



REPUTATION, DISCRETION, KNOWLEDGE

CHILDCARE

Market Report

AUTUMN 2023
UK EDITION



UK Review

2023 in Review: Making Every Deal Count



by PAUL J. MILLER
Chief Executive Officer

WELCOME TO OUR LATEST CHILDCARE REPORT. IN THIS EDITION WE HOPE TO PROVIDE YOU WITH INDUSTRY INSIGHT AND REASSURANCE FOR THE UPCOMING AUTUMN/WINTER PERIOD, AS THE UK REMAINS PERMEATED BY POLITICAL AND ECONOMIC UNCERTAINTY.

In the wake of the challenges we, as business owners faced in 2022, 2023 opened with its own slew of economic bad news. This year we have seen an economic landscape struggling with high energy costs and increasing cost of living and price pressures driving stubbornly high inflation. This has led to significant interest rate rises against a backdrop of political turmoil. All of which has proved challenging for the UK's M&A sector.

Despite these challenges, the childcare market has continued to deliver a high number of transactions for Redwoods Dowling Kerr.

Over the last eight months, the early years sector has proven its strength and sturdiness in the face of continued adversity. M&A activity remains strong, as buyers seek to make the best of current market conditions to realise their growth strategies. With our forecast from the previous year realised, the market continues to profit from increased levels of deal-making activity and consolidation. To date, we have delivered in excess of 50 childcare transactions during 2023. Demand this year has remained steady and strong, with national operators continuing to acquire settings that meet their strategic goals and criteria.



Over 50

CHILDCARE TRANSACTIONS Delivered by RDK in the First Half of 2023

Acquisitions are taking place across the UK with strong multiples paid. The childcare market is resilient and has strong long-term dynamics which offers excellent prospects for buy-and-build strategies, regional growth expansion and first-time acquisitions. Buyer numbers continue to increase and are now 14% higher than in 2022.

Interest rates have risen to 5.25% but the “wall of cash” built up over the years prior to 2023 has continued to drive high levels of transactions. However, whilst some commentators believe it is likely we will see transaction volumes reduce during the next couple of financial years, we at Redwoods Dowling Kerr believe the market will remain constant for high-quality childcare businesses. Whilst there have been significant levels of

consolidation in recent years, the market remains highly fragmented. Even with increased borrowing costs, there remain significant opportunities for buy and build strategies for regional and national groups.

RDK PROVIDING SUPPORT

With rising concerns for taxation and a general election looming, we are very proud of the Redwood Dowling Kerr's Childcare team's achievements over the last six months. Since the start of the year, RDK has managed to garner an average of two early years sales per week. Given the high levels of sales agreed within our deal pipelines, the number of sales scheduled means we expect this figure to remain steady for the rest of the year. We have seen a range of premium acquisitions with the strongest multiples achieved in the history of our business. This track record

stands thanks to the tireless efforts of all our staff. The Autumn period is looking to be a busy season for M&A activity, and RDK will continue to exceed our clients' expectations by making every deal count, reducing transaction timescales and creating wealth for our clients.

2023 also marked the launch of our first-ever business insights survey. The survey encompasses all of Altius Group's brands, including RDK, and will offer useful and invaluable insights for both buyers and sellers thanks to their input. We have been reaching out to the childcare sector and the UK SME community to seek the opinions of business owners. RDK plans to share the results in our next report and use the brand's marketing power to share the views of the sector bought to us by you, our clients.

Supporting Local Charities

Making Every Goal Count



by PAUL J. MILLER
Chief Executive Officer

OVER THE LAST SIX MONTHS, WE HAVE MADE A CONSCIOUS EFFORT TO WORK WITH MORE CHARITIES AND SUPPORT OUR COMMUNITIES.

As part of Altius Group, Redwoods Dowling Kerr already support Ecologi and donate to charities such as our local foodbank, Luv Preston.

As a Newcastle native and a lifelong fan of Newcastle United, I have decided to use my love of football and my home team to give to local charities. I feel truly passionate about my team and I'm currently relishing the new atmosphere driven by the managers and the team. Last season was hugely enjoyable for me and I expect this season to be even better.

With this in mind, Altius Group will **donate £100 for every goal** Newcastle United scores in each of their Premier League, Carabao Cup, FA Cup and European matches during the 2023/24 season.

