

Trends and Recent M&A Activity in the Early Childhood and K-12 Education Market



Spring 2020

This newsletter presents trends and selected M&A transactions (since our Fall 2019 Newsletter) in the Early Childhood and K-12 markets as well as implications for school owners.

M&A activity

Selected Early Childhood Transactions



- Quad Partners, a private equity fund, acquired the Gardner School, a group of 20 preschools in Tennessee, Kentucky, Illinois, Minnesota, Ohio and Virginia.



- Busy Bees acquired Educational Playcare, a childcare provider with 19 centers in Connecticut.



- Cadence Education, a portfolio company of Morgan Stanley Private Equity, acquired 11 preschool locations in New Jersey.



- Endeavor Schools, a portfolio company of Leed Equity Partners, acquired 2 preschools in South Carolina, a PreK-8 school in Maryland and a preschool in Georgia.



- O2B Kids, a portfolio company of Spire Capital, acquired 4 existing schools and 2 schools soon to open in Florida. The 4 existing schools operated under the Home Away From Home brand.

Selected International Early Childhood and K-12 Transactions



- Busy Bees acquired the bilingual childcare provider Doremi in Italy (7 centers), providing Busy Bees with its first presence in that market and in continental Europe. It also acquired 5 centers in the UK.



- Babilou, one of the world leaders in education and early childhood, announced the acquisition of La Colline aux Enfants, a network of 5 centers based in Luxembourg. It also acquired 7 centers of the Advenio network in Colombia. The group now has 28 centers in Luxembourg and 14 in Colombia.



- Global investment firm KKR acquired a majority stake in EuroKids International from the existing investor consortium led by Gaja Capital. EuroKids serves more than 120,000 students from 1,115 preschools and 35 K-12 schools across India and other four countries.



- International Schools Partnership acquired K-12 schools in Spain, Colombia and Ecuador. It also acquired two PreK-8 schools in Seattle.



- Inspired is on a buying spree. It acquired premium K-12 schools in Spain, Mexico, Portugal, Australia, England, Germany, Latvia and Panama. By mid 2019, Warburg Pincus, a private equity firm, reached an agreement to invest in Inspired, along with existing shareholders TA Associates.



- Bright Scholar Education of China acquired premium high schools in the UK, China and the US and 10 international languages schools in the UK, US and Canada.

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Firm Overview

Mergium Advisors specializes in selling schools and other educational institutions. We also do capital raising and related advisory services (including school appraisals/valuations) in the education and other sectors.

Education Focus

- K-12
- Preschools
- Childcare Centers
- Special Education
- Autism services (ABA in school, centers and homes)
- Pediatric PT/OT/ST at outpatient clinics and at home and schools
- Education Staffing
- Colleges & Universities
- Continuing Education & Training
- Education Technology
- Language Training and Tutoring
- Publishing & Instructional Materials

Contact Information

Luis F. Lopez, PhD
President, Mergium Advisors
2200 N Commerce Pkwy, Suite 200, Ft. Lauderdale, FL 33326
Direct: +1 (954) 806-4807
luislopez@mergium.com
www.mergium.com
Securities transacted through StillPoint Capital, Member FINRA/SIPC

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Our View For the Short and Middle Term

M&A in the Early Childhood Market

- Given the current global and US economic conditions, the current state of capital markets and the amount of cash in hands of institutional investors, we expect the continuation of school acquisitions by institutional investors and operators.
- Typically, lower middle market private equity firms are interested in acquiring childcare centers with educational focus (i.e. preschools) with the following characteristics: private pay models, 5+ schools in operation, accreditation preferred, 3+ year operating history, high teacher retention, 100+ capacity per center, 15%+ EBITDA margins, areas where median annual household income exceeds \$80,000 (i.e. more affluent areas).
- Middle market and late stage private equity firms normally have much larger minimum investment criteria.
- We also expect large operators, well established in the market, to continue acquiring small networks of schools and single schools with strong infrastructure, quality academic standards and good locations.

M&A in the Prek-5, PreK-8 and PreK-12 Markets

- In the US there are several players looking to acquire good quality PreK-12 schools, including PreK-8. We see in the market interest for good quality schools, with 300+ students, annual tuition of \$10,000 or more, strong cash flows, good infrastructure, providing education to students in areas with annual income per family greater than \$80,000, with stable or growing enrollments and quality academic programs.

Why engage Mergium to Sell Your School?

We are specialized and experienced in Early Childhood and K-12 school sales

- We specialize in selling schools and school real estate.
- More than 20 years doing mergers and acquisitions and Big Four experience.

Our Buyers are National School Operators

- Our focus is to sell to qualified buyers that are either institutional investors (like private equity funds) or large national school operators. These buyers have clear investment criteria, know the industry and have plenty of capital for cash closings.

We Maximize your Sale Price

- We have working relationships with large national operators and school real estate investors. By selling to these buyers, the sale price of your school will be maximized.
- We run well structured competitive bids offering your school to as many qualified buyers as possible. We bring to the process as many qualified buyers as there are currently in the marketplace.

We do your school Pre-Engagement and Preliminary Valuation at no cost to you

- We do this to provide a preliminary price range so you have a key parameter to evaluate if it is the right time to sell your school.

We sell your Real Estate

- If the buyer does not acquire your real estate, we assist you in leasing it to the buyer and then finding a real estate investor to acquire it.

We give you Peace of Mind

- We keep the confidentiality of the process and cause no disturbance to your business operation.
- The sale of your school could be done as a share or asset sale. In a shares sale, which is a securities transaction, your advisor must be affiliated to a broker dealer, member of FINRA. Members of Mergium are representatives of StillPoint Capital, a broker dealer. Your transaction with us will not incur in any risk of breaking federal securities laws. Most brokers/advisors do not have securities licenses.