# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

**For the quarterly period ended June 30, 2023**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

**For the transition period from __________ to __________**

**Commission File Number: 001-35780**

# BRIGHT HORIZONS FAMILY SOLUTIONS INC.

**(**Exact name of registrant as specified in its charter**)**

| | |
|---|---|
| **Delaware** | **80-0188269** |
| (State or other jurisdiction of incorporation) | (I.R.S. Employer Identification Number) |
| **2 Wells Avenue**<br>**Newton, Massachusetts** | **02459** |
| (Address of principal executive offices) | (Zip code) |

**Registrant's telephone number, including area code: (617) 673-8000**

Not Applicable
**(Former name, former address and former fiscal year, if changed since last report)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.001 par value per share | BFAM | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 24, 2023, there were 57,876,598 shares of common stock outstanding.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**FORM 10-Q**

**For the quarterly period ended June 30, 2023**

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## PART I. FINANCIAL INFORMATION

### Item 1. Condensed Consolidated Financial Statements (Unaudited)

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| | (In thousands, except share data) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 66,011 | $ 36,224 |
| Accounts receivable — net of allowance for credit losses of $2,682 and $2,947 at June 30, 2023 and December 31, 2022, respectively | 181,261 | 217,170 |
| Prepaid expenses and other current assets | 88,839 | 94,316 |
| Total current assets | 336,111 | 347,710 |
| Fixed assets — net | 580,888 | 571,471 |
| Goodwill | 1,767,480 | 1,727,852 |
| Other intangible assets — net | 231,477 | 245,574 |
| Operating lease right-of-use assets | 807,530 | 801,626 |
| Other assets | 99,879 | 104,636 |
| Total assets | $ 3,823,365 | $ 3,798,869 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 16,000 | $ 16,000 |
| Borrowings under revolving credit facility | — | 84,000 |
| Accounts payable and accrued expenses | 238,808 | 230,634 |
| Current portion of operating lease liabilities | 97,469 | 94,092 |
| Deferred revenue | 239,965 | 222,994 |
| Other current liabilities | 165,687 | 138,574 |
| Total current liabilities | 757,929 | 786,294 |
| Long-term debt — net | 954,172 | 961,581 |
| Operating lease liabilities | 812,632 | 810,403 |
| Other long-term liabilities | 94,669 | 100,466 |
| Deferred revenue | 8,821 | 8,933 |
| Deferred income taxes | 45,374 | 50,739 |
| Total liabilities | 2,673,597 | 2,718,416 |
| Stockholders' equity: | | |
| Preferred stock, $0.001 par value; 25,000,000 shares authorized; no shares issued or outstanding at June 30, 2023 and December 31, 2022 | — | — |
| Common stock, $0.001 par value; 475,000,000 shares authorized; 57,740,699 and 57,531,130 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively | 58 | 58 |
| Additional paid-in capital | 627,275 | 599,422 |
| Accumulated other comprehensive loss | (57,887) | (70,629) |
| Retained earnings | 580,322 | 551,602 |
| Total stockholders' equity | 1,149,768 | 1,080,453 |
| Total liabilities and stockholders' equity | $ 3,823,365 | $ 3,798,869 |

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**(Unaudited)**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | (In thousands, except share data) | | | |
| Revenue | $ 603,216 | $ 490,341 | $ 1,156,822 | $ 950,750 |
| Cost of services | 466,653 | 361,816 | 898,645 | 712,166 |
| Gross profit | 136,563 | 128,525 | 258,177 | 238,584 |
| Selling, general and administrative expenses | 81,899 | 73,673 | 164,670 | 145,419 |
| Amortization of intangible assets | 9,132 | 7,030 | 17,330 | 14,179 |
| Income from operations | 45,532 | 47,822 | 76,177 | 78,986 |
| Loss on foreign currency forward contracts | — | (5,917) | — | (5,917) |
| Interest expense — net | (12,219) | (7,942) | (25,135) | (14,988) |
| Income before income tax | 33,313 | 33,963 | 51,042 | 58,081 |
| Income tax expense | (12,719) | (9,018) | (22,322) | (13,730) |
| Net income | $ 20,594 | $ 24,945 | $ 28,720 | $ 44,351 |
| | | | | |
| Earnings per common share: | | | | |
| Common stock — basic | $ 0.36 | $ 0.42 | $ 0.50 | $ 0.75 |
| Common stock — diluted | $ 0.35 | $ 0.42 | $ 0.50 | $ 0.74 |
| | | | | |
| Weighted average common shares outstanding: | | | | |
| Common stock — basic | 57,707,565 | 59,113,044 | 57,655,715 | 59,103,884 |
| Common stock — diluted | 57,905,424 | 59,252,869 | 57,807,667 | 59,334,107 |

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(Unaudited)**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands) | | | |
| Net income | $ 20,594 | $ 24,945 | $ 28,720 | $ 44,351 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 9,456 | (46,345) | 16,336 | (63,351) |
| Unrealized gain (loss) on cash flow hedges and investments, net of tax | 5,305 | 5,007 | (3,594) | 23,707 |
| Total other comprehensive income (loss) | 14,761 | (41,338) | 12,742 | (39,644) |
| Comprehensive income (loss) | $ 35,355 | $ (16,393) | $ 41,462 | $ 4,707 |

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**(Unaudited)**

| | Three months ended June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Treasury Stock, at Cost | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Stockholders' Equity |
| | Shares | Amount | | | | | |
| | (In thousands, except share data) | | | | | | |
| Balance at April 1, 2023 | 57,679,676 | $ 58 | $ 616,305 | $ — | $ (72,648) | $ 559,728 | $ 1,103,443 |
| Stock-based compensation expense | | | 7,463 | | | | 7,463 |
| Issuance of common stock under the Equity Incentive Plan | 63,137 | — | 3,611 | | | | 3,611 |
| Shares received in net share settlement of stock option exercises and vesting of restricted stock | (2,114) | — | (104) | | | | (104) |
| Other comprehensive income | | | | | 14,761 | | 14,761 |
| Net income | | | | | | 20,594 | 20,594 |
| Balance at June 30, 2023 | 57,740,699 | $ 58 | $ 627,275 | $ — | $ (57,887) | $ 580,322 | $ 1,149,768 |

| | Three months ended June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Treasury Stock, at Cost | Accumulated Other Comprehensive Loss | Retained Earnings | Total Stockholders' Equity |
| | Shares | Amount | | | | | |
| | (In thousands, except share data) | | | | | | |
| Balance at April 1, 2022 | 59,133,183 | $ 59 | $ 717,745 | $ — | $ (35,665) | $ 490,367 | $ 1,172,506 |
| Stock-based compensation expense | | | 7,672 | | | | 7,672 |
| Issuance of common stock under the Equity Incentive Plan | 50,437 | — | 1,730 | | | | 1,730 |
| Shares received in net share settlement of stock option exercises and vesting of restricted stock | (18,718) | — | (1,979) | | | | (1,979) |
| Purchase of treasury stock | | | | (44,550) | | | (44,550) |
| Retirement of treasury stock | (542,034) | — | (44,550) | 44,550 | | | — |
| Other comprehensive loss | | | | | (41,338) | | (41,338) |
| Net income | | | | | | 24,945 | 24,945 |
| Balance at June 30, 2022 | 58,622,868 | $ 59 | $ 680,618 | $ — | $ (77,003) | $ 515,312 | $ 1,118,986 |

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**(Unaudited)**

| | Six months ended June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Treasury Stock, at Cost | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Stockholders' Equity |
| | Shares | Amount | | | | | |
| | (In thousands, except share data) | | | | | | |
| Balance at January 1, 2023 | 57,531,130 | $ 58 | $ 599,422 | $ — | $ (70,629) | $ 551,602 | $ 1,080,453 |
| Stock-based compensation expense | | | 13,313 | | | | 13,313 |
| Issuance of common stock under the Equity Incentive Plan | 232,935 | — | 16,169 | | | | 16,169 |
| Shares received in net share settlement of stock option exercises and vesting of restricted stock | (23,366) | — | (1,629) | | | | (1,629) |
| Other comprehensive income | | | | | 12,742 | | 12,742 |
| Net income | | | | | | 28,720 | 28,720 |
| Balance at June 30, 2023 | 57,740,699 | $ 58 | $ 627,275 | $ — | $ (57,887) | $ 580,322 | $ 1,149,768 |

| | Six months ended June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Treasury Stock, at Cost | Accumulated Other Comprehensive Loss | Retained Earnings | Total Stockholders' Equity |
| | Shares | Amount | | | | | |
| | (In thousands, except share data) | | | | | | |
| Balance at January 1, 2022 | 59,305,160 | $ 59 | $ 745,615 | $ — | $ (37,359) | $ 470,961 | $ 1,179,276 |
| Stock-based compensation expense | | | 13,768 | | | | 13,768 |
| Issuance of common stock under the Equity Incentive Plan | 215,954 | 1 | 10,624 | | | | 10,625 |
| Shares received in net share settlement of stock option exercises and vesting of restricted stock | (44,312) | — | (5,154) | | | | (5,154) |
| Purchase of treasury stock | | | | (84,236) | | | (84,236) |
| Retirement of treasury stock | (853,934) | (1) | (84,235) | 84,236 | | | — |
| Other comprehensive loss | | | | | (39,644) | | (39,644) |
| Net income | | | | | | 44,351 | 44,351 |
| Balance at June 30, 2022 | 58,622,868 | $ 59 | $ 680,618 | $ — | $ (77,003) | $ 515,312 | $ 1,118,986 |

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

| | Six months ended June 30, 2023 | Six months ended June 30, 2022 |
|---|---|---|
| | (In thousands) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 28,720 | $ 44,351 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 56,229 | 50,661 |
| Stock-based compensation expense | 13,313 | 13,768 |
| Loss on foreign currency forward contracts | — | 5,917 |
| Deferred income taxes | (4,250) | (4,269) |
| Non-cash interest and other — net | 5,434 | (451) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 35,802 | 38,255 |
| Prepaid expenses and other current assets | (15,845) | (5,813) |
| Accounts payable and accrued expenses | 6,326 | 16,636 |
| Income taxes | 1,505 | (10,899) |
| Deferred revenue | 15,939 | (43,000) |
| Leases | (19) | 734 |
| Other assets | 10,705 | 12,087 |
| Other current and long-term liabilities | 26,183 | 7,793 |
| Net cash provided by operating activities | 180,042 | 125,770 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchases of fixed assets | (40,132) | (26,186) |
| Proceeds from the disposal of fixed assets | 17 | 6,940 |
| Purchases of debt securities and other investments | (8,956) | (7,030) |
| Proceeds from the maturity of debt securities and sale of other investments | 11,227 | 11,009 |
| Payments and settlements for acquisitions — net of cash acquired | (30,884) | (3,282) |
| Settlement of foreign currency forward contracts | — | (4,591) |
| Net cash used in investing activities | (68,728) | (23,140) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Borrowings under revolving credit facility | 224,000 | — |
| Payments under revolving credit facility | (308,000) | — |
| Principal payments of long-term debt | (8,000) | (8,000) |
| Proceeds from issuance of common stock upon exercise of options and restricted stock upon purchase | 7,382 | 10,554 |
| Taxes paid related to the net share settlement of stock options and restricted stock | (1,629) | (5,154) |
| Purchase of treasury stock | — | (72,554) |
| Payments of contingent consideration for acquisitions | (225) | (13,865) |
| Net cash used in financing activities | (86,472) | (89,019) |
| Effect of exchange rates on cash, cash equivalents and restricted cash | (330) | (2,215) |
| Net increase in cash, cash equivalents and restricted cash | 24,512 | 11,396 |
| Cash, cash equivalents and restricted cash — beginning of period | 51,894 | 265,281 |
| Cash, cash equivalents and restricted cash — end of period | $ 76,406 | $ 276,677 |

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

**(Unaudited)**

| | Six months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (In thousands) | |
| **RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS:** | | |
| Cash and cash equivalents | $ 66,011 | $ 270,425 |
| Restricted cash and cash equivalents, included in prepaid expenses and other current assets | 8,298 | 6,252 |
| Restricted cash and cash equivalents, included in other assets | 2,097 | — |
| Total cash, cash equivalents and restricted cash — end of period | $ 76,406 | $ 276,677 |
| | | |
| **SUPPLEMENTAL CASH FLOW INFORMATION:** | | |
| Cash payments of interest | $ 36,104 | $ 13,458 |
| Cash payments of income taxes | $ 26,128 | $ 29,187 |
| Cash paid for amounts included in the measurement of lease liabilities | $ 77,126 | $ 64,887 |
| | | |
| **NON-CASH TRANSACTIONS:** | | |
| Fixed asset purchases recorded in accounts payable and accrued expenses | $ 2,438 | $ 1,999 |
| Operating right-of-use assets obtained in exchange for operating lease liabilities — net | $ 32,138 | $ 29,280 |
| Restricted stock reclassified from other current liabilities to equity upon vesting | $ 8,192 | $ 3,160 |
| Treasury stock purchases in other current liabilities | $ — | $ 11,909 |

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

## 1. ORGANIZATION AND BASIS OF PRESENTATION

**Organization** — Bright Horizons Family Solutions Inc. (“Bright Horizons” or the “Company”) provides center-based early education and child care, back-up child and adult/elder care, tuition assistance and student loan repayment program management, educational advisory services, and other support services for employers and families in the United States, the United Kingdom, the Netherlands, Australia, Puerto Rico and India. The Company provides services designed to help families, employers and their employees better integrate work and family life, primarily under multi-year contracts with employers who offer child care, dependent care, and workforce education services as part of their employee benefits packages in an effort to support employees across life and career stages and improve employee engagement.