All money raised this way will be evenly distributed between two noted charities: The Newcastle Foodbank and Brian House Children's Hospice located in Blackpool, a charity which delivers support and care to local children with complex needs and life-limiting conditions.

I certainly have my hopes up for a great season during which we will be able to give support to these worthy causes.



Newcastle Foodbank

Brian House
Children's Hospice

Our Latest Successes

Childcare Brokerage at its Finest

Amidst prevailing market uncertainties driven by the cost of living crisis and sustained elevated pricing, coupled with concurrent inflation, the Childcare & Education sector remains remarkably robust. In the initial half of the year, we observed a consistent increase in viewings and instructions within the sector, in direct comparison to the previous year of 2022.

400+

NUMBER OF
Day Nursery Appraisals (H1)

14%

INCREASE IN
Childcare Buyer Registrations

80%+

SOLD FOR/IN EXCESS OF ASKING PRICE
Childcare Sales (H1)

270

NUMBER OF
Childcare Opportunities for Sale

Childcare Business

A Window of Opportunity?



by ANDREW K. STEEN
Sales & Marketing Director

In the wake of several years of unprecedented levels of disruptions and challenges for businesses, the UK's childcare market stands before a window of opportunity. Even through sustained turbulence, nursery owners have continued to provide first-class educational childcare, whilst navigating market challenges and economic hurdles affecting the day-to-day operations of their businesses. Many have taken advantage of the market conditions to grow, increasing M&A activity to bolster their operations, expanding their regional and national reach, and benefiting from economies of scale.

Redwoods Dowling Kerr continues to support clients in both their exit and acquisition strategies completing on average two childcare transactions per week since the end of the Covid lockdown period.

Our sales pipelines remain strong and buyer registrations are currently exceeding last year's by 14% as entrepreneurs and operators seek to put in place their plans before a potential change in Government which is likely to take place during 2024.

A TIME OF UNCERTAINTY

As with any election period, there will be political and economic upheaval. The UK's markets, including the childcare sector, will face a variety of new policies to deal with. A concern for many business owners is that a shift in government policy may bring about a rise in Capital Gains Tax as well as the potential abolition of Entrepreneur's Tax Relief. It is difficult for business owners to plan when no change in policy has been announced but some rumours suggest CGT may be aligned with Income Tax thresholds which would represent a substantial change in tax costs for business owners. If these rumours became reality, then CGT may increase from 20% to 40%, possibly even 45%. If

ETR was abolished, then business owners would lose their ability to claim 10% taxation for their first £1,000,000 of sale value.

A GOOD TIME TO SELL?

The feedback that we are currently receiving is that many business owners are considering their personal position and are looking to bring forwards their exit timeline to ensure they have sold prior to the election period in 2024. Owners are attracted by the certainty of understanding what their taxation position will be and that they are still able to benefit fully from ETR.

The M&A market is resilient and remains strong for the sale of quality childcare businesses, with a number of buyers looking to utilise their cash to deliver their 2023 acquisition strategies. Increasing borrowing costs do represent an issue for acquirers who are looking to moderate the price which they will pay



"Based on historic averages, childcare businesses are still selling for above-average multiples and transactions in shorter periods than the norm."

for target companies. Based on historic averages, childcare businesses are still selling for above-average multiples and transactions are being completed in shorter time periods than the norm.

Over the last six months, RDK has completed acquisitions across the UK, with substantial activity happening in the South East of England, followed closely by the East and the North West. Our childcare team has also been providing expert knowledge of the market and the specific requirements of businesses operating in the sector to successfully facilitate several large-scale group sales. Our team is well-versed in

delivering multi-site, high-value sales and is committed to ensuring the sales process runs smoothly for our clients, guiding them through the process and helping them overcome the hurdles to completion.

In summary, with M&A activity currently ramping up in the early lead-up to next year's election, buyers and sellers within the early years' sector have much to gain from current market conditions. Despite ominous predictions, the market remains positive, having proven resilient against the increasing burden of economic turmoil. While these conditions may change in the future and the balance of downside risk may be higher (especially with a possible switch in the UK's political leadership), Redwoods Dowling Kerr expects M&A activity to continue to remain buoyant throughout 2023 and through to early 2024.

2023

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-
-

SOLD Childcare Businesses



PROJECT EMELIE



NEW HALL



PROJECT KINSLEY

RDK's UK Wide Range

With a track record spanning over three decades, our highly experienced childcare and education team manage an extensive database of buyers and sellers across the UK and globally. The team is well-versed in handling high value and multi-site sales and facilitate transactions on childcare businesses right across the UK.

