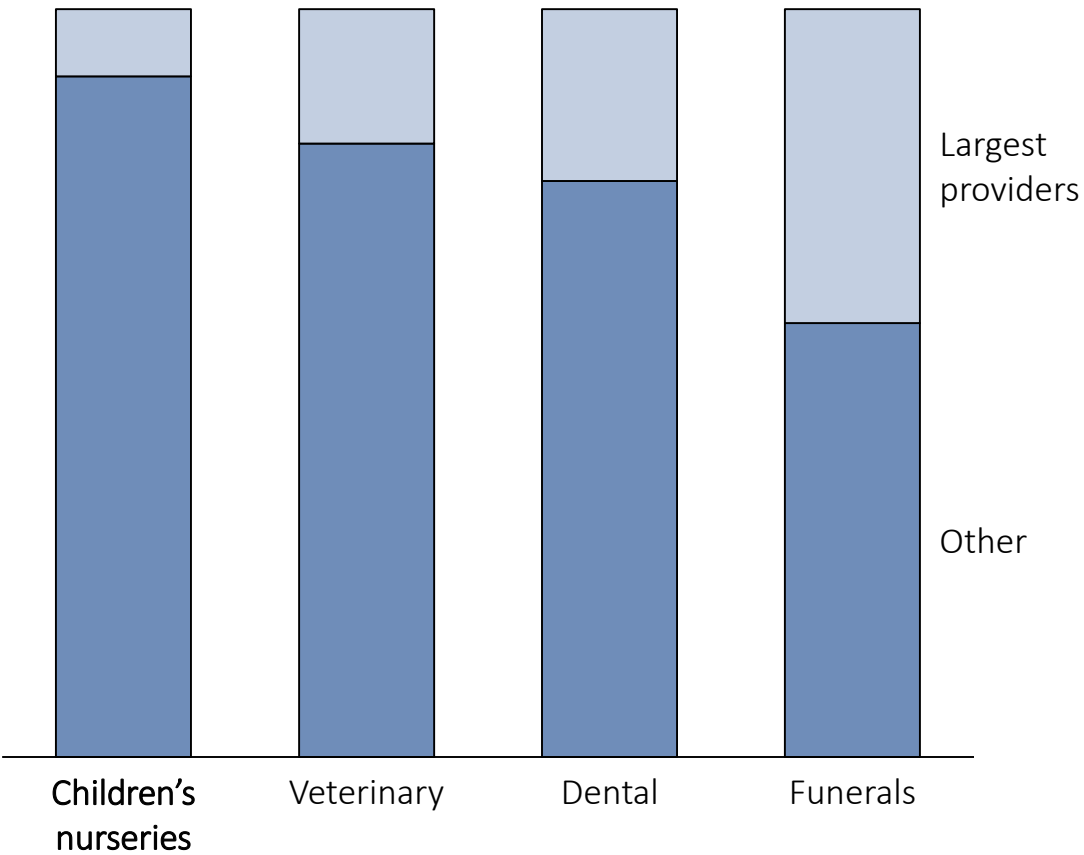
Electronic sales CRM

Looking to the future – still significant M&A opportunities

What are your priorities in terms of expansion?

