

# Investor Presentation

*Q1 2021*



# Forward Looking Statement Disclaimer



This presentation includes “forward-looking statements” within the meaning of, and made pursuant to, the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and generally contain words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “projects,” “approximately,” “intends,” “plans,” “estimates,” “targets” or “anticipates” or, in each case, their negatives or other variations or similar expressions. These forward-looking statements include matters that are not historical facts, including, without limitation, statements regarding future economic performance, guidance, operating targets, financial condition, prospects, growth, strategies, expectations and objectives of management, growth drivers, cross-selling opportunities, center expansion, interest rates, our international opportunities, overhead spending and capital expenditures, back up business projections, debt covenants, center openings and closings, short- and long-term forecasts, the effects and impact of COVID-19 on the business, revenue and operations, and the impact and availability of government supports.

Our forward-looking statements are subject to risks and uncertainties. Numerous factors, many of which are beyond Bright Horizons Family Solutions Inc.’s (the “Company”) control, could cause actual results to differ materially from those projected or implied by the forward-looking statements. These risks and uncertainties include, without limitation, the unpredictable nature of the COVID-19 virus and its global and economic impact as well as its impact on us; required school and business closures and changes in government regulations and mandates; changes in the global economy, including as a result of the pandemic; developments in the persistence and treatment of COVID-19 and the adoption, delivery and effectiveness of vaccines; changes in the demand for child care, other dependent care services and other workplace solutions; the availability or lack of government supports; variation in enrollment trends and lower than expected demand from employer sponsor clients as well as variations in return to work protocols; our ability to hire and retain teachers; our ability to pass on our increased costs; changes in our relationships with employer sponsors; the possibility that acquisitions may disrupt our operations and expose us to additional risk; our substantial indebtedness and the terms of such indebtedness; our ability to withstand seasonal fluctuations; our ability to implement our growth strategies successfully; litigation risk; possible breaches in data security; our ability to maintain our reputation and brand; and other risks and uncertainties more fully described in our Annual Report on Form 10-K filed March 1, 2021, under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the Company’s other filings with the Securities and Exchange Commission.

Forward-looking statements are based on current expectations and assumptions and currently available data and are neither predictions nor guarantees of future events or performance. There can be no assurance that the Company will realize these expectations or that these beliefs will prove correct. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We do not undertake to update or revise any forward-looking statements after they are made, whether as a result of new information, future events, or otherwise, except as required by applicable law.

## Non-GAAP Measures

This presentation contains certain non-GAAP measures which are provided to assist in an understanding of the Bright Horizons Family Solutions Inc. business and its performance. These measures should always be considered in conjunction with the appropriate GAAP measure. Reconciliations of non-GAAP measures to the relevant GAAP measures are provided in our SEC filings.

# A Family of Solutions at Work



## FULL SERVICE

Customized child care and early education centers at or near the work site



- 1,015 Centers
- ~114,000 Capacity
- 68% of Revenue

## BACK-UP

Family support services for dependents of all ages, meeting short-term and long-term needs



- 10.0M+ Lives Covered
- 1,000+ Clients
- 26% of Revenue

## ED ADVISORY

Advisory services for adult learners and prospective college students. Manage employer tuition assistance programs for cost efficiency and loan repayment programs



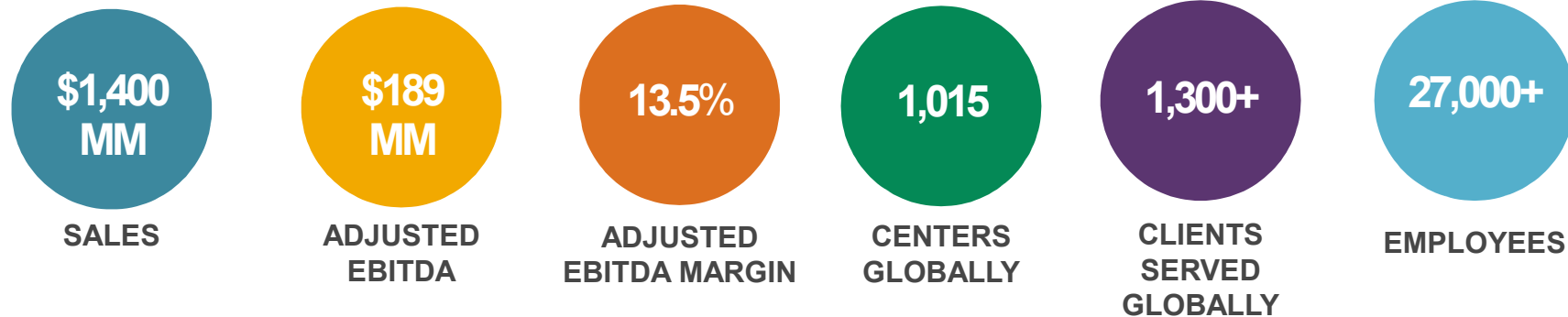
- ~\$1B of Tuition Managed for Ed Assist clients
- 3M Employees covered by College Advising services
- 6% of Revenue

Notes: LTM as of 03/31/2021

# Bright Horizons At A Glance



## BY THE NUMBERS



## HIGHLIGHTS

- 20+ years of sales growth and margin expansion
- Long-term contracts with blue chip customers that co-fund capital investment
- 95% employer-sponsored center client retention
- New lines of business + international presence expand the growth opportunity
- Premier brand with focus on quality through all aspects of service experience

Note: LTM as of 3/31/21.

We have been named  
**A Great Place to Work**  
around the Globe!



20x Recipient



UK 2021  
16x Recipient



2x Recipient



Netherlands2020  
7x Recipient

# Diversified Blue Chip Base



## Customer End Markets

(FYE '20 – All Segments)



>1,300 Client Relationships  
>190 of Fortune 500

## Representative Clients



Largest Customer ~ 2% of Revenue  
Top 10 Customers ~ 10% of Revenue

Notes: Industry allocations based on client revenues only.

# Significant Scale and International Presence



U.S.



Centers: 652  
Capacity: 83,500

U.K.



