

Bright Horizons Family Solutions, Inc. (BFAM)

Strong Q2 Likely Satisfies Increased Investor Expectations

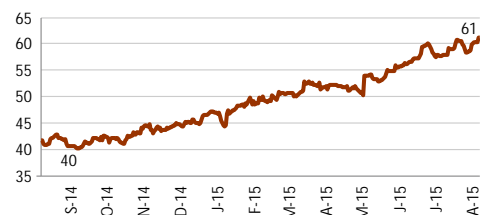
Maintain Neutral on valuation. Another good quarter that likely satisfies increased investor expectations. Q2 revenue was solid (+7% org. cc), but appears slightly below consensus on a comparable organic cc basis. However, the margin performance was once again excellent, and drove adj. EPS upside. '15 revenue and adj. EBITDA growth guidance ranges were maintained, while adj. EPS guidance was increased (benefits from previously announced acquisition and share repurchase). We are Neutral on valuation, but more confident in multi-year growth outlook.

- **Another very strong margin performance drives adj. EPS upside.**
 - **Solid revenue.** Revenue increased ~7% organic cc (FX 2.5% headwind, acquisitions contributed 1.5%) to \$370.5mn, consistent with consensus (although not all estimates adjusted for Hildebrandt acquisition; hence organic revenue performance may have been slightly worse than expected).
 - **Exceptional margins.** Adj. EBIT margin increased 200bps y/y and was 80bps above our estimate. All three segments expanded nicely y/y and continues to benefit from favorable mix-shift.
 - **EPS beat.** +29% y/y to \$0.53, \$0.04 above our estimate/consensus.
- **Guidance adjusted/increased.** Full-year guidance increased, due in part to adjusting for previously announced Hildebrandt acquisition and share repurchases (and Q2 adj. EPS upside).
 - Revenue guidance (+7-10%) and adj. EBITDA guidance (+14-16%) maintained, but adj. EPS growth guidance increased from +20-22% to +23-26%.
 - Q3 revenue guidance (+8-10% y/y) brackets consensus, and adj. EPS of \$0.40-\$0.42 vs. \$0.40 prior consensus.
- **We expect strong growth to continue intermediate term** given breadth of drivers:
 - **Revenue.** Mid-to-high single-digit organic cc revenue growth appears sustainable (pricing, enrollment growth, cross-sales, new clients).
 - **Margins.** We expect continued margin expansion in all three segments (more modest in Back-up Care) and continued favorable organic mix-shift. Management's target of 75-100bps/year appears highly achievable, in our view (significant growth driver vs. our '15 adj. EBIT margin estimate of 12.5%).
 - **Capital allocation accretion.** Has potential to and demonstrated track record of adding value through capital deployment while prudently operating with reasonable levels of financial leverage given business model (good M&A pipeline and traditionally executed at attractive multiples; ability to reduce sharecount through repurchases with low stock comp grants).
 - **Frankly, we materially underestimated margin expansion and capital allocation accretion potential in the past.**
- **Increasing our price target to \$64** given our increased estimates, consistency of performance, and our increased confidence in multi-year outlook.

Bright Horizons Family Solutions is a leading provider of high-quality child care and early education services, back-up care, and educational advisory services.

RAISING PRICE TARGET

1-Year Price Chart



Stock Data

Rating:	Neutral
Suitability:	Average Risk
Price Target/Previous:	▲\$64/\$53
Price (8/4/15):	\$61.25
Market Cap (mil):	\$3,853
Shares Out (mil):	62.9
Average Daily Vol (mil):	0.17
Dividend Yield:	0.0%

Estimates

FY Dec	2014A	2015E	2016E
Q1	0.34 A	0.43 A	
Q2	0.41 A	0.53 A	
Q3	0.32 A	0.42 E	
Q4	0.39 A	0.46 E	
Fiscal EPS	1.45 A	1.83 E	2.14 E
Previous Est		1.77 E	2.04 E
Fiscal P/E	42.2x	33.5x	28.6x

Chart/Table Sources: Factset and Baird Data

EPS (Net): Our EPS estimates are pro-forma "adjusted" EPS figures that exclude sponsor management fees, stock-based compensation expense, amortization expense, and other unusual items.

**Please refer to Appendix
- Important Disclosures
and Analyst Certification**

Details

Our **\$64 price target** reflects ~30x our F'16 adj. EPS estimate (historical average NTM P/E since post-LBO IPO has been ~27x; range of 23.5x-30.9x).

