

Day nursery group takes first step to market [GB] ^[1]

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EXCERPTS:

Leapfrog Day Nurseries is to float on the London Stock Exchange next month, in a deal the nursery group believes could value it at up to £80m (\$114m).

Leapfrog, chaired by Derek Mapp, founder of the Tom Cobleigh pub group, will be the first pure nursery group to seek a UK listing.

It could open the way for several more nursery groups, owned by venture capitalists, to float in order to take advantage of the development of the immature and fragmented nursery market.

Leapfrog, which opened its first nursery in April 1998, is seeking to raise £30m through the float, which it will use to pay down debt. It hopes to have a market capitalisation of between £70m and £80m after raising the new money.

The group, which charges up to £200 a week to provide nursery care for babies through to five year olds, operates 34 nurseries across the UK, including two in the City of London.

It owns the majority of the sites it operates. The group is expected to generate sales of about £10m in the year to March 31 2002. However it has yet to make a profit as, on average, each nursery takes six months to break even and two years to reach maturity.

Of Leapfrog's 34 nurseries, 21 have been opened in the last two years.

Mr Mapp said the group hoped to open another 10 nurseries in the year to April 2003, with a further 15 outlets a year to be opened thereafter.

He said the nursery market was fragmented and there were also opportunities to acquire smaller, independent operators.

"This is a very big growth opportunity over the next three years or so. This is just the right time," said Mr Mapp.

"We have had venture capital backing for four years. It is now time to move it on to more regularised capital through investors."

Mr Mapp's interest in the nursery market was sparked when he was at Tom Cobleigh. Following the pub group's acquisition by Rank in 1996, Mr Mapp was involved in evaluating a possible pub location within a new development that was to include both a pub and a nursery.

He then met Sue Husbands, now managing director of Leapfrog, who ran her own small chain of nurseries in the West Midlands and advised new nursery operators.

"Sue told me about the thought and process (behind setting up a chain of nurseries). I liked it, so I wanted to invest and take it to a business plan that would be big enough to be a national chain," he explains. Leapfrog is backed by a group of investors. Following the flotation and capital raising, Mr Mapp will own 5 per cent of the shares.

The private nursery market has grown by an average of 30 per cent per year since 1990 and was estimated to be worth £1.86bn in 2001. The biggest private nursery operator is Asquith Court, which is owned by West LB.

Bupa has become the first health business to enter the nursery market, while Nord Anglia, the education services group, also has a nursery arm. Robert W Baird is acting as financial adviser, sponsor and stockbroker.

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Region: Europe ^[2]

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