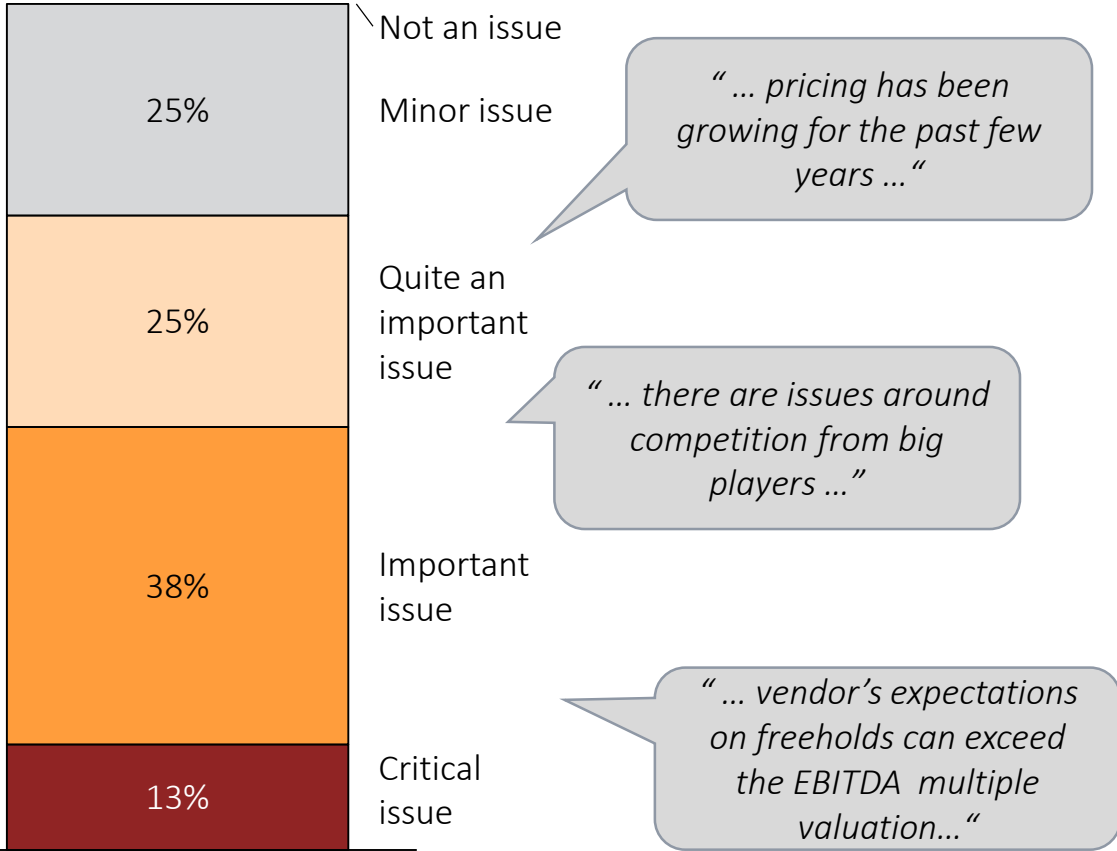


Market share of the top market participants by sector

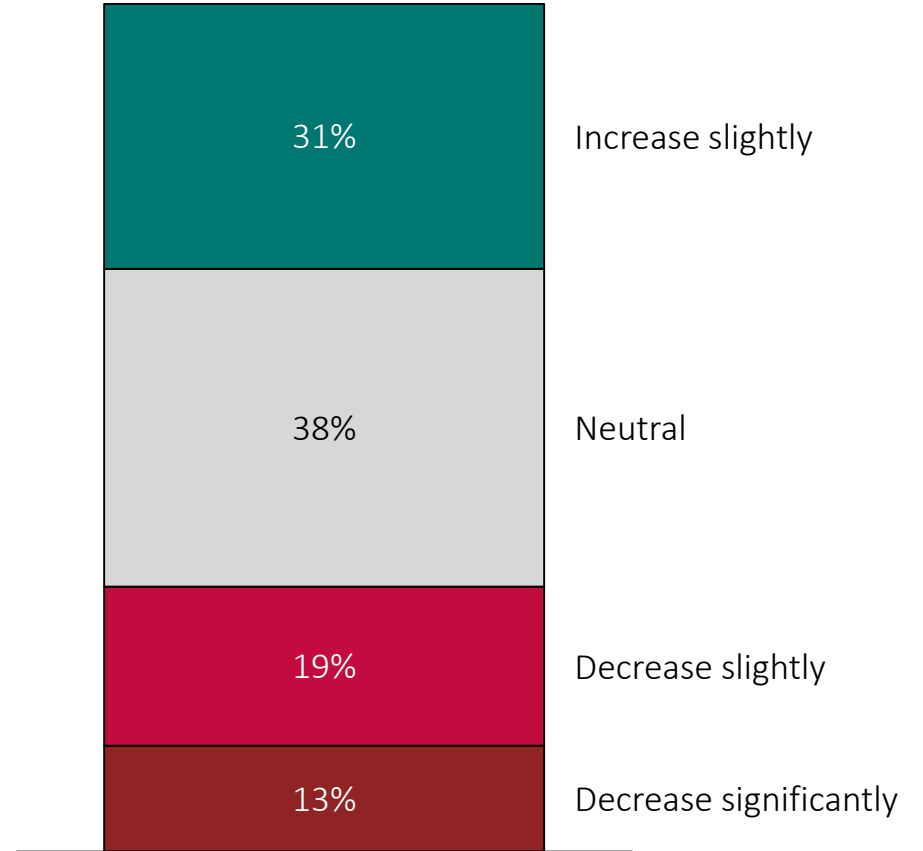


Pricing has become an issue, but we may be reaching 'peak pricing'

Is pricing an obstacle to acquiring?



