

ABC Learning trumped on US buy [AU] ^[1]

Business

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Source: The Australian

Format: Article

Publication Date: 16 Jan 2008

AVAILABILITY

See text below.

EXCERPTS

AN affiliate of the private equity firm founded by White House candidate Mitt Romney is paying \$US1.3 billion (\$1.4 billion) for a leading US childcare provider that has been in the sights of Australia's ABC Learning.

Bain Capital Partners is paying \$US48.25 a share for Bright Horizons Family Solutions, a Massachusetts-based company that specialises in workplace childcare facilities.

Bright Horizons runs 600 childcare centres in the US, making it one of the country's largest individual childcare providers.

ABC currently operates more than 1000 childcare centres in the US after taking over the Learning Care Group, the La Petite Group and Childrens Courtyard.

But ABC's founder and chief executive, Eddy Groves, has foreshadowed that it sees strong future growth in the US, and Bright Horizons represented one of the few opportunities for a quick build-up of childcare centres.

While ABC has about 1100 childcare centres in the US, it still only has about 3 per cent of what is an extremely fragmented market, with a large number of smaller operators.

The price represents a huge 47 per cent premium on Bright Horizons' closing share price last Friday of \$US32.79. A day earlier the company's shares had dipped to a 52-week low of \$US32.53.

ABC, which has accumulated a huge war chest for further US acquisitions, has 60 days to better the offer, which is US0.25c higher than Bright Horizons' 52-week high share price of \$US47.75 set in October.

Not surprisingly, a special committee of the Bright Horizons board comprised entirely of independent directors has recommended the offer to shareholders, but the full board has said it will explore the market for better offers while the deal sits on the table.

Last year, Mr Groves raised more than \$1 billion in capital to continue the takeover strategy that has made him the world's biggest childcare provider and one of Australia's richest men.

Some \$400 million came by selling a 12 per cent share of the company to the Singapore government-owned investor, Temasek Holdings.

But with a recession looming in the US and evidence that enrolments are already starting to decline, Mr Groves might find it hard to justify the price he would have to pay, especially after his acquisition strategy was criticised last year for its negative impact on earnings per share.

The flipside of the argument is that Bright Horizons is debt-free and recorded net income growth of 10 per cent and revenue growth of 12 per cent in the first nine months of last year.

Bain Capital, founded by Mr Romney in 1984, has arranged financing for the takeover - which came as a major surprise given that only last Friday Bright Horizons acquired Lipton Corporate Child Care Centers, a company that operates more than 100 childcare centres in New York, Washington DC, New Jersey, Virginia and Pennsylvania.

The deal requires anti-trust clearance before it can close but the highly fragmented state of the US childcare industry means this should be a formality.

Bright Horizons has 700-plus clients in the US, Britain, Canada and Ireland, among them Microsoft and Motorola. In the US it operates childcare centres for 69,000 children in 41 states.

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Region: Australia and New Zealand ^[2]

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