

Private Equity Investments in Large For-Profit Child Care Organizations

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Although parts of the child care industry can be perceived as having “long hours and low profits,” different providers operating within the same industry may vary greatly in size and capability to access capital. Evidence suggests that some of the largest for-profit child care organizations operating in the United States appear to control significant licensed capacity and have substantial access to private equity (PE) funding, including PE funding from foreign investors. Policymakers may therefore question the extent to which the large PE-backed providers should or should not be subject to regulations and government funding support that are different from the rest of the industry.

This Insight presents high-level information on PE among a selection of large for-profit child care organizations. A more detailed discussion can be found in CRS Report R48252, *Private Equity Investments in Large For-Profit Child Care Organizations: In Brief*. For general background on PE, see CRS Report R47053, *Private Equity and Capital Markets Policy*.

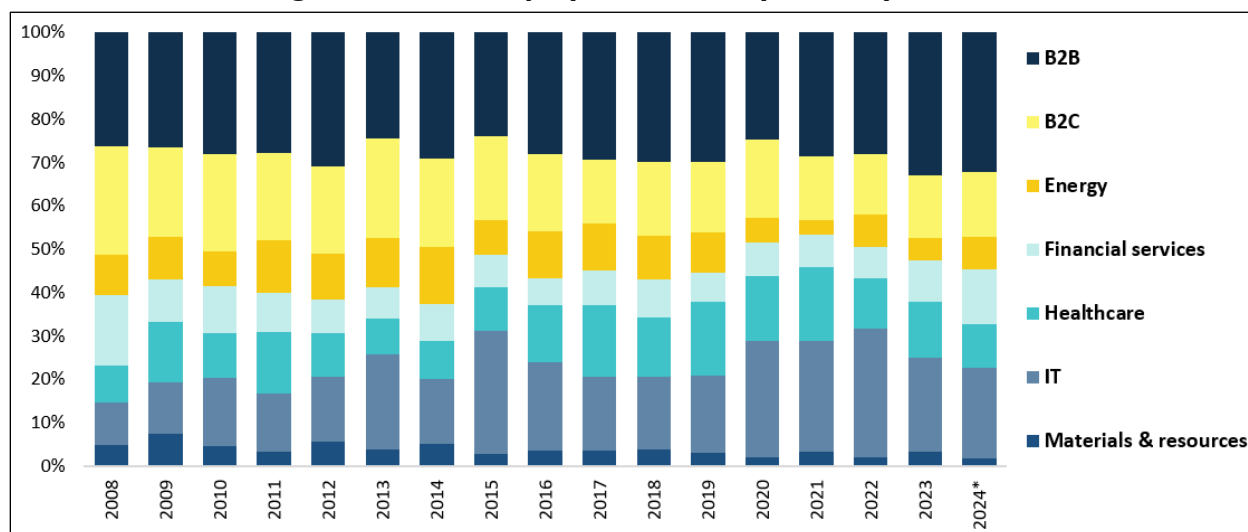
Background

PE is a type of pooled investment vehicle that normally invests in private companies that are not publicly traded. PE firms’ business models focus on the maximization of financial profits. As such, PE transactions historically center around industry sectors with relatively high profitability (**Figure 1**). While PEs’ business model of profit maximization (sometimes involving cutting jobs and increasing debt to pay investors) could appear to be in tension with certain public-service-oriented missions of the child care industry, the industry may benefit from PE firms’ funding and their potential role in enhancing operations and competition that may expand child care availability.

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Figure I. Private Equity Deal Value by Industry Sector

Source: CRS using data from PitchBook, [U.S. PE Breakdown](#), July 9, 2024.

Notes: Data for U.S. private equity. *As of 6/30/2024. B2B = [business-to-business](#). B2C = [business-to-consumer](#), which could include the child care industry.

Analysis

CRS identified the organizations in **Table 1** using *Exchange* magazine’s annual status reports on large for-profit child care organizations from 2023 and 2024. The table includes all organizations from these lists with reported licensed capacity of at least 15,000 slots. CRS reviewed transaction and corporate structure information in the S&P Capital IQ Pro database, among other sources, to identify PE investors and their level of ownership control. Publicly available data on PE investments and private companies are limited, and these findings should be treated as illustrative rather than comprehensive.

