



VIEWPOINT

KinderCare Goes Public:

Transforming the Early Childhood
Education Investment Landscape

November 2024



November 2024

KinderCare IPO Expands Investment Options and Impact on Leased Properties

The early education sector in the U.S. has historically offered limited public investment opportunities, with Bright Horizons Family Solutions being the only major publicly traded company in the space. However, the recent initial public offering (IPO) of KinderCare Learning Companies has provided securities investors with a new option to invest in this growing industry. The IPO is not only significant for corporate investors but also has important implications for real estate investors and landlords who own, or are considering acquiring, properties leased to KinderCare.

KinderCare's IPO and Financial Performance

On October 9, 2024, KinderCare Learning Companies completed its IPO on the New York Stock Exchange, trading under the ticker symbol "KLC." The company raised \$576 million by offering 24 million shares at \$24 each, giving it a fully diluted market value of \$2.8 billion. Shares surged by 9.5% after the IPO, indicating strong market interest. KinderCare plans to use the capital primarily to reduce existing debt and cover operational expenses, which will enhance its financial stability and position the company for future growth.

Industry Leadership and Operations

KinderCare is the largest private provider of early childhood education in the U.S., operating over 1,500 centers and 900 before- and after-school sites that serve more than 200,000 children nationwide. In 2023, the company reported \$2.5 billion in revenue and a net income of \$102 million, further solidifying its market dominance. Unlike many competitors, KinderCare is 100% corporately operated, with backing from Partners Group, which allows for consistent management and operations across all its centers.



Impact of IPO on KinderCare-Leased Properties

The IPO has the potential to significantly impact real estate investors and landlords who hold or are interested in acquiring KinderCare-leased properties.

- **Increased Transparency:** As a publicly traded company, KinderCare will now be required to provide detailed financial disclosures, offering more transparency for landlords and real estate investors. This is particularly beneficial for those who previously lacked access to corporate financials. The ability to assess KinderCare's financial health more accurately may lead to better informed decisions for landlords, especially those considering investing in KinderCare centers.
- **Stronger Cap Rates:** The IPO could lead to stronger cap rates for KinderCare properties in general. Publicly traded companies, particularly those performing well, tend to attract more interest from real estate investors, and the added transparency and financial stability post-IPO may increase the appeal of these properties. This could result in higher demand for KinderCare-leased properties, driving up property values and potentially improving cap rates.
- **Increased Investor Demand:** Real estate investors generally favor publicly traded companies, especially those that demonstrate financial strength. As KinderCare continues to grow and report strong financial performance, this could translate to further demand for KinderCare properties. The IPO could also spark more interest in the broader early education real estate sector, as investors look to capitalize on the increasing demand for high-quality childcare centers.

Strategic Growth and Real Estate Expansion

The proceeds from KinderCare's IPO will provide the company with the flexibility to invest in new locations, upgrade existing facilities, and further improve its offerings through technology and curriculum improvements. Reducing debt will also strengthen its balance sheet, allowing KinderCare to pursue strategic expansions in key markets with high demand for early childhood education. These investments are expected to drive further growth in both the company's educational services and real estate footprint.

Limited Public Securities Investment Options in Early Education

Before KinderCare's IPO, Bright Horizons Family Solutions was the only major publicly traded company in the early education sector. With Bright Horizons reporting \$2.41 billion in revenue for 2023, it has long dominated the space. However, KinderCare's public debut provides a second, robust option for securities investors looking to gain exposure to the early education market, which is experiencing increasing demand as more families seek high-quality childcare and educational services.



Conclusion

With its IPO, KinderCare offers investors an alternative to Bright Horizons in the U.S. early childhood education sector. The company's strong financials, strategic growth plans and dominant market position make it a compelling option for securities investors. As KinderCare continues to expand and enhance its services, and with the added transparency from being

publicly traded, both corporate and real estate investors can expect increasing opportunities and demand. This creates significant potential for those looking to invest in KinderCare-leased properties, given the company's improved financial visibility and anticipated growth trajectory.

Source: Northmarq, Investopedia, Bloomberg

For more information please contact:

Milo Spector | *Senior Vice President*
mspector@northmarq.com | (510) 461-4505

Remmington Penn | *Associate*
rpenn@northmarq.com | (415) 925-9955

Stephen Hasbrook | *Investment Sales Analyst*
shasbrook@northmarq.com | (925) 322-6024

Lanie Beck | *Senior Director, Content and Marketing Research*
lbeck@northmarq.com | (918) 494-2690

Northmarq

3500 American Blvd W
Suite 500
Minneapolis, MN 55431
(952) 356-0100
www.northmarq.com