

EARLY YEARS EDUCATION

SECTOR INSIGHTS

JANUARY 2026



COOPER PARRY
DEALS

SECTOR INSIGHTS



AN OUTPERFORMING MARKET VERTICAL WITH CLEAR DRIVERS TO FURTHER GROWTH

The Early Years Education sector has seen nurseries consolidating into larger groups. The mergers have been primarily driven by PE-led buy-and-build deals and to a lesser extent by the formation of smaller groups due to the availability of affordable debt. Platform businesses such as Busy Bees, Family First, N Family Club, Grandir UK and Bright Stars have invested heavily in recent years as they look to gain efficiencies through synergies from greater scale.

Investor confidence remains high with continued appetite in particular from PE houses seeking a platform to enter the sector, supported by continued lowering of interest rates (leading to more favourable debt conditions) and positive changes to early years funding. Early Years Education is a sector with particularly high revenue predictability, relatively low capital expenditure requirements and, despite some consolidation activity, a continuing highly fragmented market, thereby attracting investment. For England, childcare hours have been expanded for selected age groups, making this is a good time to enter the market.

SECTOR DRIVERS



Government Policy: The government has recently announced the expansion of free childcare entitlements in England in stages. In April 2024, the 15-hour entitlement was introduced for eligible 2-year-olds. This was extended in September 2024 to include children under 2 years old. From September 2025, a full rollout provided 30 hours of funded childcare for eligible children aged 9 months up to school age (excl. Northern Ireland.) This has made childcare more affordable for families across the UK, albeit with varying impact on nursery groups.



Private Equity & Consolidation: The market remains highly fragmented despite consolidation activity, with most nurseries still being independent operators. This creates significant opportunities for buy-and-build strategies. Consolidation is accelerating as independents face cost pressures and regulatory complexity.



Quality & Regulatory Standards: Stronger Ofsted ratings underpin parental trust and brand reputation supporting fee uplifts/fee premiums. Buyers and parents typically demand a minimum of OFSTED 'Expected Standard' rating.



Quality of financial and operational systems: Many nurseries continue to operate without professional financial and operational management. As a result, more sophisticated operators are able to achieve significant improvements in profit margins by acquiring these less developed settings and implementing best practices and economies of scale.



Digital Transformation & Parent Engagement: Increased sophistication of specialist software, when properly implemented and consistently adopted across operations, can be a powerful tool to managing sessional occupancy and corresponding staffing requirements thus improving operating margins and robustness of financial and operational data.

