



THE BUILDING BLOCKS OF SUCCESS

An A- Z of Acronyms in the Business Transfer Industry

Christie & Co is a specialist property advisor with 90 years' experience in the education, childcare, specialist childcare, care, retail, hospitality, leisure and medical sectors. With 12 offices across the UK and 10 international offices, we focus on advisory, consultancy, valuation services, brokerage and can provide access to finance across our key sectors.

A

APA
Asset Purchase Agreement

The legal agreement made between a buyer and a seller that finalises terms and conditions related to the purchase and sale of a company's assets. For nursery businesses the most notable asset will be the property from which the nursery trades, be that a freehold or a leasehold building.

B

BRC
Building Reinstatement Cost

The BRC is the amount it would cost to