

A young child with brown hair, wearing a bright green t-shirt, is focused on playing with wooden toys on a white table. The child is holding a small wooden box with an orange interior. In front of them is a larger wooden tray containing various wooden blocks and shapes. To the left, a small wooden turtle toy is visible. The background shows a blurred indoor setting with a white shelving unit, a white rocket-shaped toy, and a vase of orange flowers.

# MARKET REPORT

Business Insights

Childcare & Education

WINTER 2024



**REDWOODS**  
**DOWLING KERR**

PART OF THE **ALTIVUS** GROUP



# CHILDCARE MARKET RESILIENT AS EVER

## M&A Sector holds against pressures

by **PAUL J. MILLER**  
Chairman of Altius Group



**Happy New Year to you and your teams, and welcome to our latest childcare report. We hope you have enjoyed a great start to your year and are looking forward to what promises to be an exciting year ahead.**

In this edition, we would like to look back on the past twelve months and the challenges and shifts the market has experienced, whilst looking ahead to what we think awaits us in 2024.

Looking back at 2023, the key theme has been one of uncertainty and economic turbulence, as several major factors applied demand pressure to the UK's M&A sector.

Businesses have struggled with a multitude of challenges including staff and skills availability, high energy costs, the increased cost of living, and price pressures driving stubbornly high inflation. This resulted in the Bank of England significantly increasing interest rates to try and counteract high levels of inflation and working towards getting inflation down towards their 2% target.

In the first nine months of 2023, the UK saw a total of 4,493 transactions

completed. This marked a decline of a little more than 19% in comparison to the year before. Overall deal values stood at £135bn, a 29% decline compared to the previous year, even with valuations showing an upward trend for the last two quarters. Meanwhile, the lower end of the market suffered a decline of 14% in both volume and value and mid-market deals saw a decline of 30% in volume and 35% in value. While valuations increased in some sectors, M&A activity remained in decline across the majority of the UK's sectors.

Against a backdrop of declining M&A activity, the UK's early years sector has remained robust, with a strong number of childcare transactions taking place during the course of the year. Market participants continued to make the best of current conditions, with business owners continuing in their efforts to deliver on their business strategies.

Throughout 2023 RDK delivered more than 80 childcare transactions.

While this marks a small decline from the previous year, it still represents in excess of 100 hundred settings sold throughout the year. A key theme



for us in the final quarter of the year was the high number of deals agreed for completion in the first quarter of 2024. As a result of this we are hugely excited for the year ahead as we start 2024 with our largest ever childcare deals pipeline.

Demand has remained consistent, with national operators acquiring settings throughout the year to meet their strategic goals and to achieve economies of scale where possible. Even with economic pressures mounting, the market still offers attractive opportunities for buy-and-build strategies, regional growth expansion, and first-time acquisitions. Buyer numbers have increased throughout the year and are now more than 40% higher than last year.

While some experts still worry that transaction volumes will continue to tumble over the course of the next financial year, RDK forecasts that the childcare market will outperform most other sectors with the trend upwards in terms of transaction volumes.

In other news, I am hugely proud and delighted to announce that in 2023

A photograph of two men in business suits shaking hands. The man on the left is wearing a grey suit and a watch, while the man on the right is wearing a dark suit. They are sitting on a blue surface, possibly a chair or sofa. The background is blurred, suggesting an office or meeting environment.

**“Against a backdrop of declining M&A activity, the UK’s early years sector has remained robust.”**

we placed 8th in the top 10 of UK-wide advisers in Experian’s MarketIQ review of the UK’s M&A market.

Looking ahead, we forecast M&A activity to rebound very strongly in Q1 2024 based on our current pipeline. We also estimate this will amount to a record quarter for RDK childcare transactions. Deal volumes are expected to increase through to Easter 2024 as delayed 2023 transactions finally complete, along with our Autumn sales agreed pipeline, as owners seek to exit the market before the next election.



# — LOOKING TO EXPAND IN 2024?

by **ANDREW K. STEEN**  
Managing Director



market share, and solidify the business's position in the industry. By acquiring other day nurseries a business owner can rapidly expand their footprint in new geographic locations, tap into new customer segments, realise savings whilst increasing services and establish a more extensive network within the childcare market.