**Government policy
expanding Early Years
funding**

**Private Equity driving
consolidation**

**Stronger OFSTED
ratings support fee
uplifts/premiums**

**Sophistication of
financial and
operational data**

**Digital enhancements
within Early Years
Education**

VALUATION DIAGNOSTIC



KEY FACTORS IMPACTING EARLY YEARS SECTOR VALUATIONS

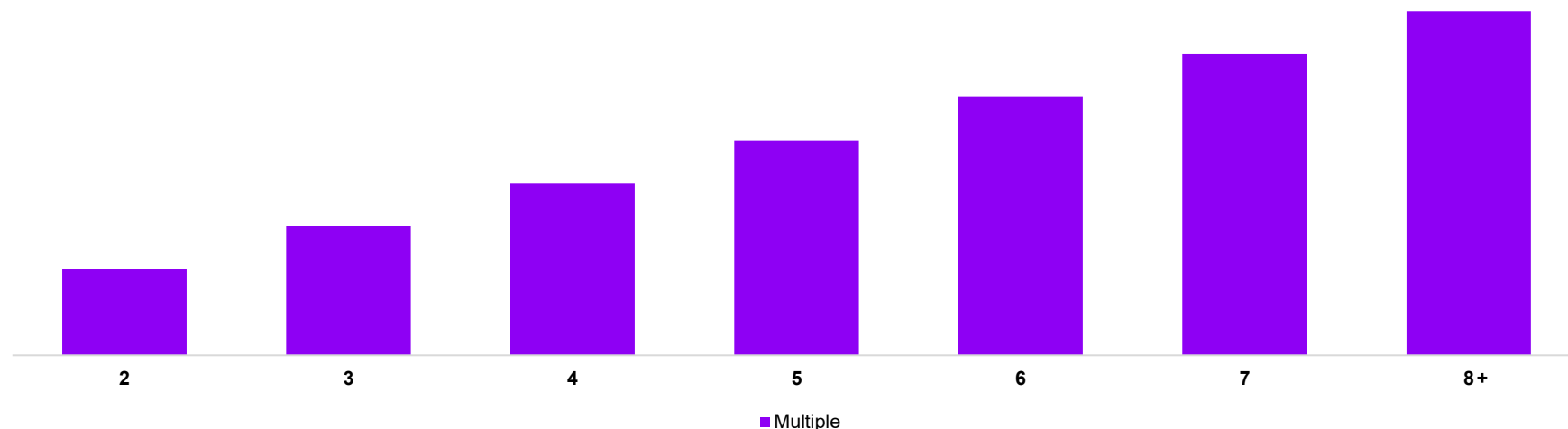
The table below presents a selection of the key factors to consider when valuing a nursery group. It is important to note that this list is not exhaustive, and each transaction needs to be considered carefully in isolation. We are happy to provide our insight to any potential transaction you may have.

Key factors impacting early years sector valuations	<i>Key Factor</i>	<i>Lower multiple</i>		<i>Higher multiple</i>
	Type of offering	Term time only		Full time
	Occupancy levels	Declining		Increasing
	Available capacity	Limited (>85%)		Growth (65%-85%)
	Scope for fee uplifts	Low		High
	Setting capacity	Low (<50 places)		High (>85 places)
	Competition	High		Low
	No. settings	Single setting		Numerous settings
	Regional diversification	Low		High
	Strategic importance to buyer	Low		High
	Quality of sell-side advisor	Low		High
	OFSTED ratings	Urgent improvement		Exceptional
	EBITDA margin	Low		High
	Brand reputation	Low		High
	Length of lease (if applicable)	<5 years		>10 years

INDICATIVE MULTIPLE TRENDS

Drawing on recent transactions, market trends and our experience in the early years sector

Below is an illustrative mapping of typical factors that influence a nursery group's valuation and their correlation to the multiples offered. Please note that this represents an indicative range, and a variety of factors can impact a company's valuation. Transaction volumes exhibited modest growth from 2023 to 2025, with clear spikes in activity following the Spring and Autumn Budget announcements in 2025, reflecting accelerated deal execution ahead of anticipated policy and tax changes.



3x - 4x multiple

Profitable single setting or handful of nursery settings typically with the following factors:

- Stable occupancy levels, with some capacity for growth;
- Limited scope for fee uplifts;
- Low strategic importance, but complimentary to existing platform;
- Competitive location, with limited to reasonable setting capacity;
- Limited to no brand recognition; and
- No OFSTED ratings or 'Needs Attention' or 'Urgent Improvement' across the estate.

5x - 7x multiple

Profitable small cluster of settings to modest group. Typically, with the following factors:

- Growing occupancy levels, with capacity for growth;
- Scope for fee uplifts;
- Good brand reputation;
- Competitive location, with reasonable setting capacity;
- Sophisticated sell-side advice typically attracts higher multiples; and
- Majority / all settings in 'Expected Standard' to 'Strong Standard' OFSTED ratings.

>8x multiple

Highly profitable medium to large nursery group. Typically, with the following factors:

- High occupancy level with capacity for growth.
- Scope for fee uplifts;
- Significant strategic importance, with strong brand reputation and multiple regional clusters;
- Leading player in chosen geography/location;
- Significant setting capacity/ability to increase capacity;
- Sophisticated sell-side advice attracting higher multiples; and
- Majority/all settings in larger groups rated 'Strong Standard' to 'Exceptional' by OFSTED.