2Q15 Results

Bright Horizons (NASDAQ-BFAM)										
Quarterly Results and Variance Sheet										
	Quarterly Results					Percent of Revenue				
	2Q15	2Q14	Change	Baird	Variance	Cons.	Variance	2Q15	2Q14	Baird
Revenue	\$ 370,465	\$ 348,100	6%	\$ 369,050	0%	\$ 370,600	(0%)			
Cost of Sales (incl. depreciation)	274,605	264,986	4%	279,458	(2%)					
Gross Profit	95,860	83,114	15%	89,592	7%			25.9%	23.9%	24.3%
Adj. SG&A Expense (incl. depreciation) ¹	36,203	32,669	11%	33,130	9%			9.8%	9.4%	9.0%
Adj. EBITDA (incl. recurring SBC)	72,451	62,405	16%	70,276	3%			19.6%	17.9%	19.0%
Depreciation (incl. in COGS and SG&A)	12,448	11,960	4%	13,214	(6%)					
Stock compensation expense	2,300	2,038		2,438						
Adj. EBITDAE	74,751	64,443	16%	72,714	3%	73,000	2%	20.2%	18.5%	19.7%
Adj. EBIT	52,484	42,535	23%	49,390	6%	49,700	6%	14.2%	12.2%	13.4%
Straight-Line Rent	687	535		600	15%					
Interest	10,353	8,614	20%	10,431	(1%)			2.8%	2.5%	2.8%
Adj. Pretax Income (ex. amortization)	51,263	43,334		48,469	6%					
"Structural" Income Tax Expense est.	(18,198)	(15,817)	15%	(17,207)	6%					
Tax Rate	35.5%	36.5%		35.5%						
Pro-Forma Adj. Net Income	\$ 33,065	\$ 27,517	20%	\$ 31,263	6%			8.9%	7.9%	8.5%
Pro-Forma Adj. EPS*	\$ 0.53	\$ 0.41	29%	\$0.49	0.04	\$0.49	0.04			
Diluted Shares	62,858	67,333	(7%)	63,474	(1%)					

*Pro-forma adj. EPS excludes go-private amortization, straight line rent exp., and mgmt fee, but incl. recurring equity exp.

Source: Company reports and Robert W. Baird estimates

Solid Q2 results highlighted by another quarter of strong margin performance, although organic revenue likely slightly below the prior consensus.

- Revenue: +6% y/y to \$370.5mn, roughly in line with \$370.6mn, but benefiting from greater-than-expected M&A contribution mid-quarter.
- Adj. EBITDA: +16% y/y to \$74.8mn, above the \$73mn consensus (guidance: \$72mn-\$74mn); margin +170 bps y/y with significant expansion in every segment.
- Adj. EPS: +29% y/y to \$0.53, above \$0.49 consensus/\$0.48-\$0.50 guidance

Guidance

Full-year adj. EPS guidance increased (although aided by lower share count), and revenue and adj. EBITDA guidance both maintained, despite incremental M&A activity (gross new center additions now estimated at 80-85 vs. 45-50 previously).

- Revenue +7-10% y/y to (implies \$1.447-\$1.488bn vs. \$1.455bn prior consensus).
- Adj. EBITDA of \$271.4-\$276.2mn (+14-16% y/y) vs. \$272.8 prior consensus.
- Adj. net income +15-17% y/y (implies \$111.8-\$113.8mn vs. \$111.6mn prior consensus).
- Adj. EPS +23-26% y/y vs. +20-22%, previously (implies \$1.79 - \$1.83 vs. \$1.77 consensus).
- Weighted average shares of 63 million vs. 64 million previously.

3Q15 guidance: revenue and adj. EBITDA guidance maintained, adj. EPS increased slightly

- Revenue growth of 8-10% y/y, implying \$361.8-\$368.5mn compared to the \$364mn prior consensus.
- Adj. EPS \$0.40 to \$0.42; low end in line with the prior \$0.40 consensus, although including lower share count.

Segment Details

Bright Horizons operates three reportable segments: Full Service Center-Based Care (daily care located at or near employer work sites), Back-Up Dependent Care (last-minute child/elderly care via BFAM dedicated centers, or a proprietary contracted network of center-based providers/in-home care agencies), and Educational Advisory Services (college admissions services for employees and tuition assistance/reimbursement management for employees/ employers).