## Diversification and Portfolio Expansion

Acquiring other day nurseries or complementary childcare services can diversify the business's portfolio, offering a broader range of services and programmes to cater for diverse customer needs. This diversification not only attracts a wider customer base but also reduces the risk associated with dependence on a single location or service offering.

## Enhanced Operational Efficiencies

Strategic acquisitions can lead to operational synergies and economies of scale. Consolidating administrative functions, streamlining operations, and sharing best practices across multiple locations can result in cost savings, improved efficiencies and service levels, and increased profitability.

## Access to New Markets and Expertise

Acquiring nurseries in different regions or areas where the business doesn't currently operate can provide access to new markets and demographics.

In 2023, Redwoods Dowling Kerr conducted two surveys with childcare business owners which included a question relating to their plans to expand. In both surveys, an average of 72% of the respondents commented that their intention was to expand their business before the end of 2024 via acquisition or organic means. In this article, I take a look at expansion by acquisitions and the potential benefits which it brings to childcare business owners.

For an existing day nursery business owner, considering acquisitions can be a strategic move to enhance the value of their enterprise, expand their market presence, realise economies of scale and unlock various opportunities for growth and development within the childcare sector.

Acquisitions present a compelling pathway to scale up operations, increase

Additionally, acquiring facilities with experienced staff and management can bring valuable expertise and knowledge into the existing business, fostering innovation and operational improvements.

### Increased Brand Strength and Recognition

Acquiring established nurseries with strong brand equity can enhance the business's reputation and brand recognition. A reputable brand name can attract more families seeking childcare services, contributing to increased occupancy and potentially revenue growth.

### Strategic Talent Acquisition

Acquiring other nurseries may also mean gaining access to skilled and experienced staff members and management personnel. Acquiring talented individuals can enrich the existing team, strengthen the workforce, and contribute to delivering high-quality childcare services.

### Market Consolidation and Competitive Advantage

Acquisitions allow businesses to consolidate market share and gain a competitive edge within the childcare industry. This consolidation can position the business as a leader in the market, offering a compelling value proposition that outperforms competitors.

### Investment Attractiveness

A business that demonstrates sustained growth through strategic acquisitions can become more attractive to potential investors, partners, or stakeholders. Increased market share, diversified revenue streams, and a strong presence in multiple locations can positively influence the perceived value of the business. Potential exists to deliver a higher sale multiple due to the increased level of attractiveness to a potential acquirer. However, it's crucial to approach acquisitions with careful consideration and due diligence. Business owners should thoroughly assess potential acquisition targets, evaluate their financial health, cultural fit, operational synergies, and integration strategies to ensure a successful and seamless transition.

In conclusion, for an existing day nursery business owner, considering acquisitions can be a strategic tool to build value, foster growth, and strengthen their position in the childcare industry. When executed thoughtfully and aligned with the business's long-term goals, acquisitions can drive significant value creation and propel the business toward sustained success and expansion. Buy and Build strategies are proven within the Childcare sector and have been adopted by many quality operators, reinforcing their position in the market and providing an attractive route to exit at the appropriate time.

# OUR CORPORATE SALES PROCESS

## The RDK Approach to a Sale

In our 'Fireside Chat', Jenna Caldwell (JC), Director of Childcare and Education, and Robert Yates (RY), Director of Sales, discuss Redwood Dowling Kerr's Corporate Sales Process.

**Robert Yates:** Hi Jenna, good to see you.

**Jenna Caldwell:** Good to see you too Rob. I'm really pleased to have this opportunity to chat about our corporate sales process with you. My team looks after clients who are selling their childcare businesses - but your team are involved right at the start of the process. Tell me a little about what a business owner can expect right at the start of their business sale journey.

**RY:** That's right Jenna. The first stage of the sales process is the preparation and information gathering. It's all about getting to know the client, gathering detailed information about their business – and importantly, understanding their personal objectives for the sale.

**JC:** Once we have initial information through, one of our corporate deal executives will welcome the client on board and discuss any additional

“A team of specialists who understand the client’s business.”



**JENNA CALDWELL**

Director of Childcare & Education

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“Our goal is to launch a business sale within four weeks of instruction.”

**ROBERT YATES**

Director of Sales

[robert.yates@redwoodsdk.com](mailto:robert.yates@redwoodsdk.com)

information that may be required to help market the business.