Centers: 299  
Capacity: 25,000

Netherlands



Centers: 64  
Capacity: 5,500

## COMPETITIVE ADVANTAGES

**Established track record** of quality care, effective management and sustainable growth

**Consistent service**, quality and scalability that's difficult to replicate

**No other provider** with matching suite of services

**6x more** employer-sponsored centers in the U.S. than next provider

Focus on **accreditation**

**95%** Parent + employer satisfaction

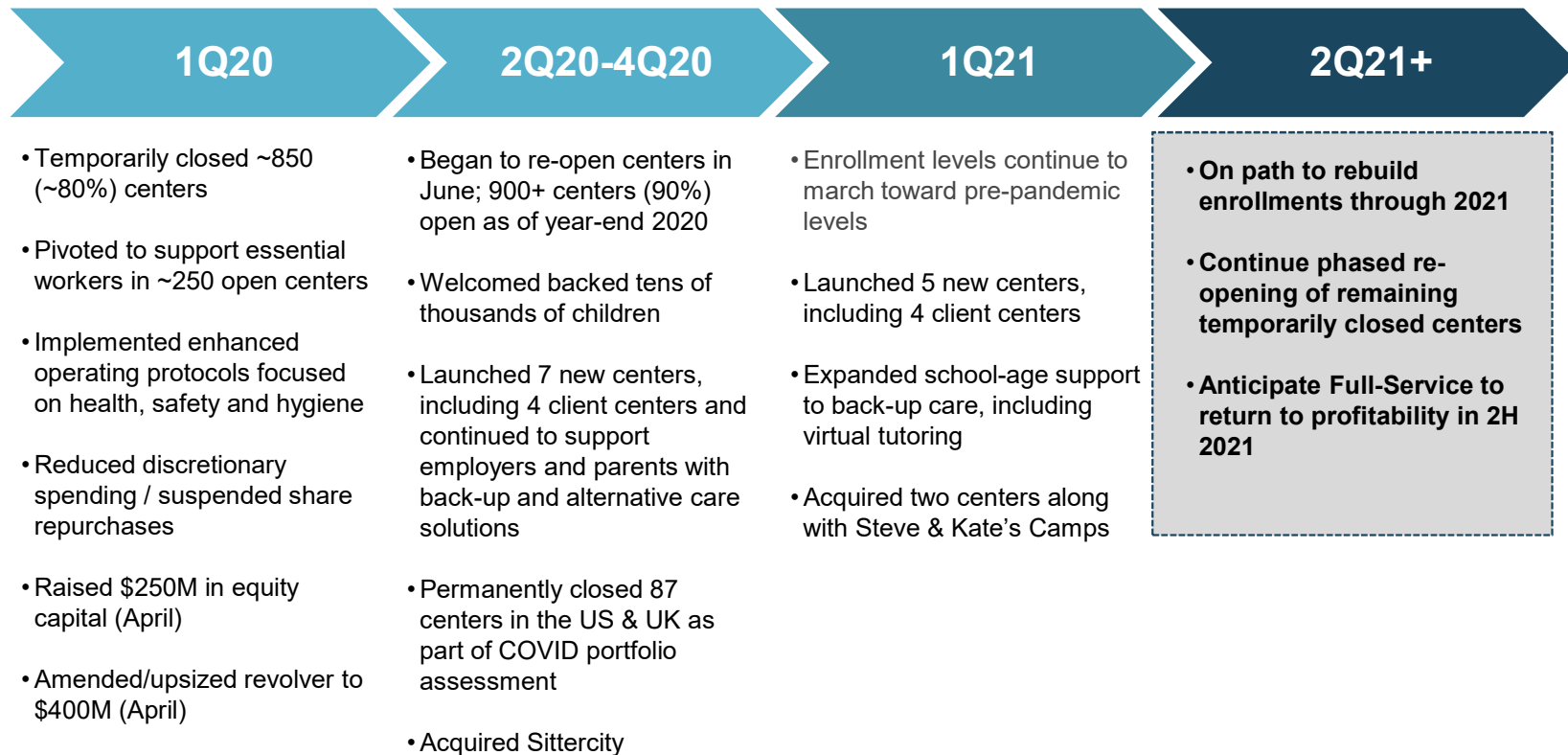
Employee retention **2x industry average**

*Notes: One center in India; grouped with Netherlands.*



# **COVID-19 UPDATE**

# Covid-19 Response Timeline





# Ability to Weather, Pivot and Navigate Through the Covid-19 Environment



## Mission Critical Provider

- 250 essential client and hub centers remained open during early days of pandemic
- Childcare services critical to general economic recovery and stability
- Care is needed irrespective of work location

## Employer-Centric Model

- >1,300 clients across broad range of industries
- Long-standing employer relationships with multi-year contracts and multiple service offerings
- Capital-light model with client-funded center capex & expenses

## Diversified Offering

- High-margin Back-up Care & Ed Advisory remained operational throughout pandemic
- Back-Up Care experienced strong growth in 2020 with centers/schools closed and availability of reimbursed care
- Netherlands financial performance less affected by COVID than US/UK

## Financial Flexibility

- Low fixed, high variable cost operating model
- Economically resilient business through past cycles
- Fortified balance sheet with \$250M equity raise and \$400M upsized/amended revolver



**Unique model provides support, stability and opportunities to emerge from COVID-19 stronger and more resilient**

# Diversity of Model & Offering Differentiates Performance



## Ongoing Client Support

- ✓ >1,300 clients; >190 of Fortune 500
- ✓ Largest client ~2% of revenue
- ✓ Broad range of end-markets



## De-Risked Financial Model

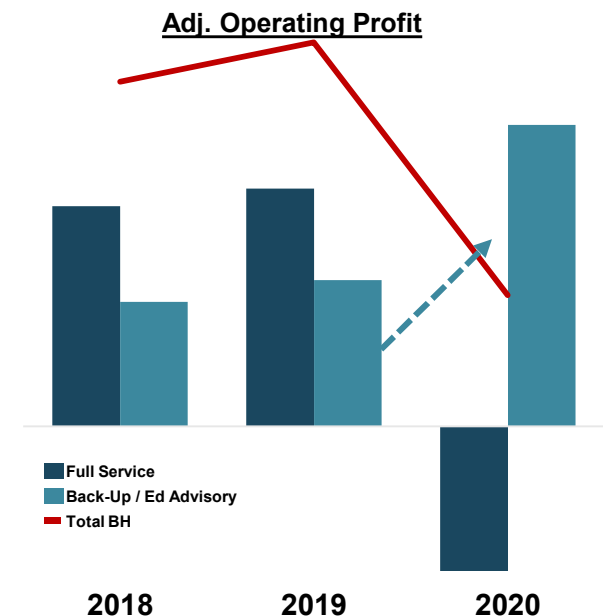
- ✓ Client funded development + maintenance
- ✓ Long-term contracts with defined fees
- ✓ 95% client retention