Full Service Child-Care & Early Education (~86% of 2014 Total Revenue; 70% of EBIT)

Bright Horizons (NASDAQ-BFAM)

Full Service Child-Care & Early Education Segment Results and Variance Sheet

	Quarterly Results			Baird est.	Variance
	2Q15	2Q14	Change		
Full-Service Segment Revenue	\$ 317,181	\$ 300,724	5.5%	\$ 315,760	0%
Full-Service Segment EBIT	\$ 36,669	\$ 29,497	24.3%	\$ 33,786	9%
<i>EBIT Margin</i>	<i>11.6%</i>	<i>9.8%</i>		<i>10.7%</i>	
Average # Centers	904	882	2.5%		
Revenue/Avg. # Centers	\$ 351	\$ 341	2.9%		

Source: Company reports and Robert W. Baird estimates

Full Service revenue growth continues solid growth.

- Revenue increased +5.5% y/y to \$317.2 million (~2.5% headwind due to FX), up from +4.6% in Q1, and roughly in line with our 315.8 estimate. Growth was driven by continued enrollment increases in the company's mature centers (+2% y/y), ramping newer centers, and price increases (avg. 3-4% y/y), which were partially offset by the noted FX headwinds and lost revenue associated with previous center closures (~2% impact).
- Segment EBIT increased 24.3% y/y to \$36.7 million, and was above our \$33.8 million estimate, with segment margin +180 bps y/y to 11.6%, above our 10.7% estimate (benefit from continued growth in mature centers, coupled with lessening headwind from ramping lease consortium centers).

Hildebrandt Learning Centers Acquisition

BFAM acquired Pennsylvania-based Hildebrandt Learnings Centers in May 2015 for ~\$19mn, adding 40 child care centers in Pennsylvania and the Mid-Atlantic area. Annualized revenue is in the range of \$33-\$35mn for the group, slightly less than \$1mn per site, and management noted that Hildebrandt's margin characteristics carry similar economics as its existing cost-plus contracts (gross margins in the range of 15-20%).

Back-Up Care (~12% of revenue; 27% of EBIT)**Bright Horizons (NASDAQ-BFAM)**

Back-Up Care Segment Results and Variance Sheet

	Quarterly Results			Baird est.	Variance
	2Q15	2Q14	Change		
Back-Up Care Segment Revenue	\$ 44,404	\$ 39,740	11.7%	\$ 44,509	(0%)
Back-Up Care Segment EBIT	\$ 14,240	\$ 12,181	16.9%	\$ 14,243	(0%)
EBIT Margin	32.1%	30.7%		32.0%	

Source: Company reports and Robert W. Baird estimates

Back-Up Care continues to post very solid performance, in line with our estimates.

- Revenue growth accelerated slightly from +11.1% in Q1-15 to +11.7% in Q2-15, in line with our \$44.5mn estimate.
- EBIT increased an even stronger 16.9% y/y to \$14.2 million with margins +140bps y/y (32.1% vs. our 32.0% estimate).

Educational Advisory Services (~2% revenue; 3% EBIT)**Bright Horizons (NASDAQ-BFAM)**

Educational Advisory Services

	Quarterly Results			Baird est.	Variance
	2Q15	2Q14	Change		
Education Advisory Services Segment Revenue	\$ 8,880	\$ 7,636	16.3%	\$ 8,781	1%
Education Advisory Services Segment EBIT	\$ 1,575	\$ 857	83.8%	\$ 1,361	16%
EBIT Margin	17.7%	11.2%		15.5%	

Source: Company reports and Robert W. Baird estimates

Educational Advisory accelerates growth aided by new clients and expanded utilization of services.

- Revenue increased 16.3% y/y to \$8.9 million (underlying growth ex. accounting change ~20% y/y), accelerating on a sequential basis from +10.8% y/y growth in 1Q15 and just above/roughly in line with our \$8.8mn estimate.
- EBIT margin continued to improve significantly y/y, increasing from 11.2% to 17.7% and driving segment EBIT of \$1.6mn above our \$1.4mn estimate.

