



Nick Brown, Valuations Director at amberglobe, offers his views, thoughts and comments on the last 12 months' activity in the childcare market from the perspective of sellers, buyers and a successful, experienced broker in the childcare sector

**2**011 has undoubtedly been a very interesting but testing year. It seems that everyone, in one way or another has been affected by the wider economic situation in which we now find ourselves. However the childcare sector has shown strong signs of resilience in the face of factors beyond its control and activity from both buyers and sellers throughout 2011 has been very positive. An example of this is that Amberglobe has had its best year to date, in the total number of nursery transactions completed.

Why has 2011 been a good year for completed sales of day nurseries?

The answer lies in several contributing factors. Correct advice from day one is crucial. A number of clients may take more than a year

before they feel they are ready to commit to the selling process. This time can be used wisely to present their nursery in the best possible light for the oncoming sales process.

An example of this was a client who had approached us to sell but seemed uncertain and not totally committed. We actually advised them not to sell at that particular time. We felt that marketing the nursery for sale and then withdrawing it later on could damage its marketability in the future. When offering your nursery for sale you need to be one hundred per cent committed to sell and if there are any doubts in your mind then take some extra time to think about this very important step.

Managing expectations is also important. Often I speak with owners who have expectations for

their businesses which are extremely high! After taking time to talk through these expectations they often agree that their estimates/ advice does seem optimistic. If something sounds too good to be true, then it probably is. It is crucial to get the valuation of your business correct right from the very start.

#### Who is actually buying?

The answer to this question varies depending on which part of the market your nursery positions itself in. The demand for smaller leasehold and freehold nurseries is exceptionally strong at the moment. I believe this has been, and is still, being driven by first time buyers entering the market by using their redundancy payments from previous jobs, or alternatively



# A year to

# be proud of!

parents looking to invest in and alongside their children by setting them up in their first business in a stable industry.

We recently sold a nursery in London where the daughter of the buyer was the manager of a nursery but wanted to branch out on her own. Her father invested in her and the business and so helped his daughter take her first steps in the childcare sector.

Existing operators seem to be consolidating their current operations by acquiring competitors that add location and operational efficiencies to their existing nurseries. Adding another setting can help in the sharing of staff, cutting costs and gaining critical mass in popular areas. Small groups with ambitious plans are often highly acquisitive as was shown by

the recent purchase of a 93 place nursery in Derby which was a perfect fit for an expanding small group who were keen to integrate the nursery into their current portfolio.

Straight out investors who are looking for somewhere secure to put their money find well run and managed nurseries to be a perfect solution. We were approached by an investor returning to the country from abroad unsure where to put his money for the best return. We were able to help him take his first steps into the childcare sector when

he acquired a small group of four day nurseries and he has subsequently gone on to add two more. So the good news is that there has been and still are plenty of active purchasers looking at both small and larger leasehold and freehold settings.

To summarise, the childcare sector is most definitely still moving in the right direction with demand in some areas outstripping supply, and as long as everyone remains realistic in their approach to values we believe that this sector will continue to thrive. ■

● If you would like to discuss this article further or have any questions relating to buying or selling a day nursery, contact Nick Brown at amberglobe.  
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