### Full Service center operating models:

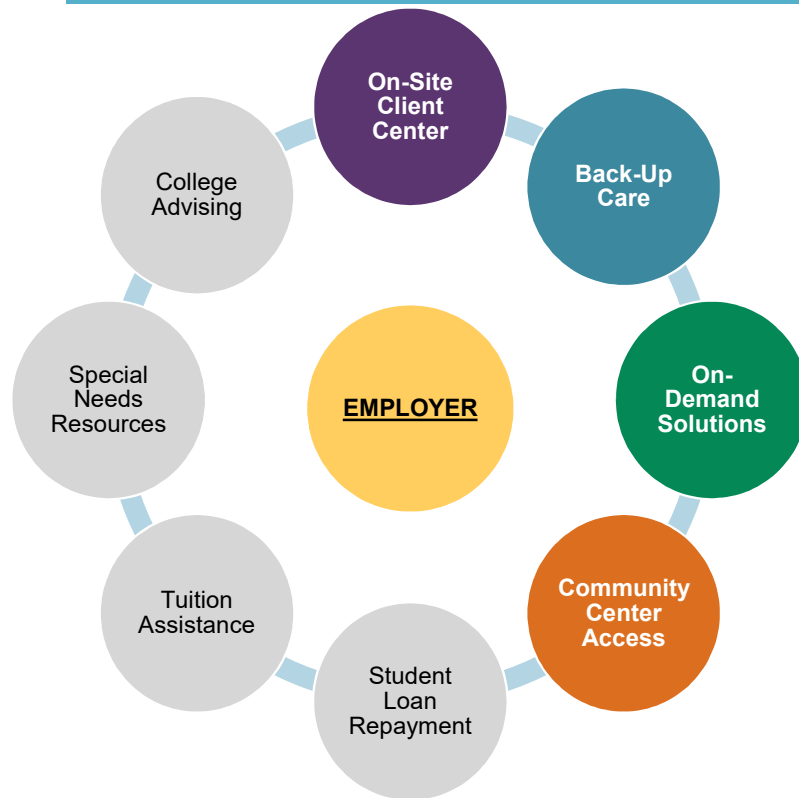
	Cost Plus	Bottom Line	Lease
Upfront Capital	Client	Client	Bright Horizons
Occupancy Expenses	Client	Client	Bright Horizons
Labor Expenses	Client	Bright Horizons	Bright Horizons

## Diversity of Profitability

- ✓ Back-Up + Ed Advisory saw growing demand despite economic disruption
- ✓ Segment margins >2x of Full-Service



# Supporting Clients With Solutions To Meet Real-time Needs



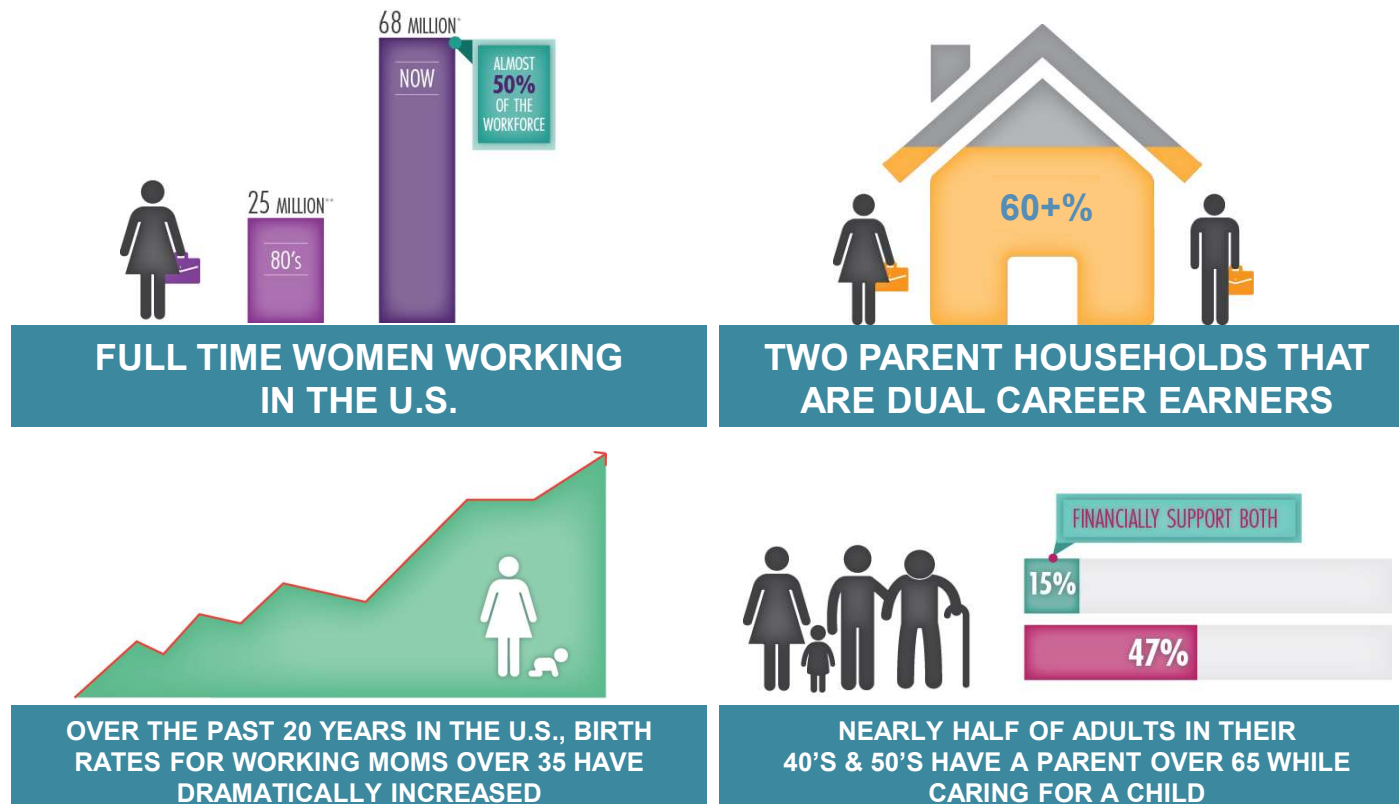
1. *'Essential' client centers remained operational throughout initial pandemic surge. Cared for the children of workers critical to the COVID-19 response.*
2. *In-Home Back-Up Care crucial productivity support for employers and employees during widespread lockdowns.*
3. *Quickly stood-up effective solutions to meet gaps in care:*
  - *Self-Sourced Back-up Care*
  - *Summer Camps*
  - *Learning Pods*
  - *Virtual Tutoring*
4. *National network of lease centers made available to support clients*