Balance Sheet and Cash Flow

Bright Horizons (NASDAQ-BFAM)					
Balance Sheet & Cash Flow					
	2Q15	1Q15	Q/Q Chg.	2Q14	Y/Y Chg.
Cash and Equivalents	\$ 76,920	\$ 123,661	(38%)	\$ 112,283	(31%)
Total Debt	\$ 918,163	\$ 919,639	(0%)	\$ 761,779	21%
Net cash/share	\$ (13.38)	\$ (11.82)	13%	\$ (10.23)	31%
Working Capital	\$ (83,450)	\$ (18,327)	355%	\$ (25,374)	229%
Goodwill	\$ 1,111,454	\$ 1,087,479	2%	\$ 1,104,406	1%
Other intangible assets, net	\$ 398,418	\$ 398,262	0%	\$ 421,877	(6%)
Stockholder's Book Equity / (Deficit)	\$ 742,238	\$ 765,451	(3%)	\$ 951,728	(22%)
Book value/share	\$ 11.81	\$ 11.37	4%	\$ 14.99	(21%)
Cash Flow from Operations	\$ 67,758	\$ 47,262	43%	\$ 52,728	29%
Cap Ex	\$ (24,889)	\$ (16,911)	47%	\$ (16,270)	53%
Free Cash Flow	\$ 42,869	\$ 30,351	41%	\$ 36,458	18%

Sources: Company Data and RW Baird Estimates

Source: Company reports and Robert W. Baird estimates

- **Cash & equivalents** of \$76.92 million and **total debt** of \$918.2 million (net debt/sh. of \$13.38)
- **FFFO** of \$67.8mn during 2Q15, up 29% y/y vs. \$52.3mn in 2Q14.
- **Cap ex** of \$24.9mn up y/y compared to \$16.3mn in 2Q14.
- **FCF** of \$42.9mn during 2Q15 compared to \$36.5mn during 2Q14.

Investment Thesis

Attractive investment characteristics. BFAM operates under a solid business model, with high returns on capital, recurring revenue streams, demand that is largely non-cyclical (modest amount of pro-cyclicality of demand), and solid operating margins. Additionally, employer-sponsored partnerships further enhance BFAM's economics by increasing marketing efficiency (employers help market the benefit to employees), and employer-funded or co-funded capex models further improves ROIC.

Rare consistent long-term revenue growth and margin expansion track record. BFAM has achieved a 10+-year historical track record of annual revenue growth and margin expansion in every calendar year from 2001-2013 (we expect a similar performance in 2014 as well), with 12-year revenue and adjusted EBITDA CAGRs of 11% and 18% from 2001-2013.

Multiple avenues for growth. We believe that BFAM is well positioned for continued revenue growth and margin expansion, given its leading position in the fragmented Full Service market, with opportunities for organic enrollment growth, acquisitions with attractive economics, and tuition price increases (avg. 3-5% over past five years), complemented by continued strong growth in high-margin Back-Up Care (generated 30.4% '14 operating margin), and scaling of Educational Advisory business where initial traction is encouraging.

Potential to execute M&A at attractive multiples with proven track record. Most historical acquisitions have been executed at ~5x-7x EBITDA, with the potential for BFAM to improve the operations of its acquired assets while leveraging its brand name, corporate relationships, and corporate expenses. Acquisitions have historically contributed ~30% of revenue growth.

High visibility business/financial model. Employer contracts are typically 7-10 years, providing a

consistent recurring revenue stream and significant forward visibility. Additionally, approximately 30% of Bright Horizons centers are under cost-plus contracts (guaranteed economics and no margin/enrollment risk for BFAM), and new center expansions follow an identifiable development process (typical 6-18 month sales cycle followed by 6-18 month execution to center opening).

Experienced management team. Company management is long tenured, with its top three executives with the company since at least 1997 and in their current roles since at least 2002 (including when the company was last public), with a strong track record operating BFAM as a publicly traded organization.

Improving balance sheet. Continued strong adjusted EBITDA growth while the company was private materially reduced its financial leverage ratios. The company also completed an all-primary share initial public offering in 2013, and used its net proceeds to repay 13% interest rate debt, and further reduced its interest expense through a parallel debt refinancing (between its IPO and refinancing, we estimate that BFAM reduced its effective average interest rate on outstanding debt from ~8.5% to ~4.0%, in addition to reducing its debt outstanding). Consequently, we estimated BFAM's annual interest expense has been reduced from roughly \$78.8mn to roughly \$41 million. Its current financial leverage and the potential for continued deleveraging position the company for even stronger net income/EPS growth.