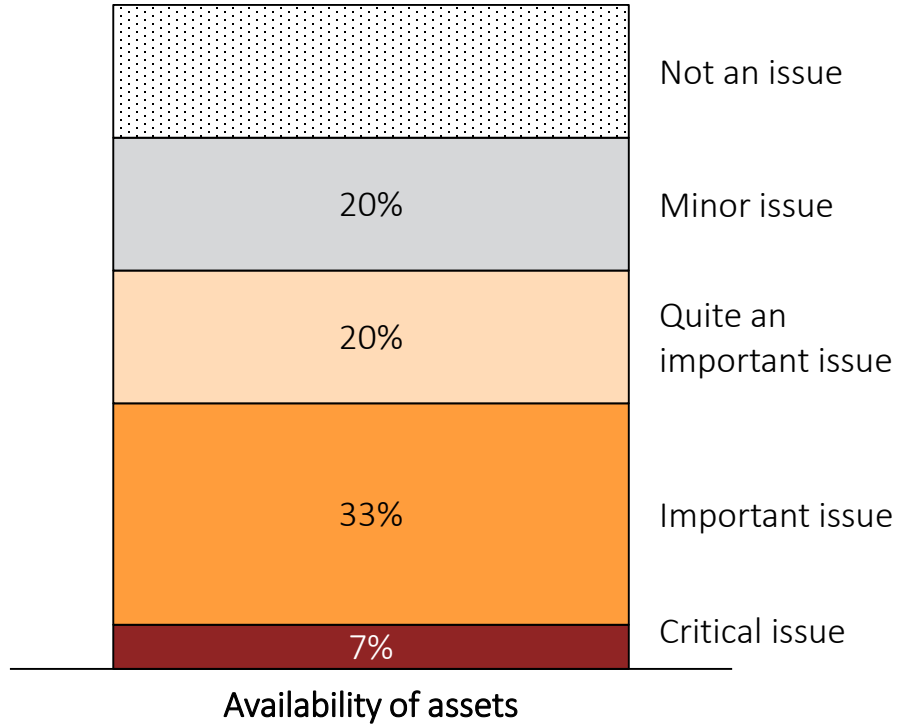
How will valuation evolve over the next 2-3 years?



According to Christie & Co, prices increased by 9.7% in 2016, 10.8% in 2017 and 8.0% in 2018

Finding the right assets is often an obstacle

Is availability of assets an obstacle to acquiring?



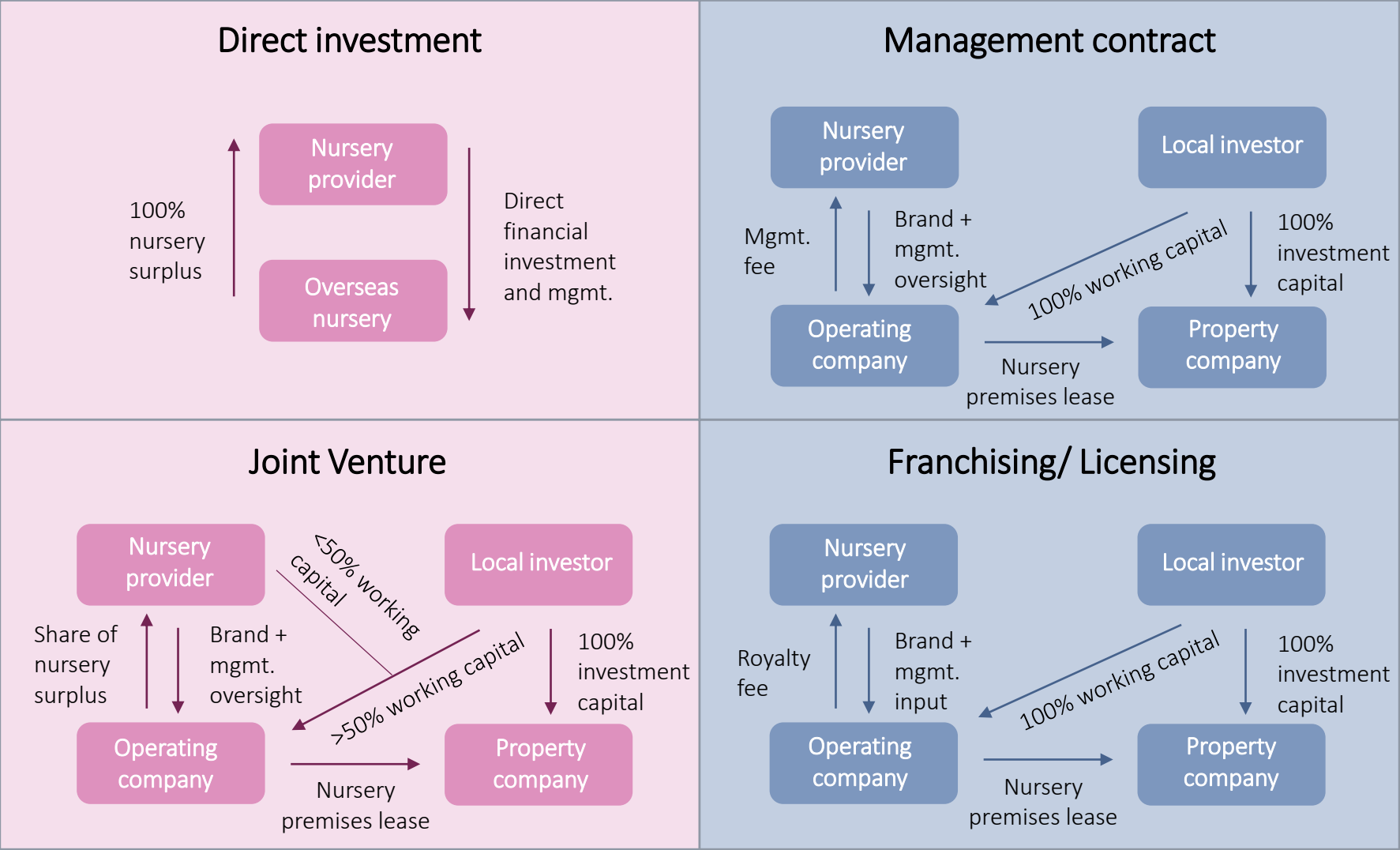
Key issues highlighted include portfolio fit and issues discovered in due diligence