On July 1, 2022, the Company acquired Only About Children, an operator of 75 child care centers in Australia. Refer to Note 4, *Acquisitions*, for additional information.

**Basis of Presentation** — The accompanying unaudited condensed consolidated balance sheet as of June 30, 2023 and the unaudited condensed consolidated statements of income, comprehensive income (loss), changes in stockholders’ equity, and cash flows for the interim periods ended June 30, 2023 and 2022 have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP” or “GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required in accordance with U.S. GAAP for complete financial statements and should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022. The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

In the opinion of the Company’s management, the Company’s unaudited condensed consolidated balance sheet as of June 30, 2023 and the unaudited condensed consolidated statements of income, comprehensive income (loss), changes in stockholders’ equity, and cash flows for the interim periods ended June 30, 2023 and 2022, reflect all adjustments (consisting only of normal and recurring adjustments) necessary to present fairly the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

During the six months ended June 30, 2023, the Company recorded expense of $6.0 million for an immaterial correction of an error related to value-added tax incurred in prior periods, of which $4.3 million is included in cost of services and $1.7 million is included in selling, general and administrative expenses. Refer to Note 11, *Segment Information*, for additional information.

**Stockholders’ Equity** — The board of directors of the Company authorized a share repurchase program of up to $400 million of the Company’s outstanding common stock effective December 16, 2021. The share repurchase program has no expiration date. The shares may be repurchased from time to time in open market transactions at prevailing market prices, in privately negotiated transactions, under Rule 10b5-1 plans, or by other means in accordance with federal securities laws. During the six months ended June 30, 2023, there were no share repurchases under the repurchase program and during the six months ended June 30, 2022, the Company repurchased 0.9 million shares for $84.2 million. All repurchased shares have been retired and, at June 30, 2023, $198.3 million remained available under the Board-approved repurchase program.

**Government Support** — During the six months ended June 30, 2023 and 2022, the Company participated in government support programs that were enacted in response to the economic impact of the COVID-19 pandemic, including availing itself of certain tax deferrals and federal block grant funding in the United States.

During the six months ended June 30, 2023 and 2022, $35.1 million and $46.7 million, respectively, was recorded as a reduction to cost of services in relation to these benefits, of which $12.2 million and $16.0 million, respectively, reduced the operating subsidies paid by employers for the related child care centers. Additionally, during the six months ended June 30, 2023 and 2022, $1.2 million and $3.4 million, respectively, was recorded to revenue related to amounts received for tuition support.

As of June 30, 2023 and December 31, 2022, $2.3 million and $1.2 million, respectively, was recorded in prepaid expenses and other current assets on the consolidated balance sheet for amounts due from government support programs, and as of June 30, 2023 and December 31, 2022, $2.5 million and $4.6 million, respectively, was recorded to other current liabilities related to government support received related to future periods.

## 2. REVENUE RECOGNITION

### Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers into segments and geographical regions. Revenue disaggregated by segment and geographical region was as follows:

| | Full service center-based child care | Back-up care | Educational advisory and other services | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| **Three months ended June 30, 2023** | | | | |
| North America | $ 300,014 | $ 107,121 | $ 28,282 | $ 435,417 |
| International | 158,517 | 9,282 | — | 167,799 |
| | $ 458,531 | $ 116,403 | $ 28,282 | $ 603,216 |
| **Three months ended June 30, 2022** | | | | |
| North America | $ 257,822 | $ 85,096 | $ 27,311 | $ 370,229 |
| International | 113,494 | 6,618 | — | 120,112 |
| | $ 371,316 | $ 91,714 | $ 27,311 | $ 490,341 |

| | Full service center-based child care | Back-up care | Educational advisory and other services | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| **Six months ended June 30, 2023** | | | | |
| North America | $ 584,598 | $ 195,941 | $ 55,367 | $ 835,906 |
| International | 304,124 | 16,792 | — | 320,916 |
| | $ 888,722 | $ 212,733 | $ 55,367 | $ 1,156,822 |
| **Six months ended June 30, 2022** | | | | |
| North America | $ 501,059 | $ 161,025 | $ 52,944 | $ 715,028 |
| International | 224,189 | 11,533 | — | 235,722 |
| | $ 725,248 | $ 172,558 | $ 52,944 | $ 950,750 |

The classification "North America" is comprised of the Company's United States and Puerto Rico operations and the classification "International" includes the Company's United Kingdom, Netherlands, Australia and India operations. On July 1, 2022, the Company acquired Only About Children, an operator of 75 child care centers in Australia. Refer to Note 4, *Acquisitions*, for additional information.

### Deferred Revenue

The Company records deferred revenue when payments are received in advance of the Company's performance under the contract, which is recognized as revenue as the performance obligation is satisfied. During the six months ended June 30, 2023 and 2022, $175.2 million and $181.0 million was recognized as revenue related to the deferred revenue balance recorded at December 31, 2022 and December 31, 2021, respectively.

### Remaining Performance Obligations

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original contract term of one year or less, or for variable consideration allocated to the unsatisfied performance obligation of a series of services. The transaction price allocated to the remaining performance obligations relates to services that are paid or invoiced in advance. The Company's remaining performance obligations not subject to the practical expedients were not material.

## 3. LEASES

The Company has operating leases for certain of its full service and back-up early education and child care centers, corporate offices, call centers, and to a lesser extent, various office equipment, in the United States, the United Kingdom, the Netherlands, and Australia. Most of the leases expire within 10 to 15 years and many contain renewal options and/or termination provisions. As of June 30, 2023 and December 31, 2022, there were no material finance leases.

### Lease Expense

The components of lease expense were as follows:

| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | (In thousands) | | | | | | | |
| Operating lease expense (1) | $ | 39,459 | $ | 32,359 | $ | 77,427 | $ | 64,887 |
| Variable lease expense (1) | | 10,565 | | 9,768 | | 21,740 | | 19,712 |
| Total lease expense | $ | 50,024 | $ | 42,127 | $ | 99,167 | $ | 84,599 |

(1) Excludes short-term lease expense and sublease income, which were immaterial for the periods presented.

### Other Information

The weighted average remaining lease term and the weighted average discount rate were as follows:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Weighted average remaining lease term (in years) | 10 | 10 |
| Weighted average discount rate | 7.0% | 6.7% |

### Maturity of Lease Liabilities

The following table summarizes the maturity of lease liabilities as of June 30, 2023:

| | Operating Leases | |
|---|---|---|
| | (In thousands) | |
| Remainder of 2023 | $ | 65,902 |
| 2024 | | 154,654 |
| 2025 | | 143,834 |
| 2026 | | 136,610 |
| 2027 | | 127,193 |
| Thereafter | | 667,174 |
| Total lease payments | | 1,295,367 |
| Less imputed interest | | (385,266) |
| Present value of lease liabilities | | 910,101 |
| Less current portion of operating lease liabilities | | (97,469) |
| Long-term operating lease liabilities | $ | 812,632 |

As of June 30, 2023, the Company had entered into additional operating leases with total fixed payment obligations of $23.5 million that have not yet commenced. The leases are expected to commence in fiscal 2023 and have initial lease terms of approximately 12 to 15 years.

## 4. ACQUISITIONS

The Company's growth strategy includes expansion through strategic and synergistic acquisitions. The goodwill resulting from these acquisitions arises largely from synergies expected from combining the operations of the businesses acquired with the Company's existing operations, including cost efficiencies and leveraging existing client relationships, as well as from benefits derived from gaining the related assembled workforce.

### 2023 Acquisitions

During the six months ended June 30, 2023, the Company acquired four centers in the United States and one center in Australia, in two separate business acquisitions, which were each accounted for as a business combination. The businesses were acquired for aggregate cash consideration of $30.8 million, which is subject to adjustments from the settlement of the final working capital and acquired enrollment. The Company recorded goodwill of $29.1 million related to the full service center-based child care segment in relation to these acquisitions, of which $25.3 million will be deductible for tax purposes. In addition, the Company recorded intangible assets of $3.3 million that will be amortized over four to five years.

The determination and allocation of purchase price consideration is based on preliminary estimates of fair value; such estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). As of June 30, 2023, the purchase price allocation for these acquisitions remains open as the Company gathers additional information regarding the assets acquired and the liabilities assumed. The operating results for the acquired businesses are included in the consolidated results of operations from the date of acquisition and were not material to the Company's financial results.

During the six months ended June 30, 2023, the Company paid contingent consideration of $0.2 million related to an acquisition completed in 2021, which had been recorded as a liability at the date of acquisition and is presented as cash used in financing activities in the consolidated statement of cash flows.

**2022 Acquisitions**

**Only About Children**

On July 1, 2022, the Company, through wholly-owned subsidiaries, completed the acquisition of the outstanding shares of Only About Children, a child care operator in Australia with approximately 75 early education and child care centers, for aggregate consideration of AUD$450 million (USD$310 million), which was accounted for as a business combination. The Company paid approximately AUD$300 million (USD$207 million), net of cash acquired and subject to customary purchase price adjustments, and will pay an additional USD$106.5 million 18 months after closing. In October 2022, the Company reached an agreement with the sellers on the final net working capital, resulting in a refund of AUD$2.6 million (USD$1.8 million), which was received in the fourth quarter of 2022. The present value of the deferred consideration of USD$97.7 million at the acquisition date and USD$103.5 million at June 30, 2023 is included in other current liabilities on the consolidated balance sheet.

During the year ended December 31, 2022, the Company incurred acquisition-related transaction costs of approximately $9.2 million, which were included in selling, general and administrative expenses. In addition, the Company recognized realized losses of $5.9 million in relation to foreign currency forward contracts for the purchase of Australian dollars entered into in connection with settling the purchase price for the acquisition. Refer to Note 6, *Credit Arrangements and Debt Obligations*, for additional information on the foreign currency forward contracts.

The purchase price for this acquisition has been allocated based on estimates of the fair value of the acquired assets and assumed liabilities at the date of acquisition as follows:

| | At acquisition date as reported September 30, 2022 | Measurement period adjustments | At acquisition date as reported June 30, 2023 |
|---|---|---|---|
| | | (In thousands) | |
| Cash | $ 4,705 | $ — | $ 4,705 |
| Accounts receivable and prepaid expenses | 4,295 | (54) | 4,241 |
| Fixed assets | 21,702 | (1,051) | 20,651 |
| Goodwill | 283,466 | 4,056 | 287,522 |
| Intangible assets | 30,945 | (3,377) | 27,568 |
| Operating lease right of use assets | 156,678 | (3,706) | 152,972 |
| Total assets acquired | 501,791 | (4,132) | 497,659 |
| Accounts payable and accrued expenses | 17,991 | 772 | 18,763 |
| Deferred revenue and parent deposits | 6,809 | 62 | 6,871 |
| Deferred tax liabilities | 3,392 | (3,392) | — |
| Operating lease liabilities | 161,405 | (1,715) | 159,690 |
| Other long-term liabilities | 5,458 | 141 | 5,599 |
| Total liabilities assumed | 195,055 | (4,132) | 190,923 |
| Purchase price | $ 306,736 | $ — | $ 306,736 |

The Company recorded goodwill of $287.5 million related to the full service center-based child care segment, which will not be deductible for tax purposes. Intangible assets consist of customer relationships of $19.7 million with a six year life and trade name of $7.9 million with an eleven year life.

The operating results for Only About Children are included in the consolidated results of operations from the date of acquisition, and are reported with the full service center-based child care segment. Only About Children contributed total revenue of $68.7 million during the six months ended June 30, 2023. Net income for the six months ended June 30, 2023 was not materially impacted by the acquisition of Only About Children.

The following table presents consolidated pro forma revenue as if the acquisition of Only About Children had occurred on January 1, 2021:

| | | Pro forma (Unaudited) Six months ended June 30, 2022 |
|---|---|---|
| | | (In thousands) |
| Revenue | $ | 1,019,667 |

Other than the impact of shifting the transaction costs incurred in 2022 to 2021, consolidated pro forma net income would not materially change from the reported results. In assessing the impact to the unaudited pro forma results we considered certain adjustments related to the acquisition, such as increased amortization expense related to the acquired intangible assets, adjusted depreciation associated with the fair value of the acquired fixed assets, and shifting of transaction costs.

**Other 2022 Acquisitions**

During the year ended December 31, 2022, the Company acquired one center in the United States, one center in the United Kingdom, and one center in the Netherlands, in three separate business acquisitions, which were each accounted for as a business combination. These businesses were acquired for aggregate cash consideration of $6.0 million, net of cash acquired of $0.2 million, and consideration payable of $0.2 million. The Company recorded goodwill of $5.6 million related to the full service center-based child care segment in relation to these acquisitions, of which $1.9 million will be deductible for tax purposes. In addition, the Company recorded intangible assets of $1.0 million that will be amortized over four years in relation to these acquisitions.

The determination and allocation of purchase price consideration is based on preliminary estimates of fair value; such estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). As of June 30, 2023, the purchase price allocation for two of the acquisitions remains open as the Company gathers additional information regarding the assets acquired and the liabilities assumed. The operating results for the acquired businesses are included in the consolidated results of operations from the date of acquisition and were not material to the Company's financial results.

During the year ended December 31, 2022, the Company paid contingent consideration of $19.1 million related to an acquisition completed in 2019 and contingent consideration of $0.2 million related to an acquisition completed in 2021. Of the total amounts paid of $19.3 million, $13.9 million had been recorded as a liability at the date of acquisition and was presented as cash used in financing activities in the consolidated statement of cash flows with remaining amounts reflected as cash used in operating activities.