Risks & Caveats

Significant financial leverage. Current net debt post 2Q15 of \$841.2mn, which reflects ~3.0x our F'15 adj. EBITDA estimate and 3.3x LTM EBITDA

Premium-priced offerings. BFAM largely offers high-quality, premium-priced services, arguably narrowing the company's potential target market. Further, underlying pricing increases have historically been a key driver of revenue growth and margin expansion, and the company may not be able to continue to increase prices in the future above the rate of its expense base inflation without negatively impacting enrollment.

M&A execution and integration. M&A activity (incl. international) is a recurring aspect of BFAM's business model, presenting inherent acquisition risk; acquisitions may also be unavailable at BFAM's historical ~5x-7x EV/EBITDA multiple.

Cyclical sensitivity. We believe that there is a modest amount of pro-cyclicality of demand (has historically achieved stronger growth during economic expansions), and contractions in the number of employer-client's employees or an increase in potential stay at home care givers (spouse or relative out of work) has the potential to negatively impact demand.

Reputational risk, regulated industry. Reputation and accreditation are key selling points for Bright Horizons. Therefore, potential allegations of failing to meet a standard of care, or loss of accreditation could negatively impact its business.

Potential lawsuits. BFAM could face potential lawsuits, including if injury and/or sickness were to occur at Bright Horizons' child care centers, although it typically maintains insurance for such potential occurrences.

Majority ownership by private equity sponsor. Following the completion of its initial public offering and secondary offerings, ~37% of BFAM's outstanding stock is owned by investment funds affiliated with its Financial Sponsor, Bain Capital, providing it with majority ownership. Further, potential follow-on offerings could potentially serve as an overhang on the stock.

Company Description

Bright Horizons Family Solutions, founded in 1986 and headquartered in Watertown, MA, is a leading provider of high quality solutions that help employers recruit and retain talent, and improve employee productivity, while helping families better address work/life challenges. The company primarily provides services through multi-year contracts with employers who provide child care, early education, and other dependent care benefits to employees included in benefits packages. BFAM has more than

850 client relationships with employers across a wide selection of industries, including more than 130 Fortune 500 companies. As of June 30, Bright Horizons operated a total of 922 child care and early education centers with capacity for ~106k children throughout the United States, UK, the Netherlands, Ireland, Canada and India.



Bright Horizons (NASDAQ-BFAM)