KEY FOCUS AREAS FOR FINANCIAL DUE DILIGENCE

From our deep sector knowledge and expertise here are some of the key areas of focus for due diligence within the early years sector.

FTE and occupancy trends by cohort / session, fee per FTE and overall capacity utilisation (occupancy). Critical for understanding quality of nursery cohort mix (Babies, Toddlers & Pre-schoolers) and growth potential

Normalised EBITDA(H) - Adjust for non-recurring items, personal expenses, cash to accruals accounting, notional rent on freehold, NMW uplifts and sustainability of cost base such as repairs & maintenance

Revenue Quality - funded vs private fees. Identify potential for pricing uplift, top-up fee risk and impact of recent changes to LA funding policies.

Occupancy Uplift - Highlight under-utilisation by session/day. Model capacity-driven growth upside and link to demographic demand

Definition of gross margin, including the allocation of costs between cost of sales and overheads. Evaluate margin trends to support long-term profitability

New hires / employee churn and consideration of staff costs to support business growth. Assess the compliance of OFSTED staff vs. children ratio.

Labour Cost Benchmarking - Benchmark pay levels and ratios vs. market and regulation. Identify drivers behind employment costs as % of fees

Adequacy of repairs and maintenance/CAPEX, exposure to dilapidations and any other liabilities arising from leases

Regulatory exposure - top-up fee compliance, OFSTED ratings, NMW, and staff to children ratios

Robust and defensible assumptions underpinning the business plan. Potential upsides and risks against key forecast assumptions

Analysis of operating cash flow conversion and potential presentation of proforma adjusted cash flow

Assess the impact of accounting policies and the transition of cash to accruals accounting (if applicable). Review of financial control environment

KEY FOCUS AREAS FOR TAX DUE DILIGENCE



From our deep sector knowledge and expertise here are some of the key areas of focus for due diligence within the early years sector.

Personal Expenses & Employee Benefits – Review tax treatment of personal expenses of directors/ shareholders, treatment of uniforms, staff discounts, gifts and other perks.

Agency Staff and Off-Payroll Workers (“OPWs”) – Assess employment status for agency staff and OPWs, and check IR35 compliance for contractors.

VAT Exemption – Confirm services provided qualify for VAT exemption and identify any taxable ancillary income streams.

Intra-group Charges – Validate VAT treatment on management fees and shared services.

Payroll & National Minimum Wage (“NMW”) – Ensure compliance with NMW rules and salary sacrifice arrangements without breaching NMW thresholds.

Early Years Local Authority Funding – Review VAT treatment of grants and funding agreements to ensure correct classification as outside scope or taxable supplies.

Property & Opco/Propco structures – Verify VAT option to tax position on property, and lease position, consider any potential degrouping charge risks.

Part of a Private School Group – confirm that the nursery remains VAT exempt, i.e. if it consists of wholly or almost wholly (at least 90%) of children who are below compulsory school age.

Other key areas include **Corporate Tax** – ensure adjustments for one-off or exceptional costs are correctly applied. Consider deferred tax, & **Employment Related Securities**. Consider any **PAYE/NIC** exposures on share acquisitions / disposals.

CASE STUDY – FAMILY FIRST

BUY-AND-BUILD PLATFORM FINANCIAL AND TAX SUPPORT



X



Background

- CP Deals provided **financial (FDD) and tax due diligence (TDD)**, preliminary bid and completion accounts **support on over 40 projects** for the early years education provider, **Family First backed by August Equity**.
- **Family First, backed by August Equity**, is a UK early years education provider founded in 2019 with a mission to offer high-quality, family-focused nursery care and learning. It partners closely with parents to support children's social, emotional and educational development through nurturing, play-based environments tailored to individual needs. Since its launch with just a handful of nurseries, Family First has **expanded rapidly through organic growth and acquisitions**, now **operating around 100 nurseries across the UK**.
- The **Transaction Services and Transaction Tax team**, worked closely with the Family First team and commercial and legal due diligence providers on over 40 projects to deliver **early years sector insight into key value drivers** taking the group from **4 to over 100 settings in under 36 months**.