**5. GOODWILL AND INTANGIBLE ASSETS**

The changes in the carrying amount of goodwill were as follows:

| | Full service center-based child care | Back-up care | Educational advisory and other services | Total |
|---|---|---|---|---|
| | | (In thousands) | | |
| Balance at January 1, 2023 | $ 1,481,936 | $ 206,073 | $ 39,843 | $ 1,727,852 |
| Additions from acquisitions | 29,127 | — | — | 29,127 |
| Adjustments to prior year acquisitions | 861 | — | — | 861 |
| Effect of foreign currency translation | 8,547 | 1,093 | — | 9,640 |
| Balance at June 30, 2023 | $ 1,520,471 | $ 207,166 | $ 39,843 | $ 1,767,480 |

The Company also has intangible assets, which consisted of the following at June 30, 2023 and December 31, 2022:

| June 30, 2023 | Weighted average amortization period | Cost | Accumulated amortization | Net carrying amount |
|---|---|---|---|---|
| | | | (In thousands) | |
| Definite-lived intangible assets: | | | | |
| Customer relationships | 12 years | $ 402,162 | $ (358,755) | $ 43,407 |
| Trade names | 10 years | 19,555 | (12,041) | 7,514 |
| | | 421,717 | (370,796) | 50,921 |
| Indefinite-lived intangible assets: | | | | |
| Trade names | N/A | 180,556 | — | 180,556 |
| | | $ 602,273 | $ (370,796) | $ 231,477 |

| December 31, 2022 | Weighted average amortization period | Cost | Accumulated amortization | Net carrying amount |
|---|---|---|---|---|
| | | | (In thousands) | |
| Definite-lived intangible assets: | | | | |
| Customer relationships | 12 years | $ 398,238 | $ (341,918) | $ 56,320 |
| Trade names | 10 years | 19,231 | (10,236) | 8,995 |
| | | 417,469 | (352,154) | 65,315 |
| Indefinite-lived intangible assets: | | | | |
| Trade names | N/A | 180,259 | — | 180,259 |
| | | $ 597,728 | $ (352,154) | $ 245,574 |

The Company estimates that it will record amortization expense related to intangible assets existing as of June 30, 2023 as follows:

| | Estimated amortization expense |
|---|---|
| | (In thousands) |
| Remainder of 2023 | $ 16,236 |
| 2024 | 17,493 |
| 2025 | 5,617 |
| 2026 | 3,994 |
| 2027 | 2,865 |
| Thereafter | 4,716 |
| | $ 50,921 |

## 6. CREDIT ARRANGEMENTS AND DEBT OBLIGATIONS

### Senior Secured Credit Facilities

The Company's senior secured credit facilities consist of a $600 million term loan B facility ("term loan B") and a $400 million term loan A facility ("term loan A" and together with term loan B, the "term loan facilities" or "term loans"), as well as a $400 million multi-currency revolving credit facility ("revolving credit facility").

Long-term debt obligations were as follows:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| | (In thousands) | |
| Term loan B | $ 591,000 | $ 594,000 |
| Term loan A | 385,000 | 390,000 |
| Deferred financing costs and original issue discount | (5,828) | (6,419) |
| Total debt | 970,172 | 977,581 |
| Less current maturities | (16,000) | (16,000) |
| Long-term debt | $ 954,172 | $ 961,581 |

On December 21, 2022, the Company amended its existing senior secured credit facilities to replace the LIBOR-based benchmark rate with a term SOFR benchmark rate, which did not alter the applicable interest rates held in effect prior to the change. The amendment was treated as a modification and the related transaction costs were expensed as incurred.

All borrowings under the credit facilities are subject to variable interest. The effective interest rate for the term loans was 7.27% and 6.49% at June 30, 2023 and December 31, 2022, respectively, and the weighted average interest rate was 6.91% and 2.56% for the six months ended June 30, 2023 and 2022, respectively, prior to the effects of any interest rate hedge arrangements. The weighted average interest rate for the revolving credit facility was 7.07% and 5.25% for the six months ended June 30, 2023 and 2022, respectively.

*Term Loan B Facility*

The seven-year term loan B matures on November 23, 2028 and requires quarterly principal payments equal to 1% per annum of the original aggregate principal amount of the term loan B, with the remaining principal balance due at maturity. Borrowings under the term loan B facility bear interest at a rate per annum of 1.25% over the base rate, or 2.25% over the adjusted term SOFR rate. The base rate is subject to an interest rate floor of 1.50% and the adjusted term SOFR rate is subject to an interest rate floor of 0.50%.

*Term Loan A Facility*

The five-year term loan A matures on November 23, 2026 and requires quarterly principal payments equal to 2.5% per annum of the original aggregate principal amount of the term loan A in each of the first three years, 5.0% in the fourth year, and 7.5% in the fifth year. The remaining principal balance is due at maturity. Borrowings under the term loan A facility bear interest at a rate per annum ranging from 0.50% to 0.75% over the base rate, or 1.50% to 1.75% over the adjusted term SOFR rate. The base rate is subject to an interest rate floor of 1.00% and the adjusted term SOFR rate is subject to an interest rate floor of 0.00%.

*Revolving Credit Facility*

The $400 million multi-currency revolving credit facility matures on May 26, 2026. At June 30, 2023, there were no borrowings outstanding on the revolving credit facility and letters of credit outstanding were $14.3 million, with $385.7 million available for borrowing. At December 31, 2022, borrowings outstanding on the revolving credit facility were $84.0 million and letters of credit outstanding were $5.2 million.

Borrowings under the revolving credit facility bear interest at a rate per annum ranging from 0.50% to 0.75% over the base rate, or 1.50% to 1.75% over the adjusted term SOFR rate. The base rate is subject to an interest rate floor of 1.00% and the adjusted term SOFR rate is subject to an interest rate floor of 0.00%.

*Debt Covenants*

All obligations under the senior secured credit facilities are secured by substantially all the assets of the Company’s material U.S. subsidiaries. The senior secured credit facilities contain a number of covenants that, among other things and subject to certain exceptions, may restrict the ability of Bright Horizons Family Solutions LLC, the Company’s wholly-owned subsidiary, and its restricted subsidiaries, to: incur liens; make investments, loans, advances and acquisitions; incur additional indebtedness or guarantees; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; engage in transactions with affiliates; sell assets, including capital stock of the Company’s subsidiaries; alter the business conducted; enter into agreements restricting the Company’s subsidiaries’ ability to pay dividends; and consolidate or merge.

In addition, the credit agreement governing the senior secured credit facilities requires Bright Horizons Capital Corp., the Company's direct subsidiary, to be a passive holding company, subject to certain exceptions. The term loan A and the revolving credit facility require Bright Horizons Family Solutions LLC, the borrower, and its restricted subsidiaries, to comply with a maximum first lien net leverage ratio not to exceed 4.25 to 1.00. A breach of the applicable covenant is subject to certain equity cure rights.

Future principal payments of long-term debt are as follows for the years ending December 31:

| | Long-term debt |
|---|---|
| | (In thousands) |
| Remainder of 2023 | $ 8,000 |
| 2024 | 18,500 |
| 2025 | 28,500 |
| 2026 | 351,000 |
| 2027 | 6,000 |
| Thereafter | 564,000 |
| Total future principal payments | $ 976,000 |

**Derivative Financial Instruments**

The Company is subject to interest rate risk, as all borrowings under the senior secured credit facilities are subject to variable interest rates. The Company's risk management policy permits using derivative instruments to manage interest rate and other risks. The Company uses interest rate caps to manage a portion of the risk related to changes in cash flows from interest rate movements. On December 21, 2022, the Company amended its existing interest rate cap agreements in conjunction with the amendment to its senior secured credit facilities and replaced the one-month LIBOR rate with the one-month term SOFR rate.

In June 2020, the Company entered into interest rate cap agreements with a total notional value of $800 million, designated and accounted for as cash flow hedges from inception, to provide the Company with interest rate protection in the event the one-month LIBOR rate increases above 1% (effective December 30, 2022, one-month term SOFR rate increases above 0.9%). Interest rate cap agreements for $300 million notional value have an effective date of June 30, 2020 and expire on October 31, 2023, while interest rate cap agreements for another $500 million notional amount have an effective date of October 29, 2021 and expire on October 31, 2023.

In December 2021, the Company entered into additional interest rate cap agreements with a total notional value of $900 million designated and accounted for as cash flow hedges from inception. Interest rate cap agreements for $600 million, which have a forward starting effective date of October 31, 2023 and expire on October 31, 2025, provide the Company with interest rate protection in the event the one-month LIBOR rate increases above 2.5% (effective December 30, 2022, one-month term SOFR rate increases above 2.4%). Interest rate cap agreements for $300 million, which have a forward starting effective date of October 31, 2023 and expire on October 31, 2026, provide the Company with interest rate protection in the event the one-month LIBOR rate increases above 3.0% (effective December 30, 2022, one-month term SOFR rate increases above 2.9%).

During the year ended December 31, 2022, the Company entered into foreign currency forward contracts in connection with an acquisition in Australia completed on July 1, 2022. The Company entered into the foreign currency forwards to lock the purchase price in US dollars at closing and mitigate the impact of foreign currency fluctuations between signing of the definitive purchase agreement on May 3, 2022 and closing. The forward contracts had a total notional value of approximately AUD$320 million, which included the expected payments for the purchase price and for letters of credit used to guarantee certain lease arrangements. The cash flows associated with the business combination do not meet the criteria to be designated and accounted for as a cash flow hedge and, as such, foreign currency gains and losses on these forwards are recorded on the consolidated statement of income. During the year ended December 31, 2022, the Company recognized realized losses of $5.9 million in relation to these forwards due to fluctuations in the Australian dollar.

The fair value of the derivative financial instruments was as follows for the periods presented:

| Derivative financial instruments | Consolidated balance sheet classification | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| | | (In thousands) | |
| Interest rate caps - asset | Prepaid and other current assets | $ 11,591 | $ 25,464 |
| Interest rate caps - asset | Other assets | $ 37,108 | $ 28,553 |

The effect of the derivative financial instruments on other comprehensive income (loss) was as follows:

| Derivatives designated as cash flow hedging instruments | | Amount of gain (loss) recognized in other comprehensive income (loss) | Consolidated statement of income classification | | Amount of net gain (loss) reclassified into earnings | | Total effect on other comprehensive income (loss) |
|---|---|---|---|---|---|---|---|
| | | (In thousands) | | | (In thousands) | | |
| **Three months ended June 30, 2023** | | | | | | | |
| Cash flow hedges | $ | 15,312 | Interest expense — net | $ | 8,004 | $ | 7,308 |
| Income tax effect | | (4,088) | Income tax expense | | (2,137) | | (1,951) |
| Net of income taxes | $ | 11,224 | | $ | 5,867 | $ | 5,357 |
| **Three months ended June 30, 2022** | | | | | | | |
| Cash flow hedges | $ | 6,847 | Interest expense — net | $ | (68) | $ | 6,915 |
| Income tax effect | | (1,828) | Income tax expense | | 18 | | (1,846) |
| Net of income taxes | $ | 5,019 | | $ | (50) | $ | 5,069 |

| Derivatives designated as cash flow hedging instruments | | Amount of gain (loss) recognized in other comprehensive income (loss) | Consolidated statement of income classification | | Amount of net gain (loss) reclassified into earnings | | Total effect on other comprehensive income (loss) |
|---|---|---|---|---|---|---|---|
| | | (In thousands) | | | (In thousands) | | |
| **Six months ended June 30, 2023** | | | | | | | |
| Cash flow hedges | $ | 10,048 | Interest expense — net | $ | 14,980 | $ | (4,932) |
| Income tax effect | | (2,683) | Income tax expense | | (4,000) | | 1,317 |
| Net of income taxes | $ | 7,365 | | $ | 10,980 | $ | (3,615) |
| **Six months ended June 30, 2022** | | | | | | | |
| Cash flow hedges | $ | 31,760 | Interest expense — net | $ | (171) | $ | 31,931 |
| Income tax effect | | (8,480) | Income tax expense | | (431) | | (8,049) |
| Net of income taxes | $ | 23,280 | | $ | (602) | $ | 23,882 |

During the next 12 months, the Company estimates that a net gain of $25.2 million, pre-tax, will be reclassified from accumulated other comprehensive loss and recorded as a reduction to interest expense related to these derivative financial instruments.