**RY:** Stage two is Sector Research. One of our specialist in-house researchers will undertake a detailed analysis of the market including trends in buyer activity and utilising our global buyer database, will compile lists of potential buyers. We then move to the marketing collateral, perhaps you can explain this stage of the process?

**JC:** This is Stage Three. Our Marketing team uses the information gathered about the business along with the insight we have gathered from our market analysis to produce an Information Memorandum (IM) pack. Alongside an overview and history of the business, the pack will contain detailed information including financials, staff lists, summaries of location details, a top level outline of the business model plus any unique selling points and key qualities of the business which will be of particular interest to a prospective buyer. Our Marketing team then create a tailored email campaign targeted to our agreed buyer list as well as researching any new buyers in the market who we believe would be interested in the opportunity. Any marketing content we create is sent to the client for approval before it is shared with any prospective buyer.

**RY:** Of course, before any potential buyer views the IM pack, they will sign a Non-Disclosure Agreement to maintain the privacy of the sale and to protect the interests of the client. We then come to Stage Four.

**JC:** That's right. This stage is all about buyer profiling. After the marketing content has been approved, we send out a sales campaign to the research lists we compiled. Our negotiator discusses preferred buyer types with the client. This will help narrow down and target our selection. Once the top prospect buyers have been singled out, they will sign NDAs and the marketing material will be sent out to them.

**RY:** After this, we move to Stage Five where your team manage enquirer assessments.

**JC:** Yes, once the IM pack has been sent to our list of potential buyers, one of our negotiators will start contacting the buyers to get their feedback on the opportunity. Any interest expressed at that stage will be referred to the client for approval. The client will also receive an overview of interested enquirers, so they can decide if they meet their requirements. It is really important at this stage that we maintain communication with the client, as there will most likely be multiple interested parties for the business.





**RY:** What happens when a potential buyer has been found?

**JC:** Once a potential buyer(s) has been found and approved, we arrange a viewing(s) and set a deadline for expressions of interest and bids to be placed.

**RY:** Stage Six covers the due diligence and negotiation. While the business is on the market, your team will often update the marketing campaign and refresh it with new information. What happens once the client has chosen their preferred buyer?

**JC:** We seek to agree “Heads of Terms”. This marks the start of the process during which the client and buyer instruct their respective solicitors to take care of the required legal, financial, and commercial work necessary to complete the sale.

**RY:** How does RDK help the client at this stage?

**JC:** We continue to support the client by establishing a completion timetable. This will help identify key actions to be finalised for the successful completion of the deal.

**RY:** That’s when it comes to the final stage.

**JC:** That’s right. During the last stage, we work towards the completion of the deal. Once an offer is accepted, we oversee proceedings and guide a client from the point of offer all the way through to the completion of the sale. We help iron out any issues that may arise during the due diligence and recommend an experienced solicitor.

**RY:** We are often asked how long the sales process takes from start to finish. Understandably, each business sale is different, so it can be difficult to determine the precise timescale. On average, any corporate sales process normally spans nine months or more. However, our goal is to launch a business sale within four weeks of instruction.