Deploying innovative supports and solutions for our long-term partners in critical times of need



# **BUSINESS STRATEGY**

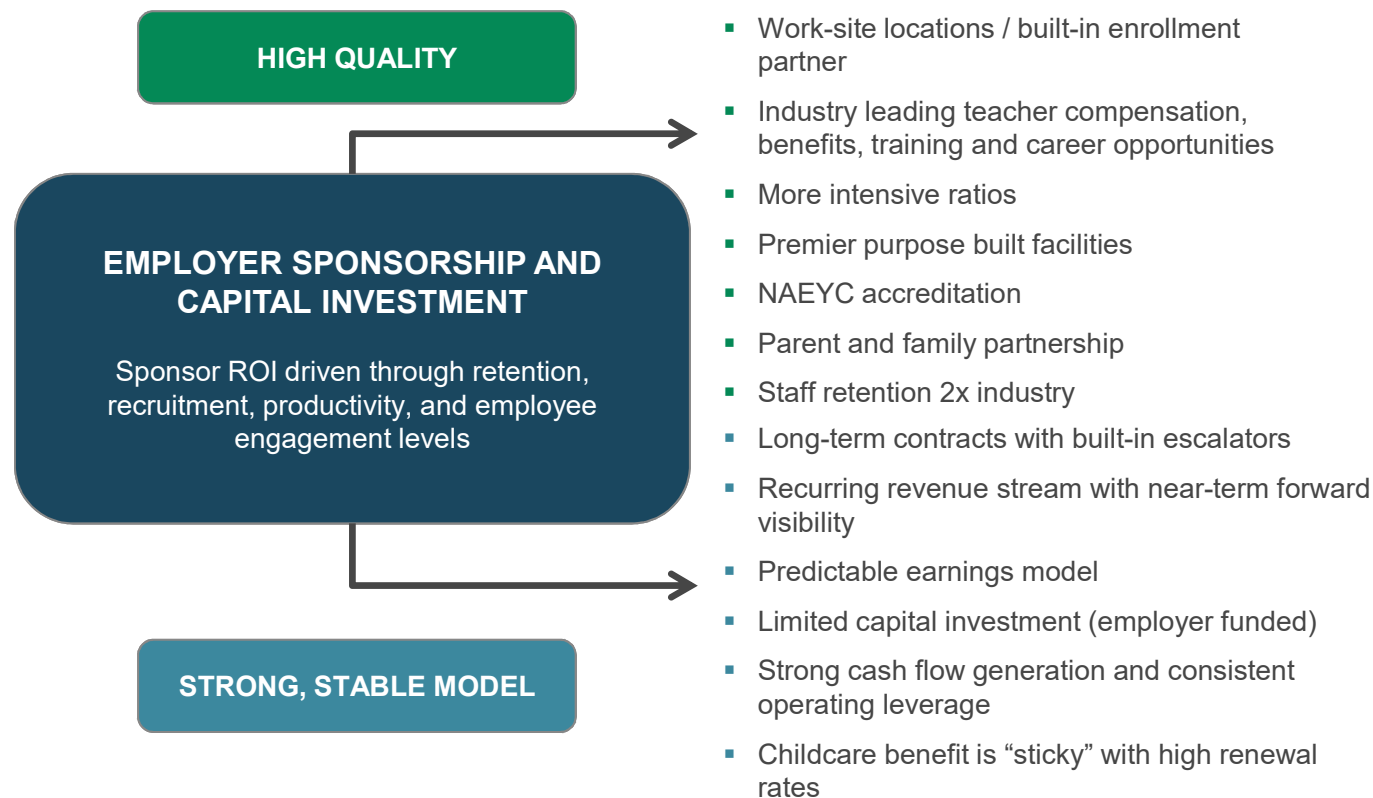
# Long-Term Demographic Tailwinds Support Our Service Offerings



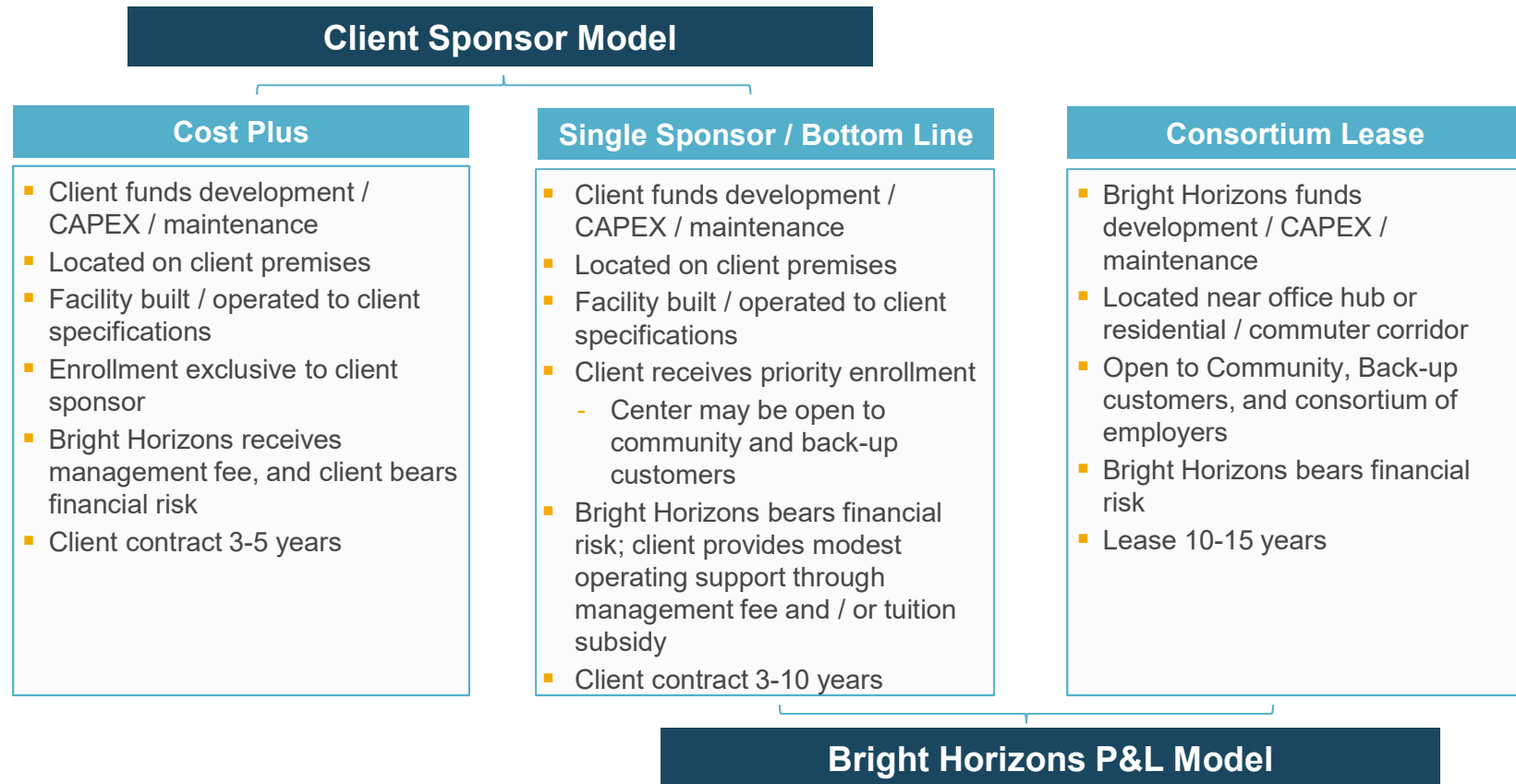
\*Bureau of Labor Statistics, Current Population Survey, "Table 3: Employment Status of the Civilian Non Institutional Population by Age, Sex, and Race," Annual Averages 2012 (2013).