## 7. EARNINGS PER SHARE

The following tables set forth the computation of basic and diluted earnings per share using the two-class method:

| | Three months ended June 30, 2023 | Three months ended June 30, 2022 | Six months ended June 30, 2023 | Six months ended June 30, 2022 |
|---|---|---|---|---|
| | (In thousands, except share data) | | | |
| ***Basic earnings per share:*** | | | | |
| Net income | $ 20,594 | $ 24,945 | $ 28,720 | $ 44,351 |
| **Allocation of net income to common stockholders:** | | | | |
| Common stock | $ 20,548 | $ 24,840 | $ 28,646 | $ 44,164 |
| Unvested participating shares | 46 | 105 | 74 | 187 |
| Net income | $ 20,594 | $ 24,945 | $ 28,720 | $ 44,351 |
| **Weighted average common shares outstanding:** | | | | |
| Common stock | 57,707,565 | 59,113,044 | 57,655,715 | 59,103,884 |
| Unvested participating shares | 129,045 | 248,969 | 165,897 | 249,684 |
| **Earnings per common share:** | | | | |
| Common stock | $ 0.36 | $ 0.42 | $ 0.50 | $ 0.75 |

| | Three months ended June 30, 2023 | Three months ended June 30, 2022 | Six months ended June 30, 2023 | Six months ended June 30, 2022 |
|---|---|---|---|---|
| | (In thousands, except share data) | | | |
| ***Diluted earnings per share:*** | | | | |
| Earnings allocated to common stock | $ 20,548 | $ 24,840 | $ 28,646 | $ 44,164 |
| Plus: earnings allocated to unvested participating shares | 46 | 105 | 74 | 187 |
| Less: adjusted earnings allocated to unvested participating shares | (46) | (104) | (74) | (186) |
| Earnings allocated to common stock | $ 20,548 | $ 24,841 | $ 28,646 | $ 44,165 |
| **Weighted average common shares outstanding:** | | | | |
| Common stock | 57,707,565 | 59,113,044 | 57,655,715 | 59,103,884 |
| Effect of dilutive securities | 197,859 | 139,825 | 151,952 | 230,223 |
| Weighted average common shares outstanding — diluted | 57,905,424 | 59,252,869 | 57,807,667 | 59,334,107 |
| **Earnings per common share:** | | | | |
| Common stock | $ 0.35 | $ 0.42 | $ 0.50 | $ 0.74 |

Equity awards outstanding to purchase or receive 1.8 million and 2.0 million shares of common stock were excluded from diluted earnings per share for the three months ended June 30, 2023 and 2022, respectively, and 1.9 million and 1.6 million shares of common stock were excluded from diluted earnings per share for the six months ended June 30, 2023 and 2022, respectively, since their effect was anti-dilutive. These equity awards may become dilutive in the future.

## 8. INCOME TAXES

The Company’s effective income tax rates were 38.2% and 26.6% for the three months ended June 30, 2023 and 2022, respectively, and 43.7% and 23.6% for the six months ended June 30, 2023 and 2022, respectively. The effective income tax rate may fluctuate from quarter to quarter for various reasons, including changes to income before income tax, jurisdictional mix of income before income tax, unbenefited losses, valuation allowances, jurisdictional income tax rate changes, as well as discrete items such as non-deductible transaction costs, the settlement of foreign, federal and state tax issues and the effects of excess (shortfall) tax benefit (expense) associated with the exercise or expiration of stock options and vesting of restricted stock, which is included in tax expense.

During the three and six months ended June 30, 2023, the net shortfall tax expense from stock-based compensation expense increased tax expense by $0.8 million and $2.9 million, respectively. During the three and six months ended June 30, 2022, the excess tax benefit from stock-based compensation expense decreased tax expense by $0.7 million and $2.7 million, respectively. For the three and six months ended June 30, 2023 and 2022, prior to the inclusion of the excess (shortfall) tax benefit (expense), other discrete items and unbenefited losses in certain foreign jurisdictions, the effective income tax rate approximated 28%.

The Company's unrecognized tax benefits were $4.1 million and $3.8 million at June 30, 2023 and December 31, 2022, respectively, inclusive of interest. The Company does not expect the unrecognized tax benefits to change over the next twelve months.

The Company and its domestic subsidiaries are subject to U.S. federal income tax as well as tax in multiple state jurisdictions. U.S. federal income tax returns are typically subject to examination by the Internal Revenue Service and the statute of limitations for federal tax returns is three years. The Company's filings for the tax years 2019 through 2021 are subject to audit based upon the federal statute of limitations.

State income tax returns are generally subject to examination for a period of three to four years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. The Company's filings for the tax years 2018 through 2021 are subject to audit based upon the statute of limitations.

The Company is also subject to corporate income tax for its subsidiaries located in the United Kingdom, the Netherlands, Australia, India, and Puerto Rico. The tax returns for the Company's subsidiaries located in foreign jurisdictions are subject to examination for periods ranging from one to five years.

## 9. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are classified using a three-level hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Company uses observable inputs where relevant and whenever possible. The three levels of the hierarchy are defined as follows:

Level 1 — Fair value is derived using quoted prices from active markets for identical instruments.

Level 2 — Fair value is derived using quoted prices for similar instruments from active markets or for identical or similar instruments in markets that are not active; or, fair value is based on model-derived valuations in which all significant inputs and significant value drivers are observable from active markets.

Level 3 — Fair value is derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued expenses approximates their fair value because of their short-term nature.

Financial instruments that potentially expose the Company to concentrations of credit risk consisted mainly of cash and accounts receivable. The Company mitigates its exposure by maintaining its cash in financial institutions of high credit standing. The Company's accounts receivable is derived primarily from the services it provides, and the related credit risk is dispersed across many clients in various industries with no single client accounting for more than 10% of the Company's net revenue or accounts receivable. No significant credit concentration risk existed at June 30, 2023.

**Long-term Debt** — The Company's long-term debt is recorded at adjusted cost, net of original issue discounts and deferred financing costs. The fair value of the Company's long-term debt is based on current bid prices or prices for similar instruments from active markets. As such, the Company's long-term debt was classified as Level 2. As of June 30, 2023, the carrying value and estimated fair value of long-term debt was $970.2 million and $973.8 million, respectively. As of December 31, 2022, the estimated fair value approximated the carrying value of long-term debt.

**Derivative Financial Instruments** — The Company’s interest rate cap agreements are recorded at fair value and estimated using market-standard valuation models. Such models project future cash flows and discount the future amounts to a present value using market-based observable inputs. Additionally, the fair value of the interest rate caps included consideration of credit risk. The Company used a potential future exposure model to estimate this credit valuation adjustment (“CVA”). The inputs to the CVA were largely based on observable market data, with the exception of certain assumptions regarding credit worthiness. As the magnitude of the CVA was not a significant component of the fair value of the interest rate caps, it was not considered a significant input. The fair value of the interest rate caps is classified as Level 2. As of June 30, 2023, the fair value of the interest rate cap agreements was $48.7 million, of which $11.6 million was recorded in prepaid expenses and other current assets and $37.1 million was recorded in other assets on the consolidated balance sheet. At December 31, 2022, the fair value of the interest rate cap agreements was $54.1 million, of which $25.5 million was recorded in prepaid expenses and other current assets and $28.6 million was recorded in other assets on the consolidated balance sheet.

**Debt Securities** — The Company’s investments in debt securities, which are classified as available-for-sale, consist of U.S. Treasury and U.S. government agency securities and certificates of deposit. These securities are held in escrow by the Company’s wholly-owned captive insurance company and were purchased with restricted cash. As such, these securities are not available to fund the Company’s operations. These securities are recorded at fair value using quoted prices available in active markets and are classified as Level 1. As of June 30, 2023, the fair value of the available-for-sale debt securities was $25.9 million and was classified based on the instruments’ maturity dates, with $18.4 million included in prepaid expenses and other current assets and $7.5 million in other assets on the consolidated balance sheet. As of December 31, 2022, the fair value of the available-for-sale debt securities was $29.6 million, with $17.7 million included in prepaid expenses and other current assets and $11.9 million in other assets on the consolidated balance sheet. At June 30, 2023 and December 31, 2022, the amortized cost was $26.2 million and $29.8 million, respectively. The debt securities held at June 30, 2023 had remaining maturities ranging from less than one year to approximately two years. Unrealized gains and losses, net of tax, on available-for-sale debt securities were immaterial for the three and six months ended June 30, 2023 and 2022.

**Liabilities for Contingent Consideration** — The Company is subject to contingent consideration arrangements in connection with certain business combinations. Liabilities for contingent consideration are measured at fair value each reporting period, with the acquisition-date fair value included as part of the consideration payable for the related business combination and subsequent changes in fair value recorded to selling, general and administrative expenses on the Company’s consolidated statement of income. The fair value of contingent consideration was generally calculated using customary valuation models based on probability-weighted outcomes of meeting certain future performance targets and forecasted results. The key inputs to the valuations are the projections of future financial results in relation to the businesses and the company-specific discount rates. The Company classified the contingent consideration liabilities as a Level 3 fair value measurement due to the lack of observable inputs used in the model. During the six months ended June 30, 2023, contingent consideration liabilities of $0.2 million were paid related to an acquisition completed in 2021. The contingent consideration liabilities outstanding as of June 30, 2023 relate to an acquisition completed in 2021.

The following table provides a roll forward of the recurring Level 3 fair value measurements:

| | Six months ended June 30, 2023 |
|---|---|
| | (In thousands) |
| Balance at January 1, 2023 | $ 8,997 |
| Settlement of contingent consideration liabilities | (225) |
| Changes in fair value | 856 |
| Balance at June 30, 2023 | $ 9,628 |

## 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss, which is included as a component of stockholders' equity, is comprised of foreign currency translation adjustments and unrealized gains (losses) on cash flow hedges and investments, net of tax.

The changes in accumulated other comprehensive income (loss) by component were as follows:

| | Six months ended June 30, 2023 | | | |
|---|---|---|---|---|
| | Foreign currency translation adjustments (1) | Unrealized gain (loss) on cash flow hedges | Unrealized gain (loss) on investments | Total |
| | (In thousands) | | | |
| Balance at January 1, 2023 | $ (105,138) | $ 34,738 | $ (229) | $ (70,629) |
| Other comprehensive income (loss) before reclassifications — net of tax | 16,336 | 7,365 | (40) | 23,661 |
| Less: amounts reclassified from accumulated other comprehensive income (loss) — net of tax | — | 10,980 | (61) | 10,919 |
| Net other comprehensive income (loss) | 16,336 | (3,615) | 21 | 12,742 |
| Balance at June 30, 2023 | $ (88,802) | $ 31,123 | $ (208) | $ (57,887) |

| | Six months ended June 30, 2022 | | | |
|---|---|---|---|---|
| | Foreign currency translation adjustments (1) | Unrealized gain (loss) on cash flow hedges | Unrealized gain (loss) on investments | Total |
| | (In thousands) | | | |
| Balance at January 1, 2022 | $ (38,073) | $ 738 | $ (24) | $ (37,359) |
| Other comprehensive income (loss) before reclassifications — net of tax | (63,351) | 23,280 | (175) | (40,246) |
| Less: amounts reclassified from accumulated other comprehensive income (loss) — net of tax | — | (602) | — | (602) |
| Net other comprehensive income (loss) | (63,351) | 23,882 | (175) | (39,644) |
| Balance at June 30, 2022 | $ (101,424) | $ 24,620 | $ (199) | $ (77,003) |

(1) Taxes are not provided for the currency translation adjustments related to the undistributed earnings of foreign subsidiaries that are intended to be indefinitely reinvested.

## 11. SEGMENT INFORMATION

The Company's reportable segments are comprised of (1) full service center-based child care, (2) back-up care, and (3) educational advisory and other services. The full service center-based child care segment includes the traditional center-based early education and child care, preschool, and elementary education. The Company's back-up care segment consists of center-based back-up child care, in-home care for children and adult/elder dependents, school-age camps, virtual tutoring, pet care and self-sourced reimbursed care. The Company's educational advisory and other services segment consists of tuition assistance and student loan repayment program management, workforce education, related educational advising, college advisory services, and Sittercity, an online marketplace for families and caregivers, which have been aggregated. The Company and its chief operating decision maker evaluate performance based on revenue and income from operations. Intercompany activity is eliminated in the segment results. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; therefore, no segment asset information is produced or included herein.

Revenue and income from operations by reportable segment were as follows:

| | Full service center-based child care | Back-up care | Educational advisory and other services | Total |
|---|---|---|---|---|
| | | (In thousands) | | |
| **Three months ended June 30, 2023** | | | | |
| Revenue | $ 458,531 | $ 116,403 | $ 28,282 | $ 603,216 |
| Income from operations | 13,070 | 26,908 | 5,554 | 45,532 |
| **Three months ended June 30, 2022** | | | | |
| Revenue | $ 371,316 | $ 91,714 | $ 27,311 | $ 490,341 |
| Income from operations (1) | 19,722 | 25,119 | 2,981 | 47,822 |

(1) For the three months ended June 30, 2022, income from operations included $2.5 million of transaction costs related to acquisitions which was allocated to the full service center-based child care segment.

| | Full service center-based child care | Back-up care | Educational advisory and other services | Total |
|---|---|---|---|---|
| | | (In thousands) | | |
| **Six months ended June 30, 2023** | | | | |
| Revenue | $ 888,722 | $ 212,733 | $ 55,367 | $ 1,156,822 |
| Income from operations (1) | 21,503 | 44,279 | 10,395 | 76,177 |
| **Six months ended June 30, 2022** | | | | |
| Revenue | $ 725,248 | $ 172,558 | $ 52,944 | $ 950,750 |
| Income from operations (2) | 26,883 | 45,577 | 6,526 | 78,986 |

(1) For the six months ended June 30, 2023, income from operations included a value-added-tax expense of $6.0 million related to prior periods, of which $4.3 million was associated with the back-up care segment and $1.7 million was associated with the full service center-based child care segment. Refer to Note 1, *Organization and Basis of Presentation*, for additional information.