August 4, 2015

Fiscal year ends: December

Figures in 000s, except per share data

Robert W. Baird & Co., Inc.
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Segment Data	2010	2011	2012	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15	Q3-15E	Q4-15E	2015E	2016E
FULL SERVICE - CHILD CARE & EARLY EDUCATION																			
Revenue	769,235	844,594	922,960	242,250	269,910	263,198	274,496	1,049,854	287,024	300,724	282,798	286,116	1,156,662	300,334	317,181	308,250	316,158	1,241,923	1,359,718
Y/Y Chg.	2.1%	9.8%	9.3%	8.1%	14.6%	14.4%	17.7%	13.7%	18.5%	11.4%	7.4%	4.2%	10.2%	4.6%	5.5%	9.0%	10.5%	7.4%	9.5%
EBIT	46,770	58,949	71,571	20,206	24,974	18,140	19,151	82,471	22,561	29,497	19,079	23,463	94,600	28,275	36,669	24,803	27,506	117,253	134,997
Y/Y Chg.	-6.9%	26.0%	m	17.6%	14.2%	11.9%	17.5%	15.2%	11.7%	18.1%	5.2%	22.5%	14.7%	25.3%	24.3%	30.0%	17.2%	23.9%	15.1%
EBIT Margin	6.1%	7.0%	7.8%	8.3%	9.3%	6.9%	7.0%	7.9%	7.9%	9.8%	6.7%	8.2%	8.2%	9.4%	11.6%	8.0%	8.7%	9.4%	9.9%
# Centers (ending)																			
Worldwide	705	743	765	773	843	880	880	880	881	882	876	884	884	885	922	928	934	934	954
Y/Y Chg.	1.6%	5.4%	3.0%	4.0%	9.1%	13.4%	15.0%	15.0%					0.5%					5.7%	2.1%
Average # Centers	699.5	724.0	754.0	769.0	808.0	861.5	880.0	822.5	880.5	881.5	879.0	880.0	882	884.5	903.5	925.0	931.0	909.0	944.0
Revenue/Avg. # Centers	1,100	1,167	1,224	315	334	306	312	1,276	326	341	322	325	1,311	340	351	333	340	1,366	1,440
Y/Y Chg.	-0.6%	6.1%	4.9%	4.5%	7.5%	2.8%	3.0%	4.3%	3.5%	2.1%	5.3%	4.2%	2.7%	4.2%	2.9%	3.6%	4.4%	4.2%	5.4%
ANCILLARY SERVICES																			
Back-Up Care																			
Revenue	99,086	114,502	129,336	33,161	35,717	38,648	36,906	144,432	37,456	39,740	43,493	42,197	162,886	41,601	44,404	48,930	47,472	182,406	202,471
Y/Y Chg.	8.5%	15.6%	13.0%	10.1%	12.8%	17.2%	6.7%	11.7%	13.0%	11.3%	12.5%	14.3%	12.8%	11.1%	11.7%	12.5%	12.5%	12.0%	11.0%
EBIT	21,140	28,669	36,390	9,320	10,927	10,215	11,100	41,562	11,692	12,181	12,356	13,358	49,587	13,761	14,240	14,434	15,428	57,864	65,241
Y/Y Chg.	27.5%	35.6%	26.9%	5.8%	19.0%	21.9%	10.8%	14.2%	25.5%	11.5%	21.0%	20.3%	19.3%	17.7%	16.9%	16.8%	15.5%	16.7%	12.7%
EBIT Margin	21.3%	25.0%	28.1%	28.1%	30.6%	26.4%	30.1%	28.8%	31.2%	30.7%	28.4%	31.7%	30.4%	33.1%	32.1%	29.5%	32.5%	31.7%	32.2%
Educational Advisory Services																			
Revenue	9,838	14,604	18,642	4,712	5,186	6,817	7,775	24,490	7,675	7,636	8,685	9,455	33,451	8,505	8,880	10,422	11,819	39,626	47,551
Y/Y Chg.	25.2%	48.4%	27.6%	18.7%	22.4%	39.9%	39.8%	31.4%	62.9%	47.2%	27.4%	21.6%	36.6%	10.8%	16.3%	20.0%	25.0%	18.5%	20.0%
EBIT	752	(783)	2,621	(122)	408	1,181	1,350	2,817	308	857	1,611	2,657	5,433	805	1,575	2,553	3,250	8,184	11,506
Y/Y Chg.	NM	NM	NM	NM	274.9%	52.5%	-17.0%	7.5%	NM	110.0%	36.4%	96.8%	92.9%	NM	83.8%	58.5%	22.3%	50.6%	40.6%
EBIT Margin	7.6%	-5.4%	14.1%	-2.6%	7.9%	17.3%	17.4%	11.5%	4.0%	11.2%	18.5%	28.1%	16.2%	9.5%	17.7%	24.5%	27.5%	20.7%	24.2%
CONSOLIDATED																			
Revenue	878,159	973,701	1,070,937	280,123	310,813	308,663	319,177	1,218,776	332,155	348,100	334,976	337,768	1,352,999	350,440	370,465	367,601	375,449	1,463,955	1,609,740
Y/Y Chg.	3.0%	10.9%	10.0%	8.5%	14.5%	15.2%	16.7%	13.8%	18.6%	12.0%	8.5%	5.8%	11.0%	5.5%	6.4%	9.7%	11.2%	8.2%	10.0%
EBIT	68,662	86,835	110,582	29,404	36,309	29,536	31,601	126,850	34,561	42,535	33,046	39,478	149,620	42,841	52,484	41,791	46,184	183,300	211,743
Y/Y Chg.	2.8%	26.5%	27.3%	12.7%	16.5%	16.4%	13.1%	14.7%	17.5%	17.1%	11.9%	24.9%	18.0%	24.0%	23.4%	26.5%	17.0%	22.5%	15.5%
EBIT Margin	7.8%	8.9%	10.3%	10.5%	11.7%	9.6%	9.9%	10.4%	10.4%	12.2%	9.9%	11.7%	11.1%	12.2%	14.2%	11.4%	12.3%	12.5%	13.2%

Source: Company reports and Robert W. Baird & Co., Inc. estimates

Note: Above EBIT figures are pro-forma to exclude one-time stock-compensation expense and fee to terminate management sponsor fee.