Over the following pages we share some recent examples.

Mayfield

Day Nursery

Project Rise

Day Nursery

Project Bonnie

Group of 2 Day Nurseries

Project Zebra

Group of 3 Day Nurseries

New Hall

Day Nursery

Wiggles & Giggles

Day Nursery

Little Growbags

Day Nursery

Abbotts Nursery

Day Nursery

Cheekie Monkeys

Day Nursery

Apples & Cherries

Day Nursery

ABC Tots

Day Nursery

Project Kinsley

Group of 6 Day Nurseries

Yellow Wellies

Group of 2 Day Nurseries

Project Theo

Day Nursery

ABC Nursery

Group of 2 Day Nurseries

Handprints

Day Nursery

Project Hugo

Day Nursery

Project Emelie

Day Nursery

Project Bell

Day Nursery

Footsteps Childcare Ltd

Group of 2 Day Nurseries



PROJECT RISE



PROJECT ZEBRA

A Selection Of Sold Childcare Businesses in 2023



ABBOTTS NURSERY

Abbots Nursery is a long-established Children's Day Nursery in Cheltenham. This immaculate setting is truly the envy of any day nursery operator. It sits in an affluent residential area, a short distance away from the town centre, with access to local commuter routes. The nursery operates out of an imposing, detached historic property with a large outdoor play area to the rear of the building.

Our Client commented:

"We would like to thank Redwoods Dowling Kerr and the childcare team for all their help and support. Everything they did was much appreciated. We couldn't have done it without them."



LITTLE HOLLAND NURSERY

A well-established, highly respected and profitable Children's Day Nursery registered for 40 children aged 3 months to 5 years of age. Situated in sought after Essex area. The nursery has been operating from many years and was purchased by our client in 2019. It has good sized classrooms which create a pleasant environment to play and learn in for all ages along with a home from home feel.

The nursery is surrounded by good transport links, bus routes and the A12 although we have been advised that the majority of the children attending the school come from the local vicinity.



PUDDLEDUCKS NURSERY

Puddleducks consists of two Children's Day Nurseries in Worthing, Sussex, Puddleduck Day Nursery and The Friendly Fish Nursery. The two settings have a combined capacity of 112 children. Both settings operate out of substantial well-kept properties and enjoy a "Good" rating from Ofsted. Long established and highly reputable group.

Our Client commented:

"This is my third experience with Redwoods and again I have received a 5-star service. My relationship manager Karrina was amazing. She managed the whole process seamlessly and was excellent".



LITTLE ANGELS NURSERY

Delightful Children's Day Nursery in Cheshire with popular out of school/ holiday club. Registered for 75 children combined. The Day Nursery was established by the present family owners back in 2004 and during that time the nursery has earned a truly enviable reputation for providing quality childcare within a warm and secure environment.

The nursery enjoys excellent reviews ensuring regular referrals and recommendations with historically healthy occupancy levels. It was rated as "Good" by OFSTED at the latest inspection in April 2018.



WIGGLES & GIGGLES NURSERY

Wiggles & Giggles is a delightful Day Nursery located in Stamford, Lincolnshire. The nursery sits in a desirable and accessible location, just a short distance from commuter routes and public transport. The nursery is registered to up to 81 children from 6 weeks to 5 years of age. The nursery is equipped to the highest possible standard with quality toys and resources.

The Negotiator commented:

"The sale process went smoothly and without major hurdles. Both sides were engaged, which was a great help in facilitating the deal. I wish all parties involved the very best for the future."



STREET FARM NURSERY

A highly reputable and respected nursery in Bury St. Edmunds, Suffolk. It enjoys an 'Outstanding' rating by Ofsted and has a capacity for up to 55 children. The nursery features a strong team of experienced qualified staff, winning several awards throughout the years. Stunning garden space which was recently redesigned and renovated.

The Buyer commented:

"Street Farm Day Nursery is a fabulous addition to our group. Lisa has built a lovely children's nursery setting which was evident as soon as I walked through the door. We look forward to building on from Lisa's success."



NOOK BARN NURSERY

A substantial Children's Day Nursery situated in a former barn located in Blackburn, Lancashire. It sits at the heart of a densely populated residential area, close to the town centre, and has a current capacity for up to 55 children from birth to 5 years of age. Nook Barn features a strong experienced management team and received a 'Good' rating from Ofsted.