(2) For the six months ended June 30, 2022, income from operations included $2.5 million of transaction costs related to acquisitions which was allocated to the full service center-based child care segment.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”). The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the “safe harbor” provisions of the Act. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “expects,” “may,” “will,” “should,” “seeks,” “projects,” “approximately,” “intends,” “plans,” “estimates” or “anticipates,” or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Quarterly Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations; financial condition and liquidity; our recovery from the COVID-19 pandemic and the impact on industry, geographic, labor, workplace and demographic trends; the timing to re-enroll and re-ramp centers as well as certain back-up care services and use types; enrollment recovery and occupancy improvement in the U.S. and internationally; our center cohort occupancy levels, cost management and capital spending; labor costs and investments in employees and wages; wage rate increases, future labor rates and labor markets for teachers and staff; continued contributions from our back-up care segment; availability, timing and impact of government relief and support programs; tuition rate increases, pricing strategies; leases; ability to respond to changing market conditions; our growth; our strategies; ability to regain and sustain business and strategic growth priorities; demand for services; our value proposition, client relations and partnerships; macroeconomic trends including inflation; investments in user experience, operations and strategic opportunities; impact of the Only About Children acquisition and timing of related payments; acquisitions, contributions and expected synergies; contingent consideration; our fair value estimates; goodwill from business combinations; estimates and impact of equity transactions; unrecognized tax benefits and the impact of uncertain tax positions; our effective tax rate; the outcome of tax audits, settlements and tax liabilities; impact of excess tax benefits; fluctuations and the impact of foreign currency exchange rates and interest rates; our capital allocation, share repurchase program and expected activity; amortization expense; the outcome of litigation, legal proceedings and our insurance coverage; debt securities; our interest rate cap and foreign currency agreements; interest expense; credit risk; the use of derivatives or other market risk sensitive instruments; our indebtedness; borrowings under our senior secured credit facilities, the need for additional debt or equity financing, and our ability to obtain such financing; our sources and uses of cash flow; our ability to fund operations and make capital expenditures and payments with cash and cash equivalents and borrowings; and our ability to meet financial obligations and comply with covenants of our senior secured credit facilities.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, as well as other factors disclosed from time to time in our other filings with the SEC.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Quarterly Report, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this Quarterly Report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by law.

### Overview

The following is a discussion of the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of Bright Horizons Family Solutions Inc. (“we” or the “Company”) for the three and six months ended June 30, 2023, as compared to the three and six months ended June 30, 2022. This discussion should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022.

We are a leading provider of high-quality education and care, including early education and child care, back-up and family care solutions, and workforce education services that are designed to help families, employers and their employees solve the challenges of the modern workforce and thrive personally and professionally. We provide services primarily under multi-year contracts with employers who offer early education and child care, back-up care, and educational advisory and other services as part of their employee benefits packages in an effort to support employees across life and career stages and to improve recruitment, employee engagement, productivity, retention and career advancement.

As of June 30, 2023, we had more than 1,400 client relationships with employers across a diverse array of industries, including more than 215 Fortune 500 companies. As of June 30, 2023, we operated 1,068 early education and child care centers with the capacity to serve approximately 120,000 children and their families in the United States, the United Kingdom, the Netherlands, Australia and India.

Our reportable segments are comprised of (1) full service center-based child care, (2) back-up care, and (3) educational advisory and other services. Full service center-based child care includes traditional center-based early education and child care, preschool, and elementary education. Back-up care consists of center-based back-up child care, in-home care for children and adult/elder dependents, school-age camps, virtual tutoring, pet care and self-sourced reimbursed care. Educational advisory and other services includes tuition assistance and student loan repayment program management, workforce education, related educational advising, college advisory services, and Sittercity, an online marketplace for families and caregivers.

Since March 2020, our global operations have been significantly impacted by the COVID-19 pandemic and the measures undertaken in response thereto. During the early stages of the pandemic, most of our child care centers were temporarily closed. We responded by quickly adapting to the changing environment and focusing on health and safety, supporting clients and their essential frontline workers and pivoting to expand back-up care solutions for clients and employees to meet the surge in need and demand. Nearly all of our centers are now re-opened. While we continue to navigate a dynamic operating environment in the aftermath of the pandemic, including a challenging labor market as well as the effects of current macroeconomic conditions, such as inflation, rising interest rates and fluctuations in foreign currency exchange rates, we continue to see solid progress across our operating segments. Continued inflationary and macroeconomic pressures, including the tight labor market, could further impact expenses and our margins.

During the three months ended June 30, 2023, we saw strong year-over-year revenue and enrollment growth in our full service center-based child care segment as centers continue to re-ramp. To track our continued progress on recovery from the pandemic, we monitor same-center occupancy for a cohort of centers that, as of September 30, 2022, have been operating since the 2021 fall enrollment cycle. Same-center occupancy represents utilization for each respective center and is calculated as the average full-time enrollment divided by the total operating capacity during the period. This cohort of centers totaled 822 centers as of June 30, 2023. For the quarter ended June 30, 2023, 43% of these centers were more than 70% enrolled, 43% were between 40-70% enrolled and 14% were less than 40% enrolled.

We also saw solid growth in back-up care as we delivered a record number of traditional back-up care sessions and solid growth in our educational advisory and other services as we continue to expand our portfolio of client partners, while providing high quality care and education services as we support working families and adult learners.

## Results of Operations

The following table sets forth statement of income data as a percentage of revenue for the three months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2023 | % | 2022 | % |
| | (In thousands, except percentages) | | | |
| Revenue | $ 603,216 | 100.0 % | $ 490,341 | 100.0 % |
| Cost of services | 466,653 | 77.4 % | 361,816 | 73.8 % |
| Gross profit | 136,563 | 22.6 % | 128,525 | 26.2 % |
| Selling, general and administrative expenses | 81,899 | 13.6 % | 73,673 | 15.0 % |
| Amortization of intangible assets | 9,132 | 1.5 % | 7,030 | 1.4 % |
| Income from operations | 45,532 | 7.5 % | 47,822 | 9.8 % |
| Loss on foreign currency forward contracts | — | — % | (5,917) | (1.2)% |
| Interest expense — net | (12,219) | (2.0)% | (7,942) | (1.7)% |
| Income before income tax | 33,313 | 5.5 % | 33,963 | 6.9 % |
| Income tax expense | (12,719) | (2.1)% | (9,018) | (1.8)% |
| Net income | $ 20,594 | 3.4 % | $ 24,945 | 5.1 % |
| | | | | |
| Adjusted EBITDA [(1)] | $ 81,914 | 13.6 % | $ 83,076 | 16.9 % |
| Adjusted income from operations [(1)] | $ 45,532 | 7.5 % | $ 50,319 | 10.3 % |
| Adjusted net income [(1)] | $ 36,839 | 6.1 % | $ 42,113 | 8.6 % |

(1) Adjusted EBITDA, adjusted income from operations and adjusted net income are non-GAAP financial measures and are not determined in accordance with accounting principles generally accepted in the United States (“GAAP”). Refer to “Non-GAAP Financial Measures and Reconciliation” below for a reconciliation of these non-GAAP financial measures to their respective measures determined under GAAP and for information regarding our use of non-GAAP financial measures.

The following table sets forth statement of income data as a percentage of revenue for the six months ended June 30, 2023 and 2022:

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2023 | % | 2022 | % |
| | (In thousands, except percentages) | | | |
| Revenue | $ 1,156,822 | 100.0 % | $ 950,750 | 100.0 % |
| Cost of services | 898,645 | 77.7 % | 712,166 | 74.9 % |
| Gross profit | 258,177 | 22.3 % | 238,584 | 25.1 % |
| Selling, general and administrative expenses | 164,670 | 14.2 % | 145,419 | 15.3 % |
| Amortization of intangible assets | 17,330 | 1.5 % | 14,179 | 1.5 % |
| Income from operations | 76,177 | 6.6 % | 78,986 | 8.3 % |
| Loss on foreign currency forward contracts | — | — % | (5,917) | (0.6)% |
| Interest expense — net | (25,135) | (2.2)% | (14,988) | (1.6)% |
| Income before income tax | 51,042 | 4.4 % | 58,081 | 6.1 % |
| Income tax expense | (22,322) | (1.9)% | (13,730) | (1.4)% |
| Net income | $ 28,720 | 2.5 % | $ 44,351 | 4.7 % |
| | | | | |
| Adjusted EBITDA (1) | $ 151,759 | 13.1 % | $ 145,912 | 15.3 % |
| Adjusted income from operations (1) | $ 82,217 | 7.1 % | $ 81,483 | 8.6 % |
| Adjusted net income (1) | $ 65,114 | 5.6 % | $ 69,836 | 7.3 % |

(1) Adjusted EBITDA, adjusted income from operations and adjusted net income are non-GAAP financial measures and are not determined in accordance with accounting principles generally accepted in the United States ("GAAP"). Refer to "Non-GAAP Financial Measures and Reconciliation" below for a reconciliation of these non-GAAP financial measures to their respective measures determined under GAAP and for information regarding our use of non-GAAP financial measures.

***Three Months Ended June 30, 2023 Compared to the Three Months Ended June 30, 2022***

***Revenue.*** Revenue increased by $112.9 million, or 23%, to $603.2 million for the three months ended June 30, 2023 from $490.3 million for the same period in 2022. The following table summarizes the revenue and percentage of total revenue for each of our segments for the three months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | Change 2023 vs 2022 | |
| | (In thousands, except percentages) | | | | | |
| Full service center-based child care | $ 458,531 | 76.0 % | $ 371,316 | 75.7 % | $ 87,215 | 23.5 % |
| *Tuition* | *420,069* | *91.6 %* | *336,884* | *90.7 %* | *83,185* | *24.7 %* |
| *Management fees and operating subsidies* | *38,462* | *8.4 %* | *34,432* | *9.3 %* | *4,030* | *11.7 %* |
| Back-up care | 116,403 | 19.3 % | 91,714 | 18.7 % | 24,689 | 26.9 % |
| Educational advisory and other services | 28,282 | 4.7 % | 27,311 | 5.6 % | 971 | 3.6 % |
| Total revenue | $ 603,216 | 100.0 % | $ 490,341 | 100.0 % | $ 112,875 | 23.0 % |

Revenue generated by the full service center-based child care segment in the three months ended June 30, 2023 increased by $87.2 million, or 23%, when compared to the same period in 2022. Tuition revenue increased by $83.2 million, or 25%, when compared to the prior year, due to an 8% net increase in enrollment and average tuition rate increases of approximately 7% at our existing child care centers, as well as the contribution of $35.5 million in the quarter from the 75 child care centers acquired in July 2022 ("Only About Children"). While we continue to see sequential enrollment growth at our centers, we continue to operate below pre-pandemic enrollment levels as ongoing labor market challenges and current economic conditions have slowed the recovery in both the U.S. and international markets. We expect continued occupancy improvement in relation to the same prior year periods through the remainder of 2023, with more modest improvement in the U.K. During the three months ended June 30, 2023, $0.6 million was also received from government programs related to tuition support that was recorded to revenue, which is a decrease from $1.4 million received in the same period in the prior year. We expect to receive less government support in 2023 as most of the programs for which we are eligible are currently expected to end by September 2023.

Management fees and operating subsidies from employer sponsors increased by $4.0 million, or 12%, due to higher operating subsidies required to support center operations as enrollment continues to increase, and due to a decrease in funding received from government support programs. Funding received from government support programs reduce certain center operating costs, which impact the related operating subsidies. During the three months ended June 30, 2023 and 2022, such funding reduced the operating subsidy revenue due from employers by $4.8 million and $6.5 million, respectively.

Revenue generated by back-up care services in the three months ended June 30, 2023 increased by $24.7 million, or 27%, when compared to the same period in 2022. Revenue growth in the back-up care segment was primarily attributable to increased utilization of center-based, in-home and school age camp back-up care by new and existing clients, including the delivery of a record number of traditional network back-up care sessions during the quarter, as well as expanded sales to new clients.

Revenue generated by educational advisory and other services in the three months ended June 30, 2023 increased by $1.0 million, or 4%, when compared to the same period in the prior year. Revenue growth in this segment was primarily attributable to contributions from sales to new clients and increased utilization from existing clients.

***Cost of Services.*** Cost of services increased by $104.9 million, or 29%, to $466.7 million for the three months ended June 30, 2023 from $361.8 million for the same period in 2022.

Cost of services in the full service center-based child care segment increased by $87.1 million, or 29%, to $384.4 million in the three months ended June 30, 2023 when compared to the same period in 2022. The increase in cost of services was primarily associated with increased labor costs related to expanded enrollment and wage rate increases, as well as the operating costs associated with the 75 Only About Children child care centers acquired July 1, 2022. Personnel costs, which generally represent 70% of the costs for this segment, increased 32%, or 22% excluding the incremental costs associated with the Only About Children centers. In addition to the personnel costs for the incremental 8% net enrollment noted above and premiums associated with the deployment of temporary staff to meet enrollment demand, we have invested in higher wages for our center staff, resulting in an increase of approximately 8% to the average hourly wage in 2023 compared to 2022. Funding received from government support programs reduced center operating expenses by a total of $13.5 million in the second quarter of 2023, a decrease of $7.9 million compared to $21.4 million in government funding received in the second quarter of 2022. As noted above, a portion of the funding received from government support programs reduced the operating costs in certain employer-sponsored centers, which in turn reduced the operating subsidy revenue due from employers for the related child care centers by $4.8 million and $6.5 million in the three months ended June 30, 2023 and 2022, respectively.

Cost of services in the back-up care segment increased by $18.3 million, or 36%, to $69.0 million in the three months ended June 30, 2023, when compared to the prior year. The increase in cost of services is primarily associated with higher care provider fees generated by the increase in utilization levels of center-based and in-home back-up care over the prior year, and continued investment in personnel, marketing and technology to support our customer user experience and service delivery.

Cost of services in the educational advisory and other services segment decreased by $0.5 million, or 4%, to $13.3 million in the three months ended June 30, 2023 when compared to the prior year, due to improved efficiency in service delivery.