Please refer to Appendix - Important Disclosures and Analyst Certification



Bright Horizons (NASDAQ-BFAM)

August 4, 2015

Fiscal year ends: December

Figures in 000s, except per share data

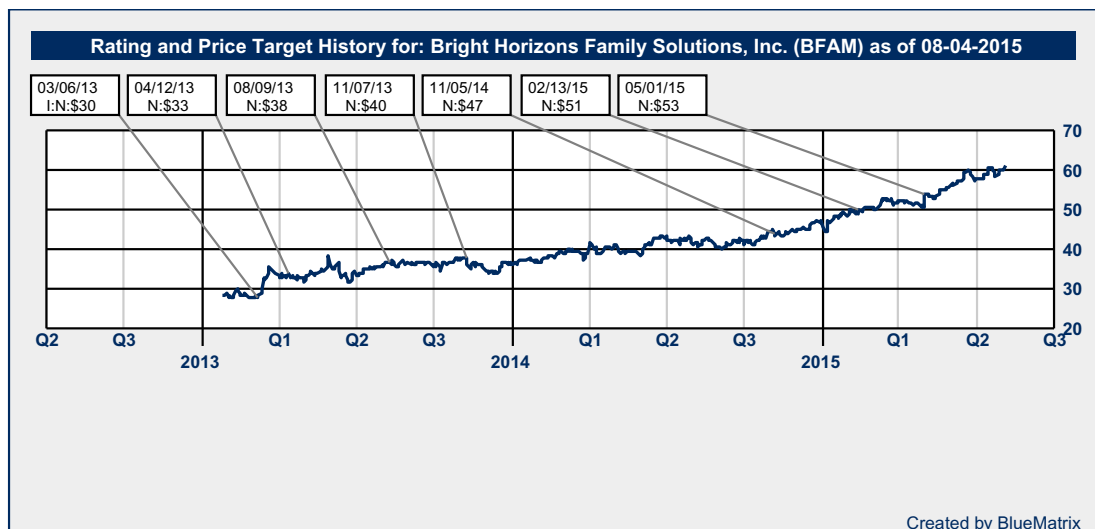
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Balance Sheet	2009	2010	2011	Q1-12	Q2-12	Q3-12	2012	Q1-13	Q2-13	Q3-13	2013	Q1-14	Q2-14	Q3-14	2014	Q1-15	Q2-15
ASSETS																	
<u>Current Assets</u>																	
Cash & cash equivalents	14,360	15,438	30,448	51,551	62,764	45,057	34,109	96,735	62,999	35,010	29,585	75,734	112,283	109,008	87,886	123,661	76,920
Accounts Receivable, net	52,697	59,122	60,656	48,124	48,314	47,988	62,714	57,535	56,664	55,418	78,691	59,361	58,084	64,660	83,066	74,709	67,740
Income taxes receivable	38,227	18,118	17	17	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	22,354	20,104	20,485	20,910	22,787	24,440	27,998	41,213	42,237	45,909	45,173	45,173	41,286	43,712	39,147	-	-
Prepaid income taxes	-	8,862	2,070	1,621	160	204	-	-	-	-	-	-	-	-	-	-	-
Current deferred income taxes	-	9,498	10,529	10,499	10,859	11,196	11,196	11,470	11,310	11,335	11,721	8,733	13,028	13,057	13,059	55,779	60,353
Total Current Assets	127,638	131,142	124,205	132,722	144,884	128,885	136,017	206,953	173,210	147,672	165,170	189,001	224,681	230,437	223,158	254,149	205,013
<u>Non-Current Assets</u>																	
Fixed assets, net	208,142	219,837	237,157	243,332	313,060	328,358	340,376	346,044	366,802	385,598	390,894	393,467	400,724	398,635	398,947	396,626	416,152
Goodwill	883,348	887,895	947,371	946,497	990,894	991,967	993,397	987,779	1,047,049	1,097,447	1,096,283	1,096,567	1,104,406	1,096,840	1,095,738	1,087,479	1,111,454
Other intangibles, net	502,218	475,115	453,117	446,701	444,270	440,067	432,580	424,627	434,398	444,841	435,060	427,356	421,877	413,485	406,249	398,262	398,418
Deferred income taxes	-	204	1,814	2,124	717	1,632	-	-	125	128	132	132	239	229	580	-	-
Other assets	11,378	7,499	7,500	7,665	7,506	8,694	11,262	9,947	11,167	12,081	15,131	14,989	14,555	14,212	16,404	16,998	17,633
Total Non-Current Assets	1,605,086	1,590,550	1,646,959	1,646,319	1,756,447	1,770,718	1,777,615	1,768,397	1,859,541	1,940,095	1,937,500	1,932,511	1,941,801	1,923,401	1,917,918	1,899,365	1,943,657
TOTAL ASSETS	1,732,724	1,721,692	1,771,164	1,779,041	1,901,331	1,899,603	1,913,632	1,975,350	2,032,751	2,087,767	2,102,670	2,121,512	2,166,482	2,153,838	2,141,076	2,153,514	2,148,670
LIABILITIES & STOCKHOLDERS' EQUITY																	
<u>Current Liabilities</u>																	
Long-term debt-current portion	11	3,654	4,814	-	850	850	2,036	7,900	7,900	7,900	7,900	7,900	7,900	7,900	9,550	9,550	9,550
Line of credit payable	38,800	18,500	-	-	-	-	-	-	-	20,600	-	-	-	-	-	-	-