DD Highlights and Value add

- **Preliminary bid support:** The CP Deals team applied their early years sector expertise to provide preliminary bid support to each project including **analysis of initial financial information, assessment of indicative adjusted EBITDA, HoTs support and identification of any potential key issues arising from high level financial benchmarking**. This **allowed Management to make quick and informed decisions** optimising efficiency on each transaction.
- **Financial due diligence:** Once a transaction reached the due diligence phase the CP Deals team meticulously **analysed the adjusted EBITDA** highlighting some of the **key focus Financial due diligence areas** below:
 - **Quality of revenue:** Assess potential impact of cash to accruals accounting (if applicable), review of funded versus private fees, analysis of FTE and cohort trends, quality of cohort, growth potential and session utilisation.
 - **Fee rates:** Analysis of sustainability of fee rates versus competitors and scope for potential increase backed by competitor fee rates, demographic/affluency and postcode data.
 - **Labour costs:** Identify the drivers behind labour costs as a percentage of revenue by benchmarking pay levels versus the market and NMW, leverage of apprentice wages, utilisation of staff to child OFSTED ratios and consideration of new hires and employee churn.
 - **Premises costs:** Understand premises costs as a percentage of revenue and adequacy of repairs and maintenance/CAPEX with potential exposures to dilapidations.
- Management valued our **deep sector expertise, integrated approach across all due diligence streams. real-time identification and resolution of key issues** throughout the process.

CREDENTIALS – TRANSACTION SERVICES

OUR EXPERIENCE ADVISING LEADING EARLY YEARS EDUCATION BUSINESSES



COMPANY NAME

**TINY ACORNS
NURSERY**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

INVESTOR

INNERVATION CAPITAL

NUMBER OF SETTINGS

1

INVESTOR COUNTRY

UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

COMPANY NAME

**FOOTSTEPS NURSERY
& PRE SCHOOL**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

INVESTOR

AUGUST EQUITY

NUMBER OF SETTINGS

10

INVESTOR COUNTRY

UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

COMPANY NAME

**POPPIES DAY
NURSERIES**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

INVESTOR

AUGUST EQUITY

NUMBER OF SETTINGS

6

INVESTOR COUNTRY

UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

CREDENTIALS – TRANSACTION SERVICES

OUR EXPERIENCE ADVISING LEADING EARLY YEARS EDUCATION BUSINESSES



COMPANY NAME

**KATEY'S NURSERY
AND PRE SCHOOL**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

INVESTOR

DOWNING LLP

NUMBER OF SETTINGS

5

INVESTOR COUNTRY

UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

COMPANY NAME

**RED BUS NURSERY
AND PRE SCHOOL**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

INVESTOR

DOWNING LLP

NUMBER OF SETTINGS

4

INVESTOR COUNTRY

UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

COMPANY NAME

**ENRICH
EDUCATION LTD**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

INVESTOR

THE EDWIN GROUP

NUMBER OF SETTINGS

Not applicable

INVESTOR COUNTRY

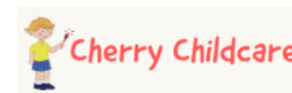
UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

CREDENTIALS – TRANSACTION SERVICES

OUR EXPERIENCE ADVISING LEADING EARLY YEARS EDUCATION BUSINESSES



COMPANY NAME

**DAVIDSON
ROBERTS LTD**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

BUYER NAME

AUGUST EQUITY

NUMBER OF SETTINGS

10

INVESTOR COUNTRY

UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

COMPANY NAME

**WOODBERRY DAY
NURSERIES LTD**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

INVESTOR

AUGUST EQUITY

NUMBER OF SETTINGS

4

INVESTOR COUNTRY

UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

COMPANY NAME

**CHERRY
CHILDCARE LTD**

DEAL TYPE

COMPANY SALE

COUNTRY

UNITED KINGDOM

INVESTOR

AUGUST EQUITY

NUMBER OF SETTINGS

11

INVESTOR COUNTRY

UNITED KINGDOM

SECTOR

EARLY YEARS EDUCATION

EARLY YEARS SECTOR TEAM



SIMON NICHOLS
PARTNER – TRANSACTION SERVICES



Simon leads the Cooper Parry Transaction Services team in London. He was previously a Partner at both Azets and KPMG. He has 25 years of experience in leading multi-disciplinary teams on global and domestic acquisitions, demergers, disposals and capital markets transactions.