***Gross Profit.*** Gross profit increased by $8.1 million, or 6%, to $136.6 million for the three months ended June 30, 2023 from $128.5 million for the same period in 2022. Gross profit margin was 23% of revenue for the three months ended June 30, 2023, a decrease of approximately 3% compared to the three months ended June 30, 2022. The decrease was primarily due to increased labor costs, higher back-up care provider fees and a decrease in government support.

***Selling, General and Administrative Expenses (“SGA”).*** SGA increased by $8.2 million, or 11%, to $81.9 million for the three months ended June 30, 2023 from $73.7 million for the same period in 2022, due to incremental spending to support the business as it continues to re-ramp, and incremental overhead associated with the Only About Children acquisition completed July 1, 2022. SGA was 13.6% of revenue for the three months ended June 30, 2023, a decrease of approximately 1% from the same period in 2022.

***Amortization of Intangible Assets.*** Amortization expense on intangible assets was $9.1 million for the three months ended June 30, 2023, an increase from $7.0 million for the three months ended June 30, 2022, due to increases from intangible assets acquired in relation to the acquisitions completed in 2022 and 2023, partially offset by decreases from intangible assets becoming fully amortized during the period.

***Income from Operations.*** Income from operations decreased by $2.3 million, or 5%, to $45.5 million for the three months ended June 30, 2023 when compared to the prior year. The following table summarizes income from operations and percentage of revenue for each of our segments for the three months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | Change 2023 vs 2022 | |
| | | | (In thousands, except percentages) | | | |
| Full service center-based child care | $ 13,070 | 2.9 % | $ 19,722 | 5.3 % | $ (6,652) | (33.7)% |
| Back-up care | 26,908 | 23.1 % | 25,119 | 27.4 % | 1,789 | 7.1 % |
| Educational advisory and other services | 5,554 | 19.6 % | 2,981 | 10.9 % | 2,573 | 86.3 % |
| Income from operations | $ 45,532 | 7.5 % | $ 47,822 | 9.8 % | $ (2,290) | (4.8)% |

The decrease in income from operations was primarily due to the following:

- Income from operations for the full service center-based child care segment decreased $6.7 million, or 34%, in the three months ended June 30, 2023 when compared to the same period in 2022, primarily due to a decrease of approximately $7 million in net contributions from government support programs and increased labor costs, partially offset by increases in tuition revenue from enrollment growth and annual tuition rate increases. We expect to receive less government support in 2023 as most of the programs for which we are eligible are currently expected to end by September 2023.
- Income from operations for the back-up care segment increased $1.8 million, or 7%, in the three months ended June 30, 2023 when compared to the same period in 2022, due to contributions from increased utilization of back-up care services by new and existing clients, partially offset by increased personnel, service provider, technology and marketing costs to support the care delivery and growth in this segment.
- Income from operations for the educational advisory and other services segment increased $2.6 million, or 86%, in the three months ended June 30, 2023 when compared to the same period in 2022 due to contributions from the expanding revenue base and cost management.

***Loss on Foreign Currency Forward Contracts.*** During the three months ended June 30, 2022, in connection with the acquisition in Australia completed in July 2022, we entered into foreign currency forward contracts with a total notional value of approximately AUD$320 million, which included the expected payments for the purchase price and for letters of credit used to guarantee certain lease arrangements, to mitigate the impact of foreign currency fluctuations between signing of the definitive purchase agreement on May 3, 2022 and closing. The cash flows associated with the business combination do not meet the criteria to be designated and accounted for as cash flow hedges and as such, foreign currency gains and losses are recorded on the consolidated statement of income. During the three months ended June 30, 2022, we recognized realized and unrealized losses of $5.9 million in relation to these forward contracts due to fluctuations in the Australian dollar.

***Net Interest Expense.*** Net interest expense increased to $12.2 million for the three months ended June 30, 2023 from $7.9 million for the same period in 2022 primarily due to increased borrowings under our revolving credit facility, higher interest rates applicable to our debt, and incremental interest associated with a deferred payment for the Only About Children acquisition. The weighted average interest rate for the term loans and revolving credit facility was 3.89% for the three months ended June 30, 2023 compared to 2.76% for the three months ended June 30, 2022, inclusive of the effects of the cash flow hedges. Based on our current interest rate projections, we estimate that our overall weighted average interest rate will approximate 4.50% for the remainder of 2023 inclusive of the effects of the cash flow hedges.

***Income Tax Expense.*** We recorded income tax expense of $12.7 million during the three months ended June 30, 2023, at an effective income tax rate of 38%, compared to an income tax expense of $9.0 million during the three months ended June 30, 2022, at an effective income tax rate of 27%. The difference between the effective income tax rate as compared to the statutory income tax rate was primarily due to unbenefited losses of certain foreign subsidiaries in 2023 and the effects of excess (shortfall) tax benefit (expense) associated with the exercise or expiration of stock options and vesting of restricted stock, which had a more significant impact to the effective tax rate for 2023 due to the shortfall tax expense in 2023 compared to an excess tax benefit in 2022. The effective income tax rate may fluctuate from quarter to quarter for various reasons, including changes to income before income tax, jurisdictional mix of income before income tax, unbenefited losses, valuation allowances, jurisdictional income tax rate changes, as well as discrete items such as non-deductible transaction costs, the settlement of foreign, federal and state tax matters and the effects of excess (shortfall) tax benefit (expense) associated with the exercise or expiration of stock options and vesting of restricted stock.

During the three months ended June 30, 2023, the net shortfall tax expense from stock-based compensation expense increased tax expense by $0.8 million. During the three months ended June 30, 2022, the excess tax benefits decreased income tax expense by $0.7 million. For the three months ended June 30, 2023 and 2022, prior to the inclusion of the excess (shortfall) tax benefit (expense), other discrete items and unbenefited losses in certain foreign jurisdictions, the effective tax rate approximated 28%.

***Adjusted EBITDA and Adjusted Income from Operations.*** Adjusted EBITDA decreased $1.2 million, or 1%, and adjusted income from operations decreased $4.8 million, or 10% for the three months ended June 30, 2023 over the comparable period in 2022 primarily as a result of the decrease in gross profit in the full service center-based child care segment as a result of reduced funding from government support programs and increased labor costs, partially offset by incremental gross profit contributions from the back-up care segment, resulting from higher utilization of back-up care services, and from expanded sales of educational advisory services.

***Adjusted Net Income.*** Adjusted net income decreased $5.3 million, or 13%, for the three months ended June 30, 2023 when compared to the same period in 2022, primarily due to the decrease in adjusted income from operations, higher interest expense and a higher effective tax rate.

***Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022***

***Revenue.*** Revenue increased by $206.1 million, or 22%, to $1.2 billion for the six months ended June 30, 2023 from $1.0 billion for the same period in 2022. The following table summarizes the revenue and percentage of total revenue for each of our segments for the six months ended June 30, 2023 and 2022:

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | Change 2023 vs 2022 | |
| | (In thousands, except percentages) | | | | | |
| Full service center-based child care | $ 888,722 | 76.8 % | $ 725,248 | 76.3 % | $ 163,474 | 22.5 % |
| *Tuition* | *811,165* | *91.3 %* | *657,106* | *90.6 %* | *154,059* | *23.4 %* |
| *Management fees and operating subsidies* | *77,557* | *8.7 %* | *68,142* | *9.4 %* | *9,415* | *13.8 %* |
| Back-up care | 212,733 | 18.4 % | 172,558 | 18.1 % | 40,175 | 23.3 % |
| Educational advisory and other services | 55,367 | 4.8 % | 52,944 | 5.6 % | 2,423 | 4.6 % |
| Total revenue | $ 1,156,822 | 100.0 % | $ 950,750 | 100.0 % | $ 206,072 | 21.7 % |

Revenue generated by the full service center-based child care segment in the six months ended June 30, 2023 increased by $163.5 million, or 23%, when compared to the same period in 2022. Tuition revenue increased by $154.1 million, or 23%, when compared to the prior year, on a 7% net increase in enrollment and average tuition rate increases of approximately 7% at our existing child care centers, as well as contributions of $68.7 million from Only About Children during the period. As noted above, while enrollment in our centers continues to improve, our centers continue to operate below pre-COVID-19 enrollment levels as the ongoing labor market challenges and current economic conditions have slowed the recovery in both the U.S. and international markets. We expect continued occupancy improvement in relation to the same prior year periods through the remainder of 2023, with more modest improvement in the U.K. During the six months ended June 30, 2023, $1.2 million was also received from government programs related to tuition support that was recorded to revenue, which is a decrease from $3.4 million received in the same period in the prior year. Lower foreign currency exchange rates for our United Kingdom and Netherlands operations partially offset our revenue growth decreasing 2022 tuition revenue by approximately 1%, or $9.4 million.

Management fees and operating subsidies from employer sponsors increased by $9.4 million, or 14%, primarily due to higher operating subsidies required to support center operations as enrollment continues to increase, and due to a decrease in funding received from government support programs. Funding received from government support programs reduced certain center operating costs, which impacts the related operating subsidies. During the six months ended June 30, 2023 and 2022, such funding received from government support programs reduced the operating subsidy revenue due from employers by $12.2 million and $16.0 million, respectively.

Revenue generated by back-up care services in the six months ended June 30, 2023 increased by $40.2 million, or 23%, when compared to the same period in 2022. Revenue growth in the back-up care segment was primarily attributable to increased utilization of center-based, in-home and school-age camp back-up care by new and existing clients, and expanded sales to new clients.

Revenue generated by educational advisory and other services in the six months ended June 30, 2023 increased by $2.4 million, or 5%, when compared to the same period in the prior year. Revenue growth in this segment was primarily attributable to contributions from sales to new clients and increased utilization from existing clients.

***Cost of Services.*** Cost of services increased $186.4 million, or 26%, to $898.6 million for the six months ended June 30, 2023 from $712.2 million for the same period in 2022.

Cost of services in the full service center-based child care segment increased $151.6 million, or 26%, to $743.0 million in the six months ended June 30, 2023 when compared to the same period in 2022. The increase in cost of services was primarily associated with increased labor costs related to expanded enrollment and wage rate increases, as well as the operating costs associated with the 75 Only About Children child care centers acquired July 1, 2022. Personnel costs increased 28%, or 18% excluding the incremental costs associated with the Only About Children centers. In addition to the personnel costs for the incremental 7% net enrollment noted above and premiums associated with the deployment of temporary staff to meet enrollment demand, we have invested in higher wages for our center staff, resulting in an increase of approximately 8% to the average hourly wage in 2023 compared to 2022. Funding received from government support programs reduced center operating expenses by $35.1 million in 2023, a decrease of $11.6 million compared to $46.7 million in government funding received in 2022. As noted above, a portion of the funding received from government support programs reduced the operating costs in certain employer-sponsored centers, which in turn reduced the operating subsidy revenue due from employers for the related child care centers by $12.2 million and $16.0 million in the six months ended June 30, 2023 and 2022, respectively.

Cost of services in the back-up care segment increased $34.4 million, or 36%, to $129.6 million in the six months ended June 30, 2023, when compared to the prior year. The increase in cost of services is associated with higher care provider fees generated by the increase in utilization levels of center-based and in-home back-up care over the prior year, and continued investment in personnel, marketing and technology to support our customer user experience and service delivery. In addition, cost of services includes a $4.3 million expense recorded in the six months ended June 30, 2023 related to value-added tax expense incurred in prior periods.

Cost of services in the educational advisory and other services segment increased by $0.5 million, or 2%, to $26.0 million in the six months ended June 30, 2023 when compared to the prior year, due to increased personnel costs related to delivering services to the expanding customer base.

***Gross Profit.*** Gross profit increased $19.6 million, or 8%, to $258.2 million for the six months ended June 30, 2023 from $238.6 million for the same period in 2022. Gross profit margin was 22% of revenue for the six months ended June 30, 2023 a decrease of approximately 3% compared to the six months ended June 30, 2022. The decrease was primarily due to increased labor costs, higher back-up care provider fees and a decrease in government support.

***Selling, General and Administrative Expenses.*** SGA increased $19.3 million, or 13%, to $164.7 million for the six months ended June 30, 2023 from $145.4 million for the same period in 2022, due to incremental spending to support the business as it continues to re-ramp, incremental overhead associated with the Only About Children acquisition completed July 1, 2022, and the inclusion of a $1.7 million expense recorded for value-added tax expense incurred in prior periods. SGA was 14% of revenue for the six months ended June 30, 2023, a decrease of approximately 1% from the same period in 2022.

***Amortization of Intangible Assets.*** Amortization expense on intangible assets was $17.3 million for the six months ended June 30, 2023, an increase from $14.2 million for the six months ended June 30, 2022 due to increases from intangible assets acquired in relation to the acquisitions completed in 2022 and 2023, partially offset by the use of the accelerated method of amortization for certain intangible assets and decreases from certain intangible assets becoming fully amortized during the period.

