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FEATURING Partners Group

Two sides of the private equity coin

By Tom Wyatt, KinderCare

Tom Wyatt, CEO of KinderCare.
Photo courtesy of the company.

News reports lamenting the loss of **Toys 'R' Us** this holiday have brought the debate over the perils of private equity top of mind.

For us at **KinderCare**, the demise of the former retail giant stands in stark contrast to our story with PE. While there are similarities between the two companies, the results of our private equity experiences are vastly different.

Like Toys 'R' Us, KinderCare's mission is to serve children and families. Toys 'R' Us was founded as a new retail model, a supermarket for toys. KinderCare was created to help fill working parents' growing need for child care, a $50 billion industry in the U.S.

As both companies grew, they turned to PE to fuel growth. While we can't speak for what went on behind the scenes at Toys 'R' Us, we've learned lessons that could help other companies looking to make a turnaround.

Launched 50 years ago, KinderCare is now the largest child-care provider in the U.S., serving 185,000 families in 39 states and D.C.

Growing through acquisitions over the past few years, we're positioned at the epicenter of the "care economy," which is becoming essential given the shifts in the workforce. Our success story is all the more impressive given the turnaround we made over the past six years.

In 2012, the company was suffering from 14 consecutive quarters of decline, with underperforming and underutilized centers. Brand reputation was at risk, with only 35 percent of the centers accredited by independent groups.

And while we believed we were doing a good job preparing children for kindergarten and beyond, we lacked the data to prove it.

Today, we are at 22 consecutive quarters of growth, and counting.

How did we achieve the turnaround? Central to our success is the right PE partner. The acquisition in 2015 by PE firm **Partners Group** offered extensive experience, global exposure and a focus on long-term, responsible growth.

Working directly together, through monthly meetings, dialogue and detailed questionnaires, we established processes, milestones and deliverables for strategic planning.

Armed with a multifaceted awareness of our company, Partners Group recognized how its experience and knowledge of brick-and-mortar and multi-business-unit companies could translate to the growing private equity sector of education.

At the top of the partnership's list of benefits: a team focused on value creation, which looked at the company's five- to 10-year trajectory – profitability, top-line growth.

This analysis guided us toward an aggressive and long-term approach toward growth, from major acquisitions like **Rainbow** to smaller in-market ones. Each year we prioritized three initiatives that would create value. Rather than financial engineering, our PE partner steered us toward long-term growth.

In addition, given that we didn't face the limitations of quarterly earnings reports, the partnership with private equity provided insights that informed our approach to refinancing debt to access dollars to invest and negotiating an attractive investment rate.

In addition, we reaped the benefits of global board members, particularly in the areas of cybersecurity and ethics, and sustainability practices.

Having the right partner also opened a way to invest in our culture, with the common objectives of employee engagement, people development and a culture that fosters success, which are foundational to KinderCare.

What does this mean on the ground? From this cornerstone, we've built on principles that are grounded in my experience leading other multiunit businesses: start with the people; focus on delivering excellence with your offerings, actively seeking feedback and data; and take action.

Measurement played a critical role in validating the quality of our programs and the impact that our new curriculum and teacher selection had on young children.

Independent assessments now consistently demonstrate that KinderCare children are, on average, four months ahead of their peers in kindergarten readiness.

We also invested the time, energy and resources to have third-party organizations validate the quality of what happens in our centers daily. We are now America's most accredited early learning provider – with nearly 100 percent of our KinderCare centers accredited.

Private equity has enabled us to make all these investments and help more families. Our growth is ongoing, and we see opportunities all around, given the low unemployment rate and the need for high-quality child care.

But there's little doubt that we're a PE success story. We're a stronger company today than we were a few years ago. Just one indication is going from "worst to first" in the Gallup Great Workplace survey.

We're dedicated to maintaining our focus on the intersection of customer and employee feedback, to bring to life our mission for each and every family, each and every day.

It's good learning and a reminder for all leaders, perhaps most important those who choose outside partners like private equity firms.

Success ultimately comes from choosing the right partner, and the strength of a company's connection with its employees and customers every day.

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