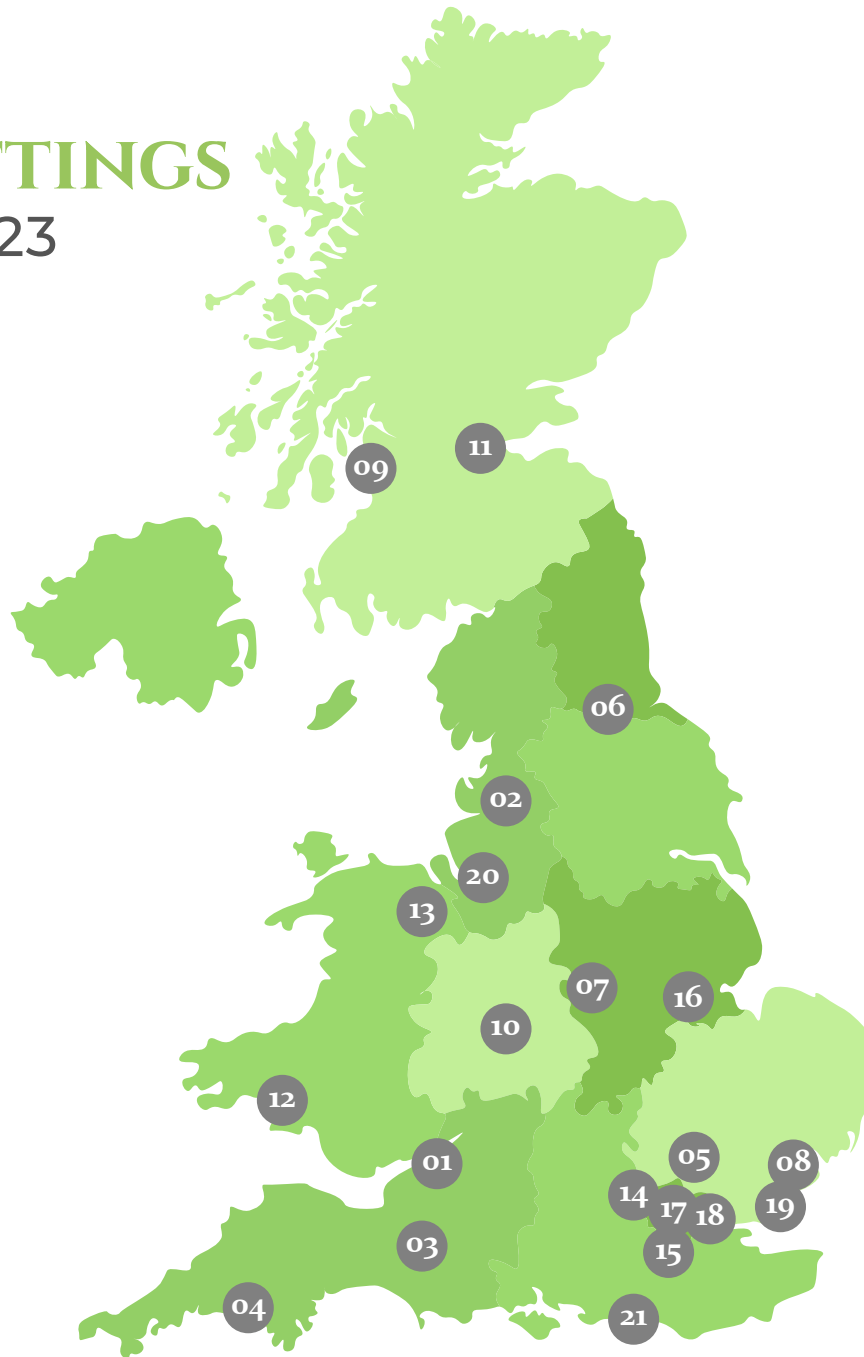
**JC:** The key is to work with a team of specialists who understand the client’s business and are experienced within the market sector. That’s the advantage of working with RDK. Our joined-up approach ensures we support a business owner from the very first conversation right through to a successful sale. Thanks for your time today, Rob.

**RY:** My pleasure, thank you, Jenna.

# RDK SOLD SETTINGS

A selection from 2023

- 01 Lake House Day Nursery
- 02 Little Explorers Barrow
- 03 Yew Tree Nursery & Pre School
- 04 Frogmore Montessori
- 05 Tiny Toes
- 06 Toy Box Day Nursery
- 07 Tiny Talkers
- 08 Little Holland Nursery
- 09 The Grove Nursery
- 10 Wiggles & Giggles
- 11 ABC Tots
- 12 Brambly Hill Day Nursery
- 13 Podlings Day Nursery



100+  
Settings  
Sold in 2023

- 14 First Steps (Nursery Schools)
- 15 Bexley Manor Nursery School
- 16 Edenham Playgroup
- 17 Tiggers Nursery School
- 18 Sudbury Town Nursery School
- 19 Hillside Playcentre
- 20 Little Angels
- 21 Friendly Fish Day Nursery & Beach School



## Yew Tree Nursery & Preschool

Yew Tree Nursery & Preschool is an impressive and well-established childcare business in Yeovil. The setting has a current capacity for 45 children from three months to five years of age. The nursery also holds a 'Good' rating from Ofsted.

The setting garnered the interest of Happy Days Nurseries Limited, a large childcare operator with over 21 nurseries throughout the South West of England. Happy Days Nurseries takes care of over 2,000 children. Their vision is to nurture every child to become a learner for life and enable their future success.