***Income from Operations.*** Income from operations decreased by $2.8 million, or 4%, to $76.2 million for the six months ended June 30, 2023 when compared to the same period in 2022. The following table summarizes income from operations and percentage of revenue for each of our segments for the six months ended June 30, 2023 and 2022:

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | Change 2023 vs 2022 | |
| | (In thousands, except percentages) | | | | | |
| Full service center-based child care | $ 21,503 | 2.4 % | $ 26,883 | 3.7 % | $ (5,380) | (20.0)% |
| Back-up care | 44,279 | 20.8 % | 45,577 | 26.4 % | (1,298) | (2.8)% |
| Educational advisory and other services | 10,395 | 18.8 % | 6,526 | 12.3 % | 3,869 | 59.3 % |
| Income from operations | $ 76,177 | 6.6 % | $ 78,986 | 8.3 % | $ (2,809) | (3.6)% |

The decrease in income from operations was due to the following:

- Income from operations for the full service center-based child care segment decreased $5.4 million, or 20%, in the six months ended June 30, 2023 when compared to the same period in 2022 primarily due to a decrease of approximately $10 million in net contributions from government support programs, increased labor costs and the inclusion of a $1.7 million expense for value-added tax expense related to prior periods, partially offset by increases in tuition revenue from enrollment growth and annual tuition rate increases. We expect to receive less government support in 2023 as most of the programs for which we are eligible are currently expected to end by September 2023.
- Income from operations for the back-up care segment decreased $1.3 million, or 3%, in the six months ended June 30, 2023 when compared to the same period in 2022, due to value-added tax expense of $4.3 million related to prior periods and higher personnel, service provider, technology and marketing costs to support the care delivery and growth in this segment, partially offset by contributions from the expanding revenue base from increased sales and utilization.
- Income from operations for the educational advisory and other services segment increased $3.9 million, or 59%, in the six months ended June 30, 2023 when compared to the same period in 2022 due to contributions from the expanding revenue base.

***Loss on Foreign Currency Forward Contracts.*** During the six months ended June 30, 2022, in connection with the acquisition in Australia completed on July 1, 2022, we entered into foreign currency forward contracts with a total notional value of approximately AUD$320 million, which included the expected payments for the purchase price and for letters of credit used to guarantee certain lease arrangements, to mitigate the impact of foreign currency fluctuations between signing of the definitive purchase agreement on May 3, 2022 and closing. The cash flows associated with the business combination do not meet the criteria to be designated and accounted for as cash flow hedges and, as such, foreign currency gains and losses are recorded on the consolidated statement of income. During the six months ended June 30, 2022, we recognized realized losses of $5.9 million in relation to these forward contracts due to fluctuations in the Australian dollar.

***Net Interest Expense.*** Net interest expense increased to $25.1 million for the six months ended June 30, 2023 from $15.0 million for the same period in 2022, due to increased borrowings under our revolving credit facility, higher interest rates applicable to our debt, and incremental interest associated with a deferred payment for the Only About Children acquisition. The weighted average interest rate for the term loan and revolving credit facility was 3.93% for the six months ended June 30, 2023 compared to 2.55% for the same period in 2022, inclusive of the effects of the cash flow hedges.

***Income Tax Expense.*** We recorded income tax expense of $22.3 million for the six months ended June 30, 2023 at an effective income tax rate of 44%, compared to an income tax expense of $13.7 million during the six months ended June 30, 2022, at an effective income tax rate of 24%. The difference between the effective income tax rates as compared to the statutory income tax rates was primarily due to unbenefited losses of certain foreign subsidiaries in 2023 and the effects of excess (shortfall) tax benefit (expense) associated with the exercise or expiration of stock options and vesting of restricted stock. During the six months ended June 30, 2023, the net shortfall tax expense from stock-based compensation increased tax expense by $2.9 million. During the six months ended June 30, 2022, the excess tax benefit decreased income tax by $2.7 million. The effective income tax rate may fluctuate from quarter to quarter for various reasons, including changes to income before income tax, jurisdictional mix of income before income tax, unbenefited losses, valuation allowances, jurisdictional income tax rate changes, as well as discrete items such as the settlement of foreign, federal and state tax issues, and the effects of excess (shortfall) tax benefit (expense) associated with the exercise or expiration of stock options and vesting of restricted stock. For the six months ended June 30, 2023 and 2022, prior to the inclusion of the excess (shortfall) tax benefit (expense), other discrete items and unbenefited losses in certain foreign jurisdictions, the effective tax rate approximated 28%.

***Adjusted EBITDA and Adjusted Income from Operations.*** Adjusted EBITDA and adjusted income from operations increased $5.8 million, or 4%, and $0.7 million, or 1%, respectively, for the six months ended June 30, 2023 over the comparable period in 2022 primarily as a result of the increase in gross profit in the full service center-based child care and back-up care segments.

***Adjusted Net Income.*** Adjusted net income decreased $4.7 million, or 7%, for the six months ended June 30, 2023 when compared to the same period in 2022, primarily due to higher interest expense and a higher effective tax rate.

***Non-GAAP Financial Measures and Reconciliation***

In our quarterly and annual reports, earnings press releases and conference calls, we discuss key financial measures that are not calculated in accordance with GAAP to supplement our consolidated financial statements presented on a GAAP basis. These non-GAAP financial measures of adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share are reconciled from their respective measures determined under GAAP as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands, except share data) | | | |
| Net income | $ 20,594 | $ 24,945 | $ 28,720 | $ 44,351 |
| Interest expense — net | 12,219 | 7,942 | 25,135 | 14,988 |
| Income tax expense | 12,719 | 9,018 | 22,322 | 13,730 |
| Depreciation | 19,787 | 18,055 | 38,899 | 36,482 |
| Amortization of intangible assets [(a)] | 9,132 | 7,030 | 17,330 | 14,179 |
| EBITDA | 74,451 | 66,990 | 132,406 | 123,730 |
| *Additional adjustments:* | | | | |
| Stock-based compensation expense [(b)] | 7,463 | 7,672 | 13,313 | 13,768 |
| Other costs [(c)] | — | 2,497 | 6,040 | 2,497 |
| Loss on foreign currency forward contracts [(d)] | — | 5,917 | — | 5,917 |
| Total adjustments | 7,463 | 16,086 | 19,353 | 22,182 |
| **Adjusted EBITDA** | **$ 81,914** | **$ 83,076** | **$ 151,759** | **$ 145,912** |
| | | | | |
| Income from operations | $ 45,532 | $ 47,822 | $ 76,177 | $ 78,986 |
| Other costs [(c)] | — | 2,497 | 6,040 | 2,497 |
| **Adjusted income from operations** | **$ 45,532** | **$ 50,319** | **$ 82,217** | **$ 81,483** |
| | | | | |
| Net income | $ 20,594 | $ 24,945 | $ 28,720 | $ 44,351 |
| Income tax expense | 12,719 | 9,018 | 22,322 | 13,730 |
| Income before income tax | 33,313 | 33,963 | 51,042 | 58,081 |
| Amortization of intangible assets [(a)] | 9,132 | 7,030 | 17,330 | 14,179 |
| Stock-based compensation expense [(b)] | 7,463 | 7,672 | 13,313 | 13,768 |
| Other costs [(c)] | — | 2,497 | 6,040 | 2,497 |
| Loss on foreign currency forward contracts [(d)] | — | 5,917 | — | 5,917 |
| Interest on deferred consideration [(e)] | 1,471 | — | 2,925 | — |
| Adjusted income before income tax | 51,379 | 57,079 | 90,650 | 94,442 |
| Adjusted income tax expense [(f)] | (14,540) | (14,966) | (25,536) | (24,606) |
| **Adjusted net income** | **$ 36,839** | **$ 42,113** | **$ 65,114** | **$ 69,836** |
| | | | | |
| Weighted average common shares outstanding — diluted | 57,905,424 | 59,252,869 | 57,807,667 | 59,334,107 |
| **Diluted adjusted earnings per common share** | **$ 0.64** | **$ 0.71** | **$ 1.13** | **$ 1.18** |

(a) Amortization of intangible assets represents amortization expense, including quarterly amortization expense of approximately $5.0 million associated with intangible assets recorded in connection with our going private transaction in May 2008.

(b) Stock-based compensation expense represents non-cash stock-based compensation expense in accordance with Accounting Standards Codification Topic 718, *Compensation-Stock Compensation.*

(c) Other costs in the six months ended June 30, 2023 consist of value-added tax expense of $6.0 million related to prior periods, of which $4.3 million was associated with the back-up care segment and $1.7 million was associated with the full service center-based child care segment. Other costs in the three and six months ended June 30, 2022 represent transaction costs incurred in connection with acquisitions.

(d) During the three months ended June 30, 2022, we entered into foreign currency forward contracts for the purchase of Australian dollars to satisfy the purchase price of an acquisition completed July 1, 2022. A loss of $5.9 million resulting from fluctuations in foreign currency rates was recognized during the three and six months ended June 30, 2022 in relation to these contracts.

(e) Interest on deferred consideration represents the imputed interest on the deferred consideration issued in connection with the July 1, 2022 acquisition of Only About Children, a child care operator in Australia.

(f) Adjusted income tax expense represents income tax expense calculated on adjusted income before income tax at an effective tax rate of approximately 28% and 26% for the three and six months ended June 30, 2023 and 2022, respectively. The prior year tax rate included net excess income tax benefits related to equity transactions, which are not projected in 2023. The jurisdictional mix of the expected adjusted income before income tax for the full year will affect these estimates and the estimated effective tax rate for the year.

Adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share (collectively referred to as the "non-GAAP financial measures") are not presentations made in accordance with GAAP, and the use of the terms adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share may differ from similar measures reported by other companies and may not be comparable to other similarly titled measures. We believe the non-GAAP financial measures provide investors with useful information with respect to our historical operations. We present the non-GAAP financial measures as supplemental performance measures because we believe they facilitate a comparative assessment of our operating performance relative to our performance based on our results under GAAP, while isolating the effects of some items that vary from period to period. Specifically, adjusted EBITDA allows for an assessment of our operating performance and of our ability to service or incur indebtedness without the effect of non-cash charges, such as depreciation, amortization, stock-based compensation expense and non-recurring costs, such as value-added-tax expense related to prior periods, transaction costs, loss on foreign currency forward contracts and, at times, other non-recurring costs, such as, impairment costs and other costs incurred due to the impact of COVID-19 and net costs incurred in relation to a cyber incident. In addition, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share allow us to assess our performance without the impact of the specifically identified items that we believe do not directly reflect our core operations. These non-GAAP financial measures also function as key performance indicators used to evaluate our operating performance internally, and they are used in connection with the determination of incentive compensation for management, including executive officers. Adjusted EBITDA is also used in connection with the determination of certain ratio requirements under our credit agreement.

Adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share are not measurements of our financial performance under GAAP and should not be considered in isolation or as an alternative to income before taxes, net income, diluted earnings per common share, net cash provided by (used in) operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with GAAP. Consequently, our non-GAAP financial measures should be considered together with our consolidated financial statements, which are prepared in accordance with GAAP and included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We understand that although adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share are frequently used by securities analysts, lenders and others in their evaluation of companies, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- adjusted EBITDA, adjusted income from operations and adjusted net income do not fully reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- adjusted EBITDA, adjusted income from operations and adjusted net income do not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debt; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted EBITDA, adjusted income from operations and adjusted net income do not reflect any cash requirements for such replacements.

Because of these limitations, adjusted EBITDA, adjusted income from operations and adjusted net income should not be considered as discretionary cash available to us to reinvest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

## Liquidity and Capital Resources

Our primary cash requirements are for the ongoing operations of our existing early education and child care centers, back-up care, educational advisory and other services, the addition of new centers through development or acquisitions, and debt financing obligations. Our primary sources of liquidity are our existing cash, cash flows from operations, and borrowings available under our revolving credit facility. We had $66.0 million in cash ($76.4 million including restricted cash) at June 30, 2023, of which $31.9 million was held in foreign jurisdictions, compared to $36.2 million in cash ($51.9 million including restricted cash) at December 31, 2022, of which $22.4 million was held in foreign jurisdictions. Operations outside of North America accounted for 28% and 25% of our consolidated revenue in the six months ended June 30, 2023 and 2022, respectively. The net impact on our liquidity from changes in foreign currency exchange rates was not material for the six months ended June 30, 2023 and 2022. While we expect to be impacted by fluctuations in the foreign currency exchange rates throughout the year, we do not currently expect that the effects of changes in foreign currency exchange rates will have a material net impact on our liquidity, capital resources or results from operations for the remainder of 2023.

On July 1, 2022, we completed the acquisition of the outstanding shares of Only About Children, a child care operator in Australia, for aggregate consideration of AUD$450 million. We paid approximately AUD$300 million (USD$207 million), net of cash acquired, and will pay an additional USD$106.5 million 18 months after closing. The initial purchase price was financed with cash on hand. In addition, we funded AUD$14.1 million (USD$9.7 million) for cash-backed guarantees for leases that were recorded as restricted cash on our consolidated balance sheet. During the three months ended June 30, 2023, the cash-backed guarantees were replaced with letters of credit under our revolving credit facility releasing the cash from restriction.

Our $400 million revolving credit facility is part of our senior secured credit facilities, which also includes term loans. At June 30, 2023 and December 31, 2022, $385.7 million and $310.8 million of the revolving credit facility, respectively, was available for borrowing.

We had a working capital deficit of $421.8 million and $438.6 million at June 30, 2023 and December 31, 2022, respectively. Our working capital deficit has primarily arisen from using cash to make long-term investments in fixed assets and acquisitions, deferred consideration issued in relation to an acquisition and from share repurchases. We anticipate that our cash flows from operating activities will continue to improve, but will be further impacted while our center enrollment re-ramps and performance continues to recover. As we focus on the enrollment and ramping of centers, we expect to continue to prioritize our capital allocation on investments that support current operations and strategic opportunities, as well as the principal and interest payments on our debt and revolver, and payment of deferred consideration.