Key findings:

- The table includes 16 child care organizations with reported licensed capacity of 15,000 or more. Among these organizations, 13 have known current or past PE investments.
- These 13 organizations with PE backing (which do not represent all providers with PE backing) were licensed to serve, in aggregate, roughly 1 million children. For context, roughly 11 million children under age 15 were reported to be in paid child care in 2023, [per CRS estimates](#).
- Some large child care organizations received funding from foreign PEs based in Switzerland, the United Kingdom, China, and the United Arab Emirates, among others. Two large providers received funding from large Canadian pension funds.
- PE investment in large child care organizations is not a new phenomenon—PEs have reportedly been operating in the space [since the 1980s](#) and have become more active since the early 2000s.
- [Going public](#) is one of the preferred exit strategies for PEs. KinderCare and Bright Horizons Family Solutions are two examples of exits for PEs where the PE investors received investment returns and enhanced liquidity for their ownership shares.

Table 1. Examples of Private Equity (PE) Investments in Large For-Profit Child Care Organizations

Name	Centers	Capacity	Known PE Investments (Y/N)	Current PE Investor	Level of Current PE Ownership	Selected Examples of Previous PE and Pension Fund Investors	PE Country
KinderCare Learning Companies Inc. (NYSE: KLC)	1,555	212,000	Y	Partners Group Holding AG	Majority (71%)	—	Switzerland
Learning Care Group Inc.	1,100	167,000	Y	American Securities LLC	Controlling	Morgan Stanley Private Equity owned 60% of the Learning Care Group in 2008. American Securities completed its acquisition in 2014. Canada's Public Sector Pension Investment Board made a "significant equity investment" in 2018.	USA
Bright Horizons Family Solutions Inc. (NYSE: BFAM)	1,063	120,000	Y	N/A	N/A	Bain Capital had long-term involvement.	USA
Primrose School Franchising Company LLC	508	94,600	Y	Roark Capital Management LLC	Majority (84%)	—	USA
Goddard Systems Inc.	626	93,000	Y	Sycamore Partners Management LP	Majority	—	USA
Kiddie Academy International Inc.	324	53,275	N	N/A	N/A	—	N/A
Cadence Education Inc.	294	48,923	Y	Apax Partners LLP	Majority (100%)	—	United Kingdom
Kids 'R' Kids International Inc.	182	47,320	N	N/A	N/A	—	N/A

Name	Centers	Capacity	Known PE Investments (Y/N)	Current PE Investor	Level of Current PE Ownership	Selected Examples of Previous PE and Pension Fund Investors	PE Country
Child Development Schools Inc. (DBA Childcare Network)	272	46,916	Y	Glencoe Capital LLC	Majority	—	USA
Spring Education Group Inc.	182 (2023)	39,488 (2023)	Y	Primavera Capital Group	Controlling	Investcorp sold Nobel Learning Communities to Spring Education in 2018.	China (Primavera), Bahrain (Investcorp)
The Learning Experience	220(2020)	39,038(2020)	Y	Golden Gate Capital	Majority	—	USA
Busy Bees North America	211	30,860	Y	N/A	N/A	Busy Bees North America's parent company entered the U.S. market from the UK in 2019. PE firm Temasek was a minority owner in 2017 and Canadian pension fund Ontario Teachers' Pension Plan was the majority owner.	Singapore (Temasek)
Endeavor Schools LLC	104	20,820	Y	N/A	N/A	Leeds Equity Partners invested in Endeavor Schools in 2018. Terms were not disclosed.	USA
The Sunshine House Inc.	140	20,000	N	N/A	N/A	—	N/A
Premier Early Childhood Education Partners	125	20,000	Y	Tyree & D'Angelo Partners	N/A	—	USA
Early Learning Academies	84	15,000	Y	Safanad Inc.	Majority	—	United Arab Emirates

Source: CRS using data from S&P Capital IQ Pro, Bloomberg LP, Kathy Ligon, “[Thirty-Seventh Annual Status Report on For-Profit Child Care](#),” *Exchange*, Spring 2024, pp. 68-72, and Kathy Ligon, “[Status Report on For-Profit Child Care](#),” *Exchange*, January/February 2023. Other sources in hyperlinks.

Notes: Unless otherwise noted, the percentage of ownership is unknown. N/A = information unknown but may exist. CRS has not independently verified the accuracy of the information taken from these sources.

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