## Lake House Day Nursery & Preschool

Grandir UK has recently announced their acquisition of Lake House Day Nursery & Preschool, a 56-place nursery located in the suburb of Westbury-On-Trym in Bristol.

The organisation has set out to diversify their offering by acquiring the Lake House brand.

Lake House Day Nursery & Preschool is an exceptional addition to Grandir UK's portfolio as the nursery offers a warm and stimulating environment where each child can realise their unique potential through exploration, discovery, and play.



## Little Explorers Barrow

RDK are delighted to announce the sale of Little Explorers Barrow in Lancashire.

Little Explorers is an impressive children's day nursery in Barrow, Clitheroe. The nursery has a capacity of 110 children. It enjoys an excellent reputation and enjoys a 'Good' rating from Ofsted.

The buyer, existing childcare provider Kids Planet UK, wishes to take advantage of Little Explorer's potential for future growth and add the nursery onto its existing portfolio of nurseries. Little Explorers marks Kids Planet's 167th setting.



## Sudbury Town Nursery School

Established over 30 years ago, Sudbury Town Nursery School is a well-known and highly-regarded day nursery in the popular London suburb of Ealing. It enjoys an enviable reputation with regular referrals and recommendations and has garnered a 'Good' rating from Ofsted.

Sudbury Town Nursery School managed to gain the interest of a first-time buyer who decided to acquire the nursery due to its location. The new owner wishes to build on the foundations laid by the previous operator and continue to provide the best quality childcare possible.



## Podlings Day Nursery

A delightful detached children's day nursery, Podlings sits at the heart of Mold, Flintshire, with easy access for commuters and parents travelling in via public transport. Since its inception, Podlings has garnered an enviable reputation in the local area leading to many great reviews and recommendations.

The nursery has a capacity for 50 children from three months to five years of age and offers superb standards of childcare.

Podlings managed to attract a major childcare provider and existing operator.



## Oak Tree Kindergarten

Oak Tree is a highly regarded children's day nursery in Luton, Bedfordshire. The business occupies a convenient and commanding position along a main road. It sits within a sought-after residential area neighbouring several towns and villages making it easily accessible. The nursery has a capacity for 42 children from 3 months to 5 years of age.

Clarence House Day Nurseries is an existing operator with 15 years of experience in the sector and runs 8 other settings.





### Jigsaw Nursery School

Jigsaw Nursery School located in North West London sold to Family First Nurseries.

Jigsaw Nursery School is a well-established nursery group located in Middlesex. The group consists of two settings, Jigsaw Nursery School Hatch End, and Jigsaw Nursery School Pinner. Both settings have a 'Good' rating from Ofsted and a current combined capacity of 146 children.

Jigsaw Nursery School benefits from a highly qualified management team as well as its competent and dedicated staff.



### Goldstone Valley Nursery & Preschool

Goldstone Valley Nursery & Preschool located in East Essex sold in a deal facilitated by Redwoods Dowling Kerr.

Goldstone Valley Nursery & Preschool is a former full day care and afterschool club. The setting sits in a densely populated residential area in Goldstone Valley, Hove. It is a short distance from the main roads and close to the main bus routes. The nursery is equipped to a high standard.

The setting has a capacity for up to 45 children and provides full day care and an afterschool service.



### Abbots Nursery

Abbots Nursery is a well-established children's day nursery in the historic town of Cheltenham. This long-established and 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 historic property. It features a large outdoor area and sits at the edge of the Cotswolds Area, offering outstanding natural beauty.

The buyer, Ashbourne Day Nurseries Ltd, is an existing operator and major childcare provider.

# GROUP UPDATE

## News from the Altius Team

by **TERESA DEENEY**  
Head of Marketing & Communications



### As Altius Group Plans for Growth

With a positive outlook for the year ahead and beyond, here at RDK, part of the Altius Group, we are planning for sustained growth. As part of our strategy we have announced a new Board structure with effect from January 2024: CEO Paul Miller will become Chairman, Andrew K. Steen is promoted from Sales & Marketing Director to Group Managing Director and a new face joins the Board as we welcome Paul Sweeney as Group Operations Director.

Day to day these changes won't impact on the RDK Childcare team that you work with, but we believe by focusing on the strategy, structure and leadership of the business at this time we are well placed to plan, invest and develop our services for the benefit of all our clients and stakeholders.