\*\*U.S. Census Bureau, Current Population Survey, 1968 to 2009 Annual Social and Economic Supplements.

# Strength Of The Employer Partnership



# Diverse Operating Models Support Capital Efficiency And Mitigates Financial Risk



# Client Funding Of Center Capital Drives High Returns On Investment



*Full Service Child Care is delivered through the following center operating models:*

	United States			Europe
(\$ in '000s)	Cost Plus	Single Sponsor / Bottom Line	Consortium Lease	Lease
% of Total Centers	~33%	~33%	~33%	~85%
Revenue / Center	\$1,850	\$1,500	\$1,850	\$1,200
Gross Margin	15-20%	17-25%	20-25%	15-25%
Average ROI on Center Contribution	100%+	75%+	25%+	25%+
Contract Term	3-5y	3-10y	10-15y	10-15y

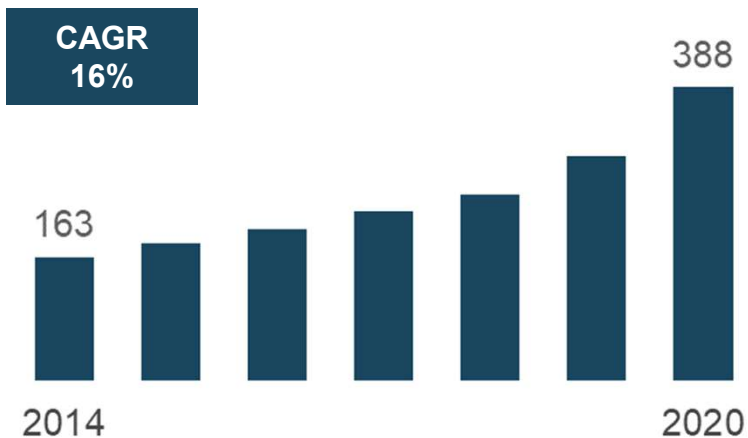


# Adjacent Services Have High Revenue Visibility, Growth and Margin Contributions



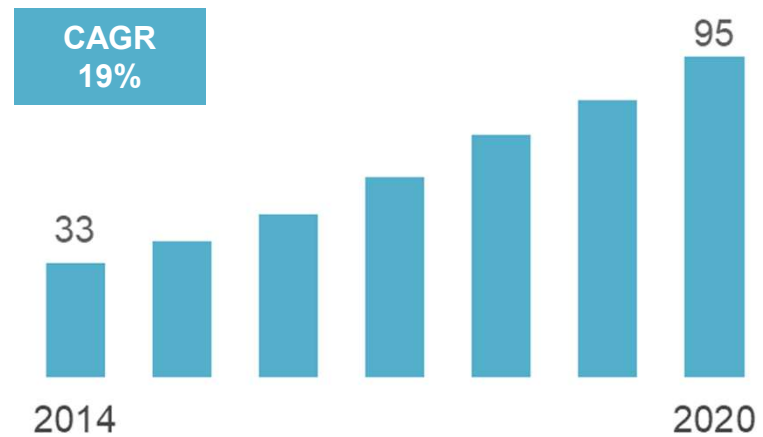
\$MM

## Back-Up Care - Revenue



- Back-Up contracts range from 2-5 yrs
- Clients purchase “basket of uses” that are center based / in-home
- Annual contract range from \$50K - \$4M
- Annual price escalators
- Opportunity to up-sell for expanded use

## Educational Advisory - Revenue



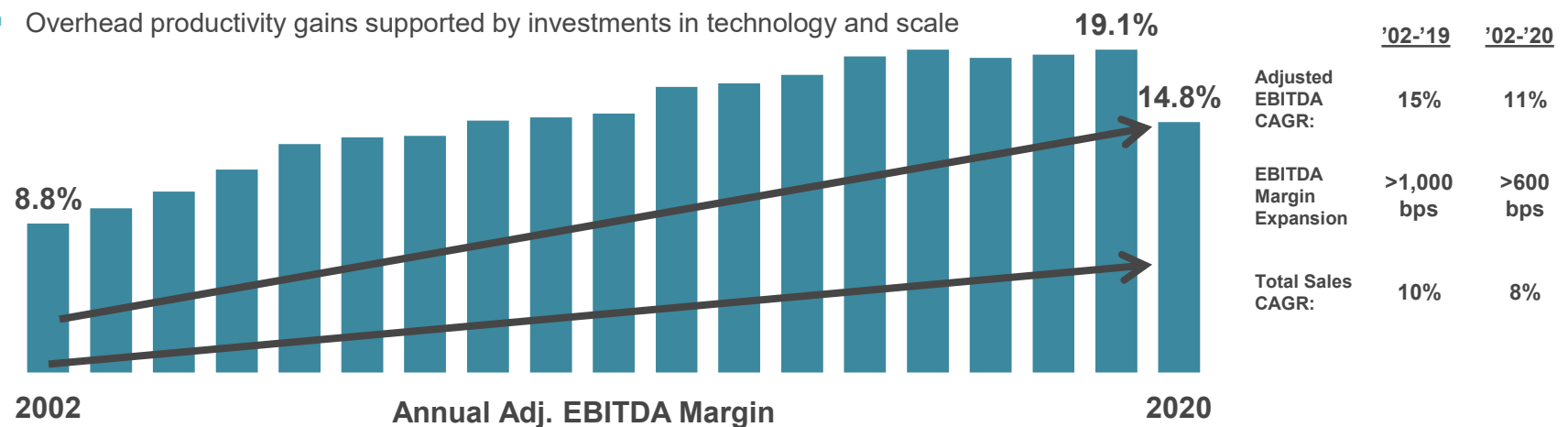
- Ed Assist / College advising contracts 1-3 yrs
- Main service offerings (Network access, Administration, Counseling)
- Typical annual contract value: \$125-\$175K
- Annual price escalators
- Opportunity to up-sell for expanded use

