

How Bright Horizons took care of Bain Capital over the years ^[1]

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EXCERPTS:

For nearly three decades, the day care center chain Bright Horizons Family Solutions has taken care of children. It has also taken very good care of Bain Capital.

Bright Horizons shares surged on Friday after the company sold shares in a successful initial public offering, closing the day up 29 percent to \$28.32 a share. But in the case of Bright Horizons, the term “initial public offering” is something of a misnomer. This was the second time that Bright Horizons had sold shares in an I.P.O. And in both transactions, Bain has been a primary beneficiary.

Herewith is a brief financial history of Bright Horizons, starring Bain, the Boston-based private equity firm co-founded by the 2012 Republican presidential candidate Mitt Romney:

In the mid-1980s, Roger H. Brown, an former executive at the consulting firm Bain & Company, and his wife, Linda Mason, came up with the idea to start a chain of day care centers servicing large companies. They went around, hat in hand, to raise money for the venture and approached Mr. Romney, who had just helped start Bain Capital, an investment firm spun off from the Bain consultancy.

Bain’s financing helped the company grow rapidly. From its founding in 1986 through 1997, the company grew to operate about 130 centers, providing care and education to more than 11,000 children, according to company filings.

Bain profited in 1997 when it sold its shares in an I.P.O., listing its stock on the Nasdaq. Two years later, Bright Horizons merged with another newly public day care company, CorporateFamily Solutions, creating the country’s largest child care business. Today, the company operates 776 child care and early education centers, and companies including Citicorp, Merck and Boeing employ their services.

Bright Horizons, based in Watertown, Mass., remained a publicly traded business for about dozen years. But Bain continued to keep a close eye on the company. Josh Bekenstein, a Bain partner, has sat on the company’s board since its inception.

Then, in 2008, more than 20 years after Bain first invested in Bright Horizons, the firm took the company private in a \$1.3 billion leveraged buyout. Bain contributed about \$590 million of its funds’ money to pay for the acquisition, borrowing the rest from banks. Over the past four years, Bright Horizons has struggled through difficult economic conditions, but Bain continued to expand the business, positioning it for its second I.P.O. Mr. Romney even used the company’s success during the presidential campaign to counter the image of private equity as job-destroying corporate vultures.

On Friday, Bain’s stake in Bright Horizons was worth about \$1.4 billion, more than two times its original investment.

For now, those gains are just on paper; Bain did not sell any stock in the I.P.O. but instead issued new shares. Bain still controls about 85 percent of the company, and will surely look to cash out its stake over time. If nothing else, Bain’s profits on the deal have been anything but child’s play.

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