Andrew K. Steen

Paul Sweeney

### RDK Giving Back to the Community

Back in April 2023 our staff selected Luv Preston as their chosen charity and donated food and items to the Luv Preston foodbank.

In August, Paul Miller announced Altius Group's latest charity action, donating £100 per goal scored by Newcastle United FC this season. The money is split evenly between Newcastle Foodbank and Brian House Children's Hospice in Blackpool and has already raised £5,500!

2023 also saw the formation of our staff volunteer Charity Team who have organised various fundraising events including for Movember, charity bake sales, a sponsored walk for cancer charities and overwhelming support for Cash for Kids: Mission Christmas, donating presents to underprivileged children. The team has many more activities planned for 2024.

Throughout the year we continued our second year of involvement with Ecologi initiative, working hard on offsetting our carbon footprint and planting trees - over 8,000 already!

We look forward to undertaking many new initiatives in 2024 - and making a difference to our communities.

# 2023 Report in Numbers

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.

17%

INCREASE IN  
Buyer Registrations Q4

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654

NUMBER OF  
Day Nursery Appraisals

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289

NUMBER OF  
Childcare Opportunities for Sale

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100+

NUMBER OF  
Childcare Setting Sales

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Redwoods Dowling Kerr  
**SPECIALIST BUSINESS BROKER**  
**Rated 5/5 on Trust Pilot**

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### Great Throughout

#### Orchid Montessori Nursery

My negotiator has been great through out the sales negotiation process from securing the best price til completion. Very happy with the service. I would recommend to my friends if thinking of selling/buying a business in the childcare sector.

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### Excellent Service

#### Customer

Excellent service was provided by RDK during the purchase of my nursery. A special thanks to Laura and Stephanie for their support and patience. Looking forward to working with RDK again.

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### Outstanding Help

#### Matt S.

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 whole sales process moving forward, project managing with precision. I cannot thank the team enough for their help and support at every stage. I highly recommend RDK to anyone planning on selling their nursery.

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### First Class Service

#### New World Montessorri

RDK have been fantastic in helping me to sell my two nurseries. They were always available to answer any questions and to support me throughout the sale process. Excellent service which made the sale very smooth. Highly recommend RDK .

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### An Exciting Journey

#### Michelle Buckley

It was a long process, but Sarah stayed in touch every step of the way. Since we were looking to move on to newer ventures, it was the right time for us to sell. When it came to a buyer, we were looking for someone who held the same family values as us and we felt would look after our staff. Thankfully, Redwoods found a fitting buyer. The level of service was good, and I am relieved that the sale has completed. I would definitely recommend Redwoods Dowling Kerr as they are experienced in this area of business.

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### Always There to Help

#### Tunde Oyefolu-Alukwu

I was constantly getting updates every steps of the way, my enquiries never go unanswered and the answers come very quickly and efficiently. I wouldn't have expected anything more. For a big decision to acquire a business my anxiety level was calm knowing how everything is progressing. No doubt all the team are great but my main Negotiator was always on point and ready to run around to get answers for me. Thank you so much.





## 24 MONTHS OF CLIMATE ACTION

### RDK + Ecologi = 29 Projects Funded

**January 2024 marks our 24th month of continued commitment to sustainability through the Altius Group partnership with Ecologi.**

One standout achievement so far has been the successful planting of 8,500 trees, a concerted effort to combat deforestation and promote biodiversity.

Moreover, we took strides to offset a substantial 660 tonnes of CO2 emissions, contributing significantly to the global fight against greenhouse gas effects. This move aligns with our broader strategy to reduce our carbon footprint and embrace environmentally friendly practices.

Looking ahead to 2024, RDK has unveiled ambitious plans that promise to further elevate our ecological impact. The latest funded projects include the generation of renewable solar electricity in Egypt, a move set to revolutionize the region's energy landscape.

Additionally, the company is championing the protection of rainforests in a wildlife sanctuary in Cambodia, safeguarding vital ecosystems and endangered species.

As we look back over the past 2 years, we are proud of what we have achieved through our support of Ecologi and look forward to a greener 2024.

# Ecologi



**24 months**  
of climate impact



**660 tonne**  
of carbon reduction



**8,500**  
trees planted

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

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**TO BUY 01772 418 519**  
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*Ecologi*