# Business Model Delivers Strong Adjusted EBITDA And Margin Growth



## Multiple Drivers of Operating Leverage:

- Tuition rate increases coupled with efficient labor and other cost management
- High incremental margins on enrollment growth in ramping and mature P+L centers
- Contributions from higher margin services
- Mix of new centers, Acquisitions + Transitions
- Scale and growth of European operations
- Overhead productivity gains supported by investments in technology and scale



Note: See Summary of Adjustments for reconciliation of Adjusted EBITDA 2015-2020, prior periods please see Company's public filings.



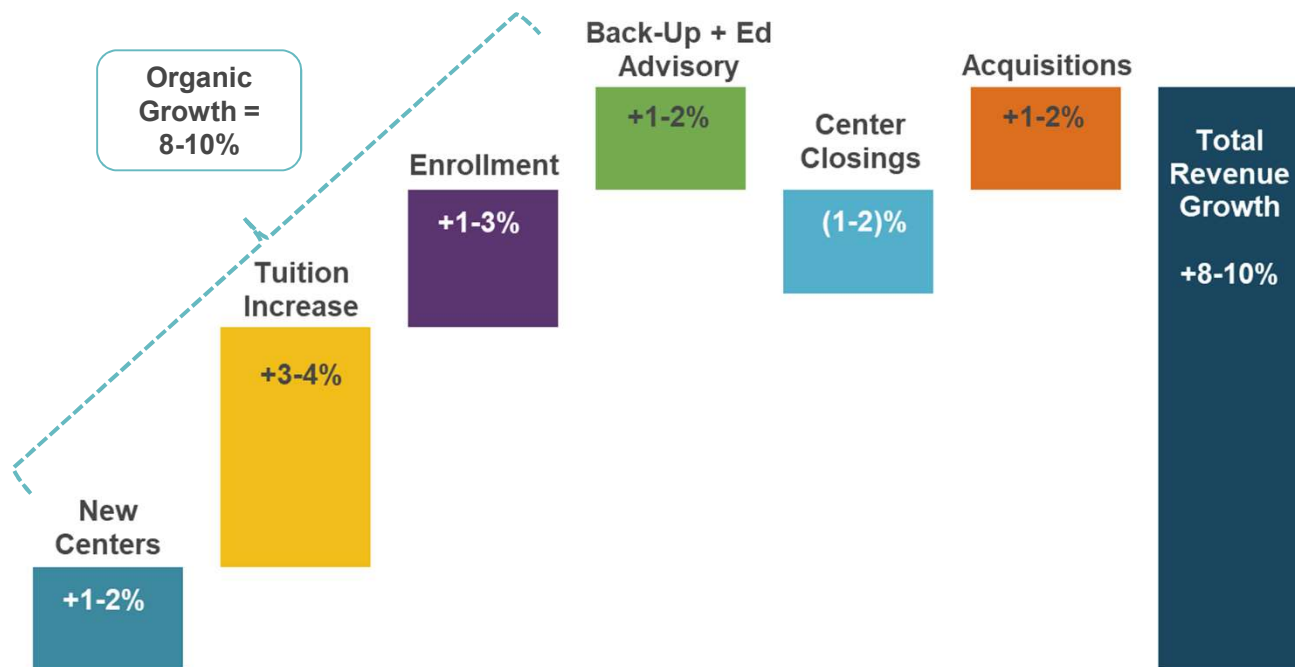
# **GROWTH STRATEGY**



# Multiple Growth Channels



# Long-Term Revenue Bridge



Notes: Excludes variation from potential foreign currency translation effects.

# Lease Models



## Lease Model Opportunities

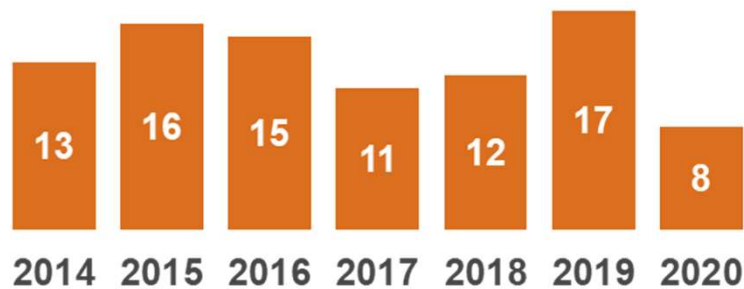
### Sample Geographies:

- Greater London
- Amsterdam
- Greater New York / New Jersey
- Chicago
- Seattle
- Bay Area

### Core Criteria:

- Urban / Suburban
- Proximity to Work Hubs / Residential Corridors / Clients
- Young Professionals / Families
- Supply / Demand Imbalance

## New Lease Model Center Openings



## Pro-forma Lease Model Gross Profit \$



- Capital: \$2.5M
- Capacity: 125-175
- ROIC Maturity: 25-30%
- Revenue Maturity: \$2.5M
- Breakeven: 12-18 months