Key strategies identified to overcome challenges

1. Look for deals off market
2. Network with agents or introducers
3. Unlock turnaround opportunities (quality and financial)
4. Target unexploited areas of demographic and socio-economic growth

International expansion options

Higher P&L ownership but less likely to be implementable in certain developing countries



Lower return but also less risk due to lower involvement

Perhaps more appropriate for developing countries

Cairneagle is an established strategy consulting firm focused on Education and Media / Technology. We bring structure, insight and judgement to situations of uncertainty and material financial impact

About Cairneagle and its education practice

- Cairneagle, founded in 2001, has grown to be a **leading independent strategy consultancy** specialising in Education and Media / Technology
- **Education makes up over 80% of our practice** and we have conducted around 150 projects in this space
- We support strategic decisions that Chief Executives and Boards of **educational institutions** and **companies supplying services to the sector**, as well as **private equity firms**, have to make by bringing **structure, insight and judgement** to situations of uncertainty and material financial impact
- **Approximately 50% of our work is international in character**, split between helping UK clients internationalise and working for overseas clients
- We are a firm of **three highly involved partners and one principal**, supported by a **core team of talented and capable consultants**. A team of experienced senior advisors supplements as appropriate
- We have built a strong reputation for our **rigorous, data-driven approach**, our **analytical audacity** and our determination to **add value for our clients**
- Our expertise and continued focus on Education were recognised both in 2015 and in 2016, when we have been selected as **winners of EducationInvestor's award for consultants to the private sector**

What EducationInvestor's judges say about us

"An excellent submission showing how they can adapt to a variety of project types and add value"

"There is an energy and hunger about this company that is hugely impressive"

"[Recommended] for their emphasis on accountability and affordability"

What our clients say about us

"What struck me about Cairneagle's research was the maturity of their interpretation and the independence of their thinking. They push beyond common collective views and deliver true strategic insight."

Content and Business Strategy
Director, Leading Global Publisher

"We worked with Cairneagle to evaluate a portfolio of assets coming for sale in the education sector. The team at Cairneagle went above and beyond what they had promised us and gave us deep insight into the opportunity"

Principal, Sovereign wealth fund

Cairneagle Associates

18

YEARS FOCUSSED ON QUALITY AND DELIVERING VALUE
FOR MONEY

100+

PROJECTS IN EDUCATION OVER THE LAST 12 YEARS

50%

INTERNATIONAL WORK

2

TWICE WINNERS OF EDUCATION INVESTOR AWARD FOR
CONSULTANTS TO THE PRIVATE SECTOR

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EducationInvestor
Awards 2015

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Consultants
- to the private sector

EducationInvestor
Awards 2016

WINNER

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