During the six months ended June 30, 2023 and 2022, we participated in government support programs that were enacted in response to the economic impact of the COVID-19 pandemic, including certain tax deferrals and federal block grant funding in the United States. We expect to receive less government support in 2023 as most of the programs for which we are eligible are currently expected to end by September 30, 2023. During the six months ended June 30, 2023 and 2022, $35.1 million and $46.7 million, respectively, was recorded as a reduction to cost of services in relation to these benefits, of which $12.2 million and $16.0 million, respectively, reduced the operating subsidy revenue due from employers for the related child care centers. Additionally, during the six months ended June 30, 2023 and 2022, amounts received for tuition support of $1.2 million and $3.4 million, respectively, were recorded to revenue. As of June 30, 2023 and December 31, 2022, $2.3 million and $1.2 million, respectively, was recorded in prepaid expenses and other current assets on the consolidated balance sheet for amounts due from government support programs. As of June 30, 2023 and December 31, 2022, $2.5 million and $4.6 million, respectively, was recorded to other current liabilities related to government support received related to future periods.

The board of directors authorized a share repurchase program of up to $400 million of our outstanding common stock, effective December 16, 2021. The share repurchase program has no expiration date. During the six months ended June 30, 2023, we did not make any share repurchases under the Board-approved repurchase program, and at June 30, 2023, $198.3 million remained available for future repurchases. During the six months ended June 30, 2022, we repurchased 0.9 million shares for $84.2 million. All repurchased shares have been retired.

We believe that funds provided by operations, our existing cash balances, and borrowings available under our revolving credit facility will be adequate to fund all obligations and liquidity requirements for at least the next 12 months. However, if we were to experience renewed disruption from the COVID-19 pandemic or other similar global health crisis or if we were to undertake any significant acquisitions or make investments in the purchase of facilities for new or existing centers, we could require financing beyond our existing cash and borrowing capacity, and it could be necessary for us to obtain additional debt or equity financing. We may not be able to obtain such financing on reasonable terms, if at all.

| Cash Flows | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (In thousands) | |
| Net cash provided by operating activities | $ 180,042 | $ 125,770 |
| Net cash used in investing activities | $ (68,728) | $ (23,140) |
| Net cash used in financing activities | $ (86,472) | $ (89,019) |
| Cash, cash equivalents and restricted cash — beginning of period | $ 51,894 | $ 265,281 |
| Cash, cash equivalents and restricted cash — end of period | $ 76,406 | $ 276,677 |

***Cash Provided by Operating Activities***

Cash provided by operating activities was $180.0 million for the six months ended June 30, 2023, compared to $125.8 million for the same period in 2022. The increase in cash provided by operations primarily relates to higher cash provided by working capital arising from the timing of billings and payments when compared to the prior year, partially offset by the decrease in net income. Cash provided by operating activities in the six months ended June 30, 2022 includes a $5.4 million use of cash related to the post acquisition change in fair value for the settlement of a contingent consideration obligation which did not occur during the same period in 2023.

***Cash Used in Investing Activities***

Cash used in investing activities was $68.7 million for the six months ended June 30, 2023 compared to $23.1 million for the same period in 2022, an increase of $45.6 million. The increase in cash used in investing activities was primarily related to an increase in payments and settlements for acquisitions. During the six months ended June 30, 2023, we invested $30.9 million in acquisitions of new centers, compared to an investment of $3.3 million during the same period in the prior year. Purchases of fixed assets also increased in 2023 compared with the prior year. During the six months ended June 30, 2023, we had net investments of $40.1 million in fixed asset purchases for new child care centers, maintenance and refurbishments in our existing centers and technology, compared to net investments of $19.2 million during the same period in the prior year. Net proceeds from debt securities and other investments were $2.3 million in the six months ended June 30, 2023, compared to $4.0 million during the same period in the prior year, a net change of $1.7 million. Additionally, during the six months ended June 30, 2022 we used $4.6 million in cash to settle foreign currency arrangements, which did not occur during the same period in 2023.

***Cash Used in Financing Activities***

Cash used in financing activities was $86.5 million for the six months ended June 30, 2023 compared to $89.0 million for the same period in 2022. The decrease in cash used in financing activities was primarily related to payments of contingent consideration for acquisitions of $0.2 million compared to $13.9 million in 2022. Net payments related to our revolving credit facility totaled $84.0 million in 2023 and did not occur in 2022, but are largely offset by share repurchases of $72.6 million in 2022, which did not occur in 2023. Additionally, proceeds received from employee equity awards in the six months ended June 30, 2023 decreased by $3.2 million compared to the prior year due to a lower volume of transactions. Proceeds from the exercise of stock options were $7.4 million in the six months ended June 30, 2023 and proceeds received from the exercise of stock options and the issuance and sale of restricted stock were $10.6 million during the same period in 2022.

**Debt**

Our senior secured credit facilities consist of a $600 million term loan B facility (“term loan B”), a $400 million term loan A facility (“term loan A”) and a $400 million multi-currency revolving credit facility (“revolving credit facility”).

Long term debt obligations were as follows:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| | (In thousands) | |
| Term loan B | $ 591,000 | $ 594,000 |
| Term loan A | 385,000 | 390,000 |
| Deferred financing costs and original issue discount | (5,828) | (6,419) |
| Total debt | 970,172 | 977,581 |
| Less current maturities | (16,000) | (16,000) |
| Long-term debt | $ 954,172 | $ 961,581 |

On December 21, 2022, the Company amended its existing senior secured credit facilities to replace the LIBOR-based benchmark rate with a term SOFR benchmark rate, which did not alter the applicable interest rates held in effect prior to the change.

The seven year term loan B matures on November 23, 2028 and requires quarterly principal payments equal to 1% per annum of the original aggregate principal amount of the term loan B, with the remaining principal balance due at maturity. The five year term loan A matures on November 23, 2026 and requires quarterly principal payments equal to 2.5% per annum of the original aggregate principal amount of the term loan A in each of the first three years, 5.0% in the fourth year, and 7.5% in the fifth year. The remaining principal balance is due at maturity.

The revolving credit facility matures on May 26, 2026. At June 30, 2023, there were no borrowings outstanding on the revolving credit facility and letters of credit outstanding were $14.3 million. At December 31, 2022, borrowings outstanding on the revolving credit facility were $84.0 million and letters of credit outstanding were $5.2 million.

Borrowings under the credit facilities are subject to variable interest. We mitigate our interest rate exposure with interest rate cap agreements. In June 2020, we entered into interest rate cap agreements with a total notional value of $800 million. These interest rate cap agreements, designated and accounted for as cash flow hedges, provide us with interest rate protection in the event the one-month LIBOR rate increases above 1% (effective December 30, 2022, one-month term SOFR rate increases above 0.9%). Interest rate cap agreements for $300 million notional value have an effective date of June 30, 2020 and expire on October 31, 2023, while interest rate cap agreements for another $500 million notional amount have an effective date of October 29, 2021, and expire on October 31, 2023. In December 2021, we entered into interest rate cap agreements with a total notional value of $900 million designated and accounted for as cash flow hedges. Interest rate cap agreements for $600 million, which have a forward starting effective date of October 31, 2023 and expire on October 31, 2025, provide the Company with interest rate protection in the event the one-month LIBOR rate increases above 2.5% (effective December 30, 2022, one-month term SOFR rate increases above 2.4%). Interest rate cap agreements for $300 million, which have a forward starting effective date of October 31, 2023 and expire on October 31, 2026, provide the Company with interest rate protection in the event the one-month LIBOR rate increases above 3.0% (effective December 30, 2022, one-month term SOFR rate increases above 2.9%).

The blended weighted average interest rate for the term loans and revolving credit facility was 3.93% and 2.55% for the six months ended June 30, 2023 and 2022, respectively, including the impact of the cash flow hedges. Based on our current interest rate projections, we estimate that our overall weighted average interest rate will approximate 4.50% for the remainder of 2023 inclusive of the effects of the cash flow hedges.

The term loan A and the revolving credit facility require Bright Horizons Family Solutions LLC, the borrower, and its restricted subsidiaries, to comply with a maximum first lien net leverage ratio. A breach of this covenant is subject to certain equity cure rights. The credit agreement governing the senior secured credit facilities contains certain customary affirmative covenants and events of default. We were in compliance with our financial covenant at June 30, 2023. Refer to Note 6, *Credit Arrangements and Debt Obligations*, to our condensed consolidated financial statements for additional information on our debt and credit arrangements, future principal payments of long-term debt, and covenant requirements.

## Critical Accounting Policies

For a discussion of our "Critical Accounting Policies," refer to Part II, Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," in our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to our critical accounting policies since December 31, 2022.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and fluctuations in foreign currency exchange rates. We do not believe there have been material changes in our exposure to interest rate or foreign currency exchange rate fluctuations since December 31, 2022. See Part II, Item 7A, "*Quantitative and Qualitative Disclosures about Market Risk*," in our Annual Report on Form 10-K for the year ended December 31, 2022 for further information regarding market risk.

## Item 4. Controls and Procedures

*Evaluation of Disclosure Controls and Procedures*

As of June 30, 2023, we conducted an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), regarding the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). The term "disclosure controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods and that such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of June 30, 2023.

*Changes in Internal Control over Financial Reporting*

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are, from time to time, subject to claims, suits, and matters arising in the ordinary course of business. Such claims have in the past generally been covered by insurance, but there can be no assurance that our insurance will be adequate to cover all liabilities that may arise out of claims or matters brought against us. We believe the resolution of such legal matters will not have a material adverse effect on our financial position, results of operations, or cash flows, although we cannot predict the ultimate outcome of any such actions.

### Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, which could adversely affect our business, financial condition and operating results. We believe that these risks and uncertainties include, but are not limited to, those disclosed in Part I, Item 1A, "*Risk Factors*," of our Annual Report on Form 10-K for the year ended December 31, 2022. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial, could materially impair our business, financial condition or results of operations. There have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

**Issuer Purchases of Equity Securities**

The table below sets forth information regarding purchases of our common stock during the three months ended June 30, 2023:

| Period | Total Number of Shares Purchased (1) (a) | Average Price Paid per Share (b) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2) (c) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In thousands) (3) (d) |
|---|---|---|---|---|
| April 1, 2023 to April 30, 2023 [(4)] | 6,930 | $ 75.25 | — | $ 198,290 |
| May 1, 2023 to May 31, 2023 | 262 | $ 87.61 | — | $ 198,290 |
| June 1, 2023 to June 30, 2023 | 1,113 | $ 85.13 | — | $ 198,290 |
| | 8,305 | | — | |

(1) The Company repurchased an aggregate of 1,375 shares during the three months ended June 30, 2023, which shares were withheld for tax payments due upon the vesting of employee restricted stock awards. The shares were valued using the transaction date and closing stock price for purposes of such tax withholdings. Shares retired in connection with the payment of tax withholding obligations are not included in, and are not counted against, our share repurchase authorization. The table above does not reflect 758 shares withheld for tax payments due upon the vesting of employee restricted stock awards that we retired during the three months ended March 31, 2023 at an average price of $77.26 per share, which was inadvertently omitted from a prior filing.

(2) The board of directors of the Company authorized a share repurchase program of up to $400 million of the Company's outstanding common stock effective December 16, 2021. The share repurchase program has no expiration date. All repurchased shares have been retired.

(3) The number shown represents, as of the end of each period, the approximate dollar value of the Company's outstanding common stock that may yet be purchased under the Company's publicly announced share repurchase program as described in footnote (2) above. Such shares may be purchased, from time to time, depending on business and market conditions.

(4) During April 2023, we repurchased 6,930 shares of unvested restricted stock awards that were subject to forfeiture resulting from the grantee's termination of service with us for an aggregate $0.5 million pursuant to the restricted stock award agreement. The purchase price was equal to the fair market value of common stock on the date of repurchase. The table above does not reflect 925 shares of unvested restricted stock awards that were subject to forfeiture resulting from the grantee's termination of service with us and that we repurchased in February 2023 for an aggregate $0.1 million (or $78.99 per share) pursuant to the restricted stock award agreement, which repurchase was inadvertently omitted from a prior filing.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

On June 5, 2023, Mary Lou Burke Afonso, Chief Operating Officer, North America Center Operations, adopted a stock trading plan for the sale of up to 14,100 shares of the Company's common stock until March 1, 2024. This trading plan was entered during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended, and the Company's policies regarding transactions in our securities.

### Item 6. Exhibits

(a) Exhibits:

| Exhibit Number | Exhibit Title |
|---|---|
| 31.1* | Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | Inline XBRL Instance Document - the instance document does not appear in Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101). |

* Exhibits filed herewith.
** Exhibits furnished herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

| | | | |
|---|---|---|---|
| Date: | August 8, 2023 | By: | /s/ Elizabeth Boland |
| | | | **Elizabeth Boland** |
| | | | **Chief Financial Officer** |
| | | | **(Duly Authorized Officer)** |

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER, BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

I, Stephen Kramer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bright Horizons Family Solutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 8, 2023

/s/ Stephen Kramer
**Stephen Kramer**
**Chief Executive Officer**

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER, BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

I, Elizabeth Boland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bright Horizons Family Solutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

| | | |
|---|---|---|
| Date: | August 8, 2023 | /s/ Elizabeth Boland |
| | | **Elizabeth Boland** |
| | | **Chief Financial Officer** |

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bright Horizons Family Solutions Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen Kramer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Date: | August 8, 2023 | /s/ Stephen Kramer |
| | | **Stephen Kramer** |
| | | **Chief Executive Officer** |

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Bright Horizons Family Solutions Inc. and will be retained by Bright Horizons Family Solutions Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bright Horizons Family Solutions Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Elizabeth Boland, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Date: | August 8, 2023 | /s/ Elizabeth Boland |
| | | **Elizabeth Boland** |
| | | **Chief Financial Officer** |

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Bright Horizons Family Solutions Inc. and will be retained by Bright Horizons Family Solutions Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.