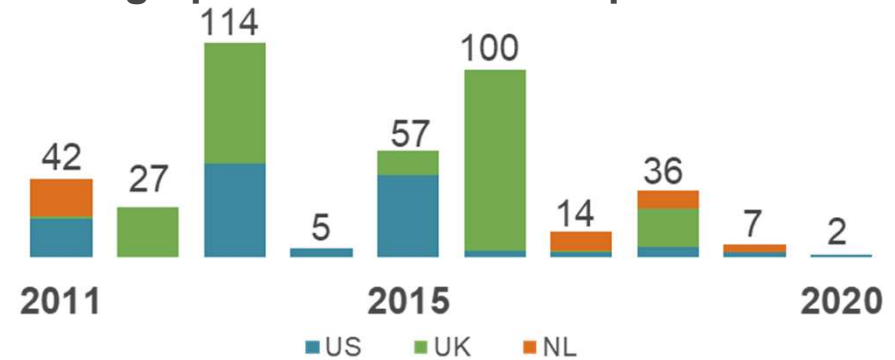
# Acquisitions



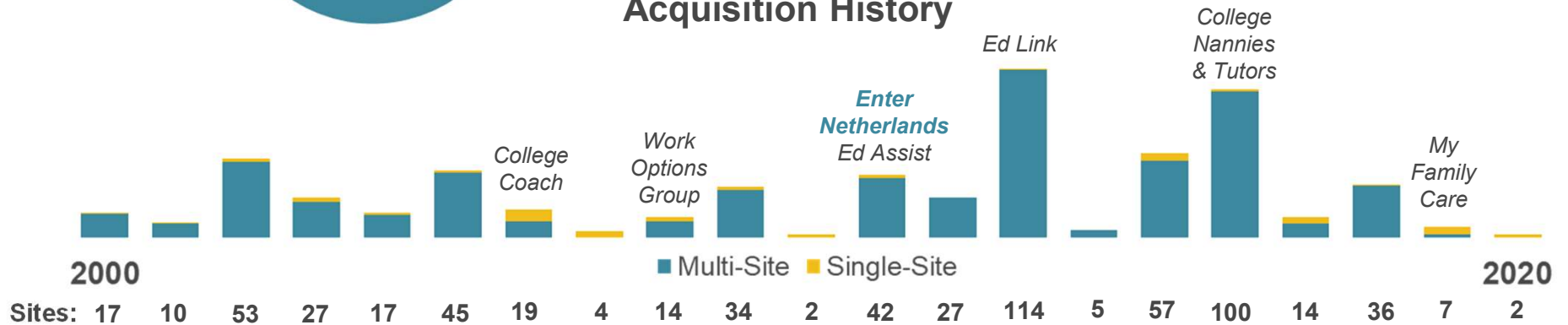
## Licensed Centers by Geography



## Geographic Mix: Recent Acquisitions



## Acquisition History





# **FINANCIAL HIGHLIGHTS**



# Performance Drivers



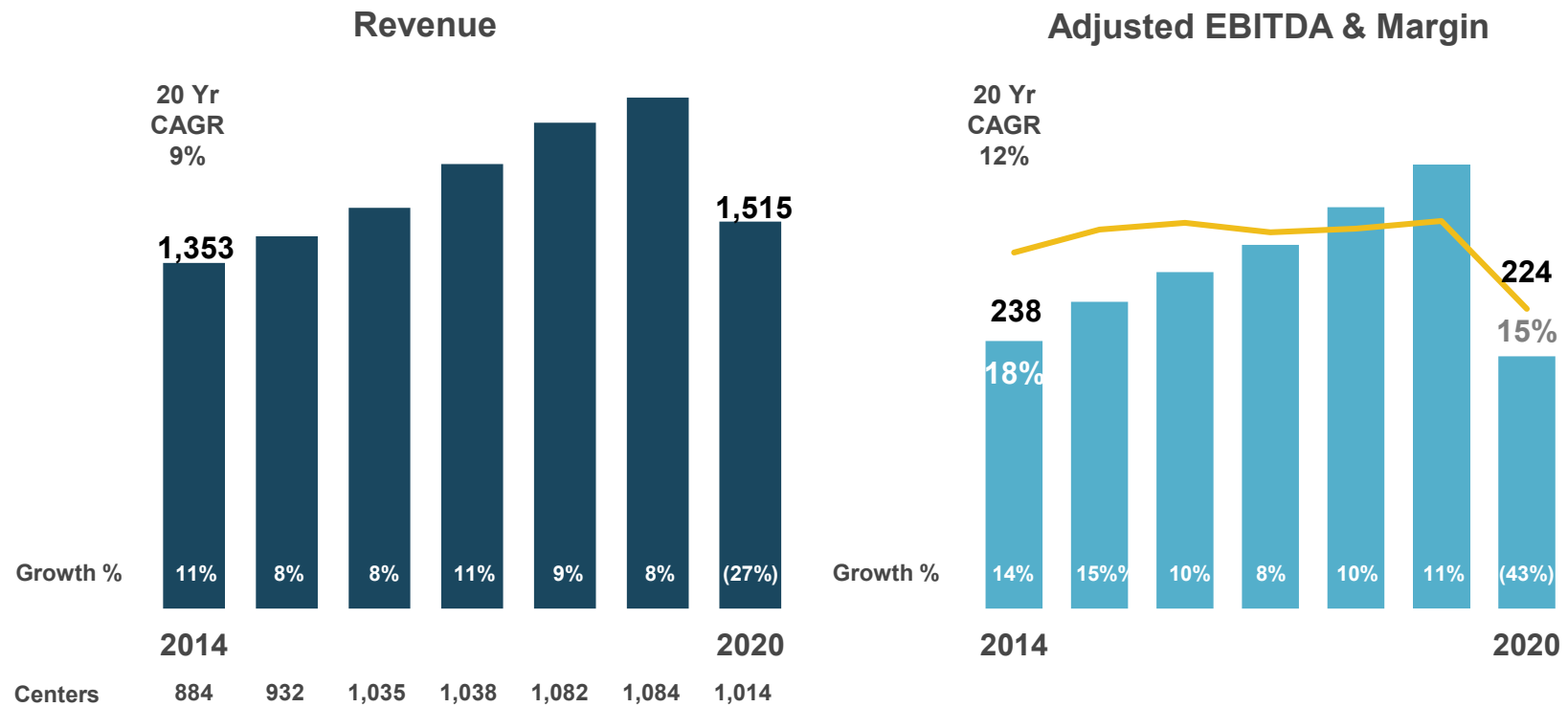
Long track record of **growth** and margin expansion

Sticky, **recurring** revenue base

**Diversified** across services and geography

High free **cash flow** conversion

# Sales & Earnings Growth



Note: \$ in millions. See Summary of Adjustments for reconciliation of Adjusted EBITDA. As of 12/31/2020. Growth rates are Y/Y comparison. CAGR figures reflected through FY 2020.