The Negotiator commented:

"It was a pleasure to assist both Kids Planet and our clients in this transaction. The sale completed in just over 11 weeks and is another brilliant addition to the Kids Planet family."



ABC NURSERY

A well-established Children's Day Nursery and an Out of School Provision in Huddersfield, Yorkshire. It sits within reach of major commuter routes, with public transport nearby. It operates out of a substantial detached property, equipped to a high standard throughout. The nursery is registered for up to 96 children and has historically healthy occupancy levels. The setting received a 'Good' rating from Ofsted in 2017.

Our Negotiator commented:

"I am delighted that Redwoods Dowling Kerr was able to assist in the sale of the nursery. I wish all parties involved all the best for the future."



Redwoods Dowling Kerr

A Business Broker

You Can Trust with Your Business

Always there to help and make things easy and smooth.

TUNDE

I was constantly receiving updates every step of the way; my inquiries never go unanswered. I wouldn't have expected anything more. In making a significant decision to acquire a business, my anxiety level remained low due to my awareness of the progress being made. There is no doubt that the entire team is exceptional, but my primary interaction was with Kim (I hope she doesn't mind me mentioning her name), who consistently remains focused and readily seeks out answers on my behalf. Thank you so much.

An Exciting Journey!

MICHELLE

It was a lengthy process, but Sarah stayed in touch every step of the way. Since we were seeking to embark on new ventures, it was the opportune time for us to sell. When it came to a buyer, we sought someone who shared our family values and would take care of our staff. Fortunately, Redwoods identified a suitable buyer. The service level was commendable, and I'm relieved that the sale has concluded. I would certainly recommend Redwoods Dowling Kerr for their expertise in this business domain.

Fantastic Experience

CLAIRE

I have now sold two nurseries through Redwoods. On both occasions, Karrina has been an absolute pleasure to deal with. Her knowledge and expertise of the sector are exceptional. She is always one step ahead, ensuring that vendors and buyers are kept up to date with the progress and that things move as swiftly as possible. There were numerous instances when Karrina's advice proved invaluable to me, and I would highly recommend Redwoods to anyone considering selling their nursery.

Outstanding Help & Support

MATT

From start to finish, I cannot praise Karrina, Jenna, or RDK highly enough. They were dedicated, thorough, and professional throughout. Karrina, in particular, kept the entire sales process moving forward, project managing with precision. I cannot thank the team enough for their assistance and support at every stage. I highly recommend RDK to anyone planning on selling their nursery.

Nursery Sale

JANINE

I would highly recommend Redwoods if you are looking to sell or buy a nursery. I worked with Kim Emsley for the sale of my nursery, and she was professional and efficient from start to finish, making the process easy.

Your feedback is important to us and will enable us to share with you sector specific research which will offer you an insight into the thoughts and opinions of your fellow business owners.



Redwoods Dowling Kerr

Business Insights Survey

All responses will of course be treated in the strictest confidence.

FILL IN THE SURVEY



Our Environment



18 months
of climate impact



550 tonne
of carbon reduction



7,400
trees planted

Initiatives for a Better Future

RDK + ECOLOGI

In 2023, the global community continues to address the ongoing challenges of climate change with increased awareness and collaborative efforts.



In 2022 we entered into a strategic partnership with Ecologi to actively contribute to the advancement of a sustainable future for generations to come. The role of scientific research and innovative solutions in addressing environmental impact cannot be

understated. Through our collaboration with Ecologi, we are instrumental in financing such globally-reaching solutions. A recent focal point of our initiatives is the Macaúbas Landfill Gas Project in Brazil. This project is designed to curtail methane emissions from the "Central de Tratamento de Resíduos Macaúbas" landfill site, achieved through the implementation of active landfill gas extraction, flaring, and electricity generation systems.

Our support extends to the Ouarzazate solar power station in Morocco. Renowned

as one of the largest concentrated solar projects globally, this initiative employs an array of concave mirrors to harness solar energy, producing an impressive 582 MW of power. Notably, the project boasts up to 7 hours of solar energy storage, enabling continued power supply post-sunset.

These endeavours, in addition to our commitment to substantial tree planting, afford us the assurance that we are actively and practically bolstering climate-conscious efforts.

CONTACT US TO FIND OUT MORE ABOUT
OUR COMPLETE CHILDCARE BUSINESS
BROKERING SERVICE.

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