

Busy Bees nursery set to go global after sale to Ontario Teachers' Pension Plan ^[1]

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EXCERPTS:

From an idea sketched on a beer mat, Busy Bees has expanded to become Britain's biggest nursery chain. Now it is set to go international after the company was bought by Ontario Teachers' Pension Plan.

The deal, announced late on Wednesday, means Teachers', as the fund is known, will pay a reported £220m for Busy Bees and will fund further expansion into Europe and beyond.

Busy Bees started life when John Woodward, Marg Randles and their spouses were having lunch at the Swan pub in Lichfield, Staffordshire, in 1983. Woodward's wife, Lynn, was expecting their son and the four teachers were bemoaning the lack of flexible, good quality daycare.

Randles said: "Pete, my husband, said that we should open our own nursery. We all immediately realised that this was a possibility and within seconds John was doing the figures."

Woodward said: "I split a beer mat to write the numbers down and I said: 'Look, I think this works.' I should have kept it shouldn't I?"

The couples each sold their houses and bought a large property in Lichfield, turning the ground floor into a nursery. They lived together in the flat upstairs, sent their children to the nursery and turned their kitchen into the staff room by day. They also enlisted former teachers David and Sally Thackray, who were running a campsite in France.

All six founders had an equal share in the new business.

Now the group has 213 nurseries, 7,000 employees and looks after 20,000 children aged from three months up to five years.

Woodward and Marg Randles are the only founders left after Lynn Woodward retired last year and Pete Randles continued his teaching career. Sally Thackray died in the late 1990s and her husband left Busy Bees to stay with the childcare voucher scheme he ran when it was sold five years ago.

Woodward is chief executive and works on business developments such as the group's reborn voucher arm, Busy Bees Benefits. Randles as managing director runs the nursery network and keeps a constant eye on training and standards.

Teachers' will be the third owner of Busy Bees. The founders sold out to Australia's ABC Learning Centres in 2007 for £71m but bought back a large chunk of the business when ABC, once the world's biggest private childcare company, went bust in 2008.

That deal also saw Michael Milken, the US junk bond king who served two years in prison for insider trading, become Busy Bees' majority owner through his Knowledge Universe firm.

ABC and Milken funded an acquisition spree that allowed Busy Bees to swallow bigger but less efficient nursery chains to expand across the country. Nursery chains in the group now include Just Learning, bought last year, Brighton and Hove-based Early Years Childcare, and Leapfrog.

Busy Bees has weathered the economic gloom well. Its accounts show that uptake of places stayed steady despite family budgets being squeezed.

Last year, Busy Bees Holdings Ltd, the group's parent company, made an operating profit of £10.6m, up from £6.7m the year before. Woodward said the increase was down to cost control and the addition of Early Years and Just Learning.

The highest-paid director, presumed to be Woodward, earned £500,000. Woodward said the sums paid for Busy Bees have not made him or Randles rich because there were always bank debts to pay and funds to be reinvested.

The acquisition is said to leave Randles, Woodward and finance director Simon Irons with significant minority stakes in the company. About 15 members of staff are equity holders.

The Teachers' private equity arm wanted to buy a childcare business and, after scouring Europe and North America, decided Busy Bees had the most exportable brand and the best processes and management team.

Now the plan is to expand Busy Bees outside the UK with Europe, the Americas and Asia in Woodward's sights. At the same time he is still looking for opportunities in Britain.

Woodward said: "India and China aren't the easiest places to work but the numbers are staggering.

"If you'd asked me 30 years ago, I'd have said we need 300 nurseries in Britain. We're looking to buy a lot more existing nurseries in the UK. "

He said forming partnerships, possibly with Milken's outfit, and starting from scratch were options in new markets and that Busy Bees' checks and processes would make sure standards were maintained.

There were three potential bidders for the business. Milken gave Teachers' preferred bidder status in September but Woodward said he and Randles had a say too.

Teachers' wants its managers to introduce the company to contacts in new markets. Its private equity arm makes longer investments than typical buyout firms, operating over decades rather than the typical three to five years.

Woodward said: "They are great guys and they've got huge experience around the world. We were all teachers and we really like the idea that a teachers' pension fund is backing us. It feels right for us."

It has been three decades since that conversation in the Swan but with the world beckoning Woodward and Randles will be busy for some time yet.

Teachers' portfolio

Ontario Teachers' Pension Plan has more than £4.3bn invested in the UK.

Its acquisitions include:

Camelot, the National Lottery operator

Acorn, the special needs schools and fostering company

HS1, the UK's only high-speed rail link, linking London and the Channel Tunnel (owned jointly with fellow Canadian pension fund OMERS)

Birmingham airport (owned jointly with Australia's VFMC plus local authorities and employees)

Bristol airport (owned jointly with Macquarie)

Scotia Gas Networks, Britain's second-biggest gas distribution company (owned jointly with SSE)

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