HIEN VO
ASSOCIATE PARTNER – TRANSACTION SERVICES



Hien has over 15 years of Deals experience at EY, A&M and KPMG. He has led buy-side and sell-side due diligence on a wide range of corporate and PE clients based in the UK and overseas.

SARA THOMPSON
ASSOCIATE PARTNER – TRANSACTION TAX



Sara has >25 years experience in Tax, 15 of those with a Big 4 Transaction Tax team before joining CP in 2021. Sara has advised a range of buy-side and sell-side clients from mid-market PE, corporates and individuals to large listed and international entities on a range of restructurings, tax efficient acquisition/disposals, IPOs and tax due diligences.

PAUL TALLON
PARTNER – TRANSACTION SERVICES



Paul has over 25 years' experience in practice including at Grant Thornton and BDO. Paul has led the due diligence on a variety of transactions. Recent sector experience includes Early Years Education, technology and healthcare.

CAMERON SEARS
MANAGER – TRANSACTION SERVICES



Cameron joined Cooper Parry in 2023. Cameron has delivered both buy-side and sell-side support to a wide range of corporate and PE clients. Cameron was part of the transaction services team which delivered 40+ plus projects for Family First.

CRAIG CHEETHAM
PARTNER – FELLWOOD DEBT ADVISORY



Craig has over 15 years' experience in senior corporate banking and debt advisory roles, including leading Grant Thornton's Debt Advisory team from 2019 to 2023 before founding Fellwood Advisory in 2023. He has deep sector experience in the education sector most notably having worked on the refinancing of Storal Learning and subsequently the raising of acquisition funding on it's sale to Graphite.

EARLY YEARS SECTOR TEAM



BEN ROOKES
PARTNER – CORPORATE FINANCE



Ben joined Cooper Parry in 2002 and has over 20 years Corporate Finance experience. Ben has vast experience of advising business owners and management teams across the business and industrial services sectors including both cross-border and domestic company disposals and private equity transactions.

ANDY PARKER
PARTNER – CORPORATE FINANCE



Andy leads Cooper Parry's Corporate Finance business and has 30 years' M&A experience, the majority at PwC where he was a regional partner advising on deals across multiple sectors including Early Years Education wider Healthcare and Business Services

COOPER PARRY DEALS

An integrated, National CP Deals team of 120 dedicated specialists. Covering Corporate Finance, Financial, Tax & Legal Due Diligence and Debt Advisory Services.

Trusted mid-market advisors with deep expertise in the Early Years Education sector. A focus on deals in the £1 - 100m range.

Awards Winners!: 2025 Deal of the Year (£50m+) at both the Midlands and Scotland Insider Media Dealmakers Awards. Experian Top 10 Financial Advisor in 2025.

MICHAEL DRUMM
PARTNER – CORPORATE FINANCE



Michael became a partner in 2018 and is based on our Belfast office. He has worked across transactions and restructuring, with significant experience in M&A, due diligence, valuations, and business planning.

JACK STOREY
MANAGER – CORPORATE FINANCE



Jack is a manager in the Corporate Finance team in London. He joined Cooper Parry in 2023 following the acquisition of Haines Watts' London office, where he spent 3 years working closely with owner-managed businesses.

ELLIOT WHEATLEY
DEAL ORIGATION – CORPORATE FINANCE



Elliott joined Cooper Parry in 2021 and works closely with owners of privately held businesses, supporting growth strategies through capital raising, private equity investment, and acquisitions / exit planning. Elliott provides clients with market-led insight and connects them with the appropriate CP Deals specialists.

COOPER PARRY DEALS

Every deal. Every angle. One team.