# YTD Operating Performance



(\$ millions)	Q1 2021	Q1 2020	% Change
Full Service Center-Based Child Care	\$ 290	\$ 411	-29%
Back-Up Care	76	74	+3%
Educational Advisory Services	24	21	+17%
<b>Total Revenue</b>	<b>\$ 391</b>	<b>\$ 506</b>	<b>-23%</b>
<b>Gross Profit</b>	<b>\$ 81</b>	<b>\$ 109</b>	<b>-25%</b>
<i>% Margin</i>	20.8%	21.5%	-
<b>Adj. EBITDA</b>	<b>\$ 46</b>	<b>\$ 81</b>	<b>-43%</b>
<i>% Margin</i>	11.8%	16.1%	-
<b>Adj. Operating Income</b>	<b>\$ 14</b>	<b>\$ 49</b>	<b>-72%</b>
<i>% Margin</i>	3.5%	9.7%	-
<b>Adj. Net Income</b>	<b>\$ 14</b>	<b>\$ 44</b>	<b>-68%</b>
<b>Adj. EPS</b>	<b>\$ 0.23</b>	<b>\$ 0.74</b>	<b>-69%</b>

Note: See Form 10-Q for reconciliation of historical Adjusted EBITDA and Adjusted Net Income.

# Historical P&L



(\$ millions)	YR 2015	YR 2016	YR 2017	YR 2018	YR 2019	YR 2020	% Chg. 2015	% Chg. 2016	% Chg. 2017	% Chg. 2018	% Chg. 2019	% Chg. 2020
Full Service Center-Based Child Care	\$ 1,236	\$1,322	\$1,458	\$1,586	\$1,684	\$1,032	+7%	+7%	+10%	+9%	+6%	-39%
Back-Up Care	182	200	224	246	296	388	+11%	+10%	+12%	+10%	+21%	+31%
Educational Advisory Services	40	48	59	71	82	95	+20%	+20%	+23%	+21%	+14%	+16%
<b>Total Revenue</b>	<b>\$ 1,458</b>	<b>\$ 1,570</b>	<b>\$ 1,741</b>	<b>\$1,903</b>	<b>\$2,062</b>	<b>\$1,515</b>	<b>+8%</b>	<b>+8%</b>	<b>+11%</b>	<b>+9%</b>	<b>+8%</b>	<b>-27%</b>
<b>Gross Profit</b>	<b>\$ 358</b>	<b>\$ 391</b>	<b>\$ 431</b>	<b>\$473</b>	<b>\$523</b>	<b>\$305</b>	<b>+14%</b>	<b>+9%</b>	<b>+10%</b>	<b>+10%</b>	<b>+10%</b>	<b>-42%</b>
<i>% Margin</i>	<i>24.5%</i>	<i>24.9%</i>	<i>24.7%</i>	<i>24.9%</i>	<i>25.4%</i>	<i>20.1%</i>	-	-	-	-	-	-
<b>Adj. EBITDA</b>	<b>\$ 273</b>	<b>\$ 299</b>	<b>\$ 324</b>	<b>\$357</b>	<b>\$395</b>	<b>\$224</b>	<b>+15%</b>	<b>+10%</b>	<b>+8%</b>	<b>+10%</b>	<b>+11%</b>	<b>-43%</b>
<i>% Margin</i>	<i>18.7%</i>	<i>19.1%</i>	<i>18.6%</i>	<i>18.8%</i>	<i>19.1%</i>	<i>14.8%</i>	-	-	-	-	-	-
<b>Adj. Net Income</b>	<b>\$ 115</b>	<b>\$ 131</b>	<b>\$ 162</b>	<b>190</b>	<b>217</b>	<b>94</b>	<b>+19%</b>	<b>+14%</b>	<b>+24%</b>	<b>+17%</b>	<b>+14%</b>	<b>-57%</b>
<b>Adj. EPS</b>	<b>\$ 1.85</b>	<b>\$ 2.16</b>	<b>\$ 2.69</b>	<b>\$3.21</b>	<b>\$3.67</b>	<b>\$1.55</b>	<b>+28%</b>	<b>+17%</b>	<b>+25%</b>	<b>+19%</b>	<b>+14%</b>	<b>-58%</b>

# Summary Of Adjustments To EBITDA and Net Income



	Fiscal Year Ended December 31,							Q1
Adjustments to EBITDA (\$M)	2014	2015	2016	2017	2018	2019	2020	2021
<b>EBITDA</b>	<b>\$224.3</b>	<b>\$260.2</b>	<b>\$271.4</b>	<b>\$300.2</b>	<b>\$340.0</b>	<b>376.1</b>	<b>\$165.0</b>	<b>\$41.0</b>
Non-cash Operating Lease Expense	3.1	2.7	2.6	4.3	1.3	0.9	-	-
Stock-based Compensation Expense	7.9	9.2	11.6	12.1	13.8	17.2	21.0	5.3
Loss on Extinguishment of Debt	-	-	11.1	-	-	-	-	-
Offering, Acquisition, COVID-19 & Other Costs	2.7	0.9	2.5	7.0	1.9	0.6	38.4	-
<b>Total Adjustments</b>	<b>\$ 13.7</b>	<b>\$12.8</b>	<b>\$27.8</b>	<b>\$23.4</b>	<b>\$17.0</b>	<b>\$18.8</b>	<b>\$59.4</b>	<b>\$5.3</b>
<b>Adjusted EBITDA</b>	<b>\$238.0</b>	<b>\$273.0</b>	<b>\$299.2</b>	<b>\$323.6</b>	<b>\$357.1</b>	<b>\$394.9</b>	<b>\$224.4</b>	<b>\$46.3</b>
<b>Adjustments to Net Income</b>								
<b>Income (loss) before tax</b>	<b>\$112.3</b>	<b>\$140.1</b>	<b>\$143.2</b>	<b>\$161.4</b>	<b>\$191.6</b>	<b>\$222.7</b>	<b>\$16.9</b>	<b>\$4.7</b>
Stock Compensation Expense	7.9	9.2	11.6	12.1	13.8	17.2	21.1	5.3
Amortization	29.0	28.0	29.6	32.5	32.6	33.6	31.7	7.5
Loss on Extinguishment of Debt	-	-	11.1	-	-	-	-	-
Offering, Acquisition, COVID-19 & Other Costs	2.7	0.9	2.5	7.0	1.9	0.6	38.4	-
Tax Effect	(54.7)	(62.8)	(67.3)	(50.8)	(50.3)	(57.6)	(13.2)	(3.7)
<b>Adjusted Net Income</b>	<b>\$97.2</b>	<b>\$115.4</b>	<b>\$130.7</b>	<b>\$162.2</b>	<b>\$189.5</b>	<b>\$216.6</b>	<b>\$93.5</b>	<b>\$13.9</b>

# Thank You!



***Bright Horizons®** provides an array of work/life benefits that helps employees be their most productive and present at work by ensuring they can manage their most pressing responsibilities at home.*

For 30+ years, our services have helped leading employers in every industry meet strategic business objectives including:

- Recruitment
- Retention
- Employee engagement & productivity
- Reduced absenteeism