

NEW YORK STOCK EXCHANGE

Early Childhood Education Industry

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Industry Overview

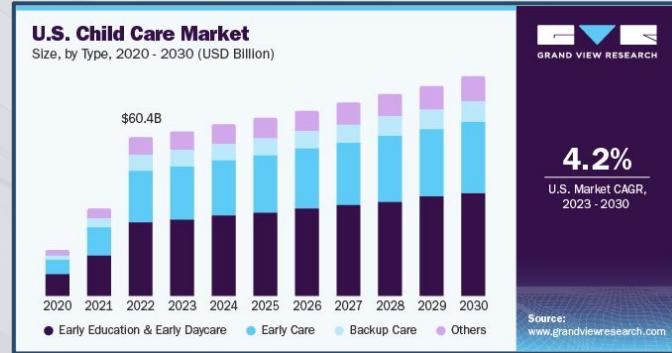
Industry Value Chain



1. Depending on whether the business will be in house or located elsewhere, the capital investment varies per business. The next investment is in hiring staff as well as food and other equipment for children. The biggest expense would be food for children as that is given on a daily basis as compared to rent
2. After the location and staff are hired, the second step in the industry would be marketing the daycare to others to attract interest. This step may use and require capital depending on the business capital
3. The parents would try out the daycare, and give revenue and feedback back to the business where they can choose to further go back into the first step to expand in size, or tools/equipment

Growth Dynamics

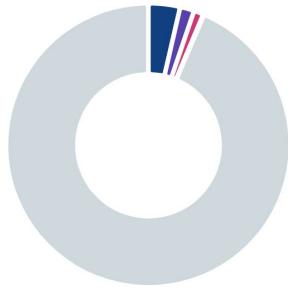
60.4 \$ Billion Market Size



Over the last decade or so, the demand for child care centers or daycares has increased as a result women employment increasing. Currently the OECD the organization of Economic Cooperation and Development reported that 90% of children aged 3-5 are enrolled in these centers. That is a majority of children and with the population growth rate increasing, the market cap will increase further with the 4.2% CAGR

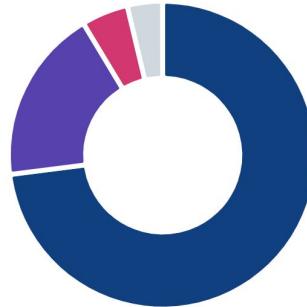
Market Share and Fragmentation Analysis

Major Players >



● Learning Care Group, Inc. (\$2.5bn)	3.6%
● KinderCare Education LLC (\$1.bn)	1.6%
● Kindercare Learning Centers Inc. (\$786.7m)	1.1%
● Primrose School Franchising SPE LLC (\$61.0m)	0.1%
● Other Companies (\$65.0bn)	93.6%

Products and Services >



● Center-based day care (\$50.7bn)	73.0%
● Pre-primary grade instructional programs (\$12.8bn)	18.4%
● In-home day care (\$3.4bn)	4.9%
● Other services and programs (\$2.6bn)	3.7%

The Industry is very divided, there is no major player that takes up market share. Almost 96% of the industry are small private owned companies. Although there is smaller initial capital requirement for in house daycares, we see that this only amounts to 5% of the market. 73% are center based daycares. This shows that the majority of day cares are mid sized with enough revenues and profits to rent centers and hire additional staff. Note, that there is very few increases in licensed daycares in the last 3 years, indicating that the industry is mature.

Porter's 5 Forces

Bargaining Power of Supplier

There is zero to little supplier power in this industry. The centers and food required by daycares are found everywhere in the market.

Bargaining Power of Customer

Customers have very low bargaining power, there is very high demand for daycares. Even considering the increase in prices for daycare, parents are have high enough WTP to continue to pay for it

Industry Rivalry

Fierce Industry Rivalry: Daycares try to undercut each other in order to grasp market share as much as possible, by having different times open, different prices, more educated teaching staff, more snacks, variety of toys. All in order to differentiate itself, there is no one model that fits all.

Threat of Substitute

There is very small threats of substitutes: parents can work with other parents in order to watch kids on off days, but in most cases parents are forced to have their children in daycare because there is no alternatives

Threats of New Entries

Very high Threats: There are numerous daycares all across the united states, and because of initial capital being low if the daycare is in house, anyone can start up one. Which brings in the dilemma of high supply, which brings pieces down and profits down for a business

Potential Targets



Vivvi

Daycare center with over 5 locations in New York. Primarily focuses on children aged 0-5, has three programs focusing on various skills and knowledge

The Three Programs:

Infant (0-1Y): increasing metacognitive skills, emotional and educational skills

Toddlers: (1-3Y) focused on increasing individual curiosity and active exploration

Preschool: (3-5Y) Changing curriculum focused on developing skills used in school

Reason to Acquire:

- Competitive advantages in
- **Pricing:** Tuition fees are \$3600 a month for infants and \$2900 for toddlers, typical Expense per employee is 2000, there is a average profit of \$1250 per child not including fixed costs in comparison to the average profit for daycare for each child is \$1100-\$1200 for ECE centers in the united states.
- **Differential Advantage:** The business is open 12 hours, 5 days a week, which is on average open more than 3 hours compared to the average daycare. The centers themselves are professionally constructed, making it more attractive to parents. They also accept subsidies and discounted programs to pay for fees, some daycares do not.
- **Growth Potential:** The company ECE centers mainly focus in New York, can enter new states to generate higher profit

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