An integrated, National CP Deals team of 120+ dedicated specialists. Trusted mid-market advisors with deep expertise in Early Years Education, Technology, Business services, Healthcare, Automotive & Energy Services.

Awards Winners!: 2025 Deal of the Year (£50m+) at both the Midlands and Scotland Insider Media Dealmakers Awards.

CORPORATE FINANCE

Our highly experienced **Corporate Finance** team advise privately owned businesses and private equity houses.

Part of the REACH International network (24 M&A firms) with presence across 30 key deal making countries.

TRANSACTION SERVICES

Our 25-strong national **Transaction Services** team works across owner managed businesses, PE backed businesses and directly with PE firms & funders. Working on both buy side and sell side due diligence (VDD, vendor assist, exit readiness).

TRANSACTION TAX

Our specialist **Transaction Tax** team brings extensive experience, advising both on acquisition diligence/ structuring and as seller advisory allowing them to bring valuable tax insights to transactions.

DEBT ADVISORY

Our **Debt Advisory** team provides tailored financing solutions to private equity-backed and corporate borrowers, supporting them across acquisitions, capex, working capital, and refinancing events. With extensive lender access and deep market insight, we deliver optimal financing outcomes for our clients.

LIBERTY CORPORATE FINANCE (MANAGEMENT INCENTIVE PLANS)

With a track record spanning £200bn+ in deal value and 750+ management teams advised, Liberty provides independent, senior-led advice on private equity transactions worldwide.

Benefitting from the huge depth of expertise across Cooper Parry (audit and specialist tax teams, wealth and CP Digital). On a rapid growth journey ourselves, backed by Lee Equity Partners (previously Waterland) completing 19 acquisitions in just over three years!

CP

WHAT OUR CLIENTS HAVE TO SAY

"Working with CP Deals was a game-changer. They were quick to respond, proactive, and when due diligence got intense, their insights and negotiation support were invaluable. If you want a team that truly adds value, CP is the one to call"

Nick Lally, CFO – Ravelin Technology

"The CP Deals team worked tirelessly to deliver an excellent transaction for us and our management team. Their Partner-led approach and automotive sector knowledge were invaluable. We wouldn't hesitate to recommend them to others"

Mark Cooper, MD – Dragon2000

"We have been working with Cooper Parry for over 2 years on platform investments and add-on acquisitions. The level of responsiveness and proactivity has made CP a pleasure to work with and are now one of our core diligence provider partners"

Sean Howard, Principal – Pictet PE

"It was a pleasure to work again with the CP team. Their responsiveness and quality was exactly what I'd expect from a top-tier firm, and they are a joy to work with"

Richard Bolton, Principal – Octopus Ventures

"We have worked with the CP Deals team across several investments. They approach each transaction as a trusted partner and engage with responsiveness, flexibility and a commercial mindset that helps deliver added value rather than going through the motions."

Jon Simon, Investment Director – Downing

"I wanted to take this opportunity to send you my deepest thanks and appreciation for the roles you have played on this transaction. In this market to get the multiple you achieved is some achievement and testimony to your efforts and capabilities."

Tim Barnett, CEO – Credas Technologies



THANK YOU



Important notice

This document has been prepared by Cooper Parry Advisory Limited ("Cooper Parry"). The information and, where relevant, opinions contained in this document have been compiled or arrived at by Cooper Parry from published sources which we believe to be reliable and accurate and in good faith but which, without further investigation, cannot be warranted as to the accuracy, completeness or correctness. All information and, where relevant, opinions and estimates contained in this document constitute Cooper Parry's judgment as at the date of this document and are subject to change without notice. The information in this document is supplied only on the condition that Cooper Parry, and any partner, member or employee of Cooper Parry is not liable for any error or inaccuracy contained herein, whether negligently caused or otherwise, or for any loss or damage suffered by any person due to such an error, omission or inaccuracy as a result of such supply. This document does not constitute or contain any recommendation by Cooper Parry.

COOPER PARRY DEALS