Accounts payable and accrued expenses	75,578	73,688	89,033	85,802	113,737	102,956	97,207	99,932	111,066	109,034	107,626	104,686	112,415	103,839	116,425	112,237	136,390
Deferred revenue-current portion	74,134	82,306	90,845	95,954	90,338	83,555	102,650	118,458	108,905	98,015	113,832	103,194	113,504	112,627	133,048	150,689	142,523
Other current liabilities	8,766	7,715	8,980	9,256	20,326	14,787	-	-	17,474	24,882	25,730	25,730	16,236	13,411	20,400	-	-
Total Current Liabilities	197,289	185,863	193,672	191,012	225,251	202,148	201,893	226,290	245,345	260,431	255,088	241,510	250,055	237,777	279,423	272,476	288,463
<u>Non-Current Liabilities</u>																	
Long-term debt, ex. current portion due	756,070	773,304	794,443	801,710	890,510	898,047	904,607	759,987	758,766	757,544	756,323	755,101	753,879	752,657	911,627	910,089	908,613
Other Liabilities	31,579	37,918	44,984	46,087	47,117	50,463	52,388	52,743	56,435	59,317	62,234	70,070	70,825	70,969	72,031	75,025	78,700
Deferred income taxes	174,295	160,407	156,144	153,454	143,322	143,025	146,404	146,277	151,820	152,432	139,888	139,893	139,995	139,963	127,036	130,473	130,656
Total Non-Current Liabilities	961,944	971,629	995,571	1,001,251	1,080,949	1,091,535	1,103,399	959,007	967,021	969,293	958,445	965,064	964,699	963,589	1,110,694	1,115,587	1,117,969
Total Liabilities	1,159,233	1,157,492	1,189,243	1,192,263	1,306,200	1,293,683	1,305,292	1,185,297	1,212,366	1,229,724	1,213,533	1,206,574	1,214,754	1,201,366	1,390,117	1,388,063	1,406,432
Redeemable noncontrolling interest	-	-	15,527	16,091	15,296	15,825	8,126	7,843	7,894	8,093	-	-	-	-	-	-	-
Total Stockholders' Equity	573,491	564,200	566,394	570,687	579,835	590,095	600,214	782,210	812,491	849,950	889,137	914,938	951,728	952,472	750,959	765,451	742,238
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	1,732,724	1,721,692	1,771,164	1,779,041	1,901,331	1,899,603	1,913,632	1,975,350	2,032,751	2,087,767	2,102,670	2,121,512	2,166,482	2,153,838	2,141,076	2,153,514	2,148,670
Liquidity Metrics																	
Net Working Capital	(69,651)	(54,721)	(69,467)	(58,290)	(80,367)	(73,263)	(65,876)	(19,337)	(72,135)	(112,759)	(89,918)	(52,509)	(25,374)	(7,340)	(66,265)	(18,327)	(83,450)
Net Cash/(Debt)	(780,521)	(780,020)	(768,809)	(750,159)	(828,596)	(853,840)	(872,534)	(671,152)	(703,667)	(751,034)	(734,638)	(687,267)	(649,496)	(651,549)	(833,291)	(795,978)	(841,243)
Net Cash/(Debt) per share (avg. Q dil.)				(14.22)	(15.70)	(16.18)	(16.45)	(10.70)	(10.56)	(11.24)	(10.96)	(10.23)	(9.66)	(9.68)	(12.32)	(11.84)	(12.52)

Source: Company reports and Robert W. Baird & Co., Inc. estimates

Please refer to Appendix - Important Disclosures and Analyst Certification

Appendix - Important Disclosures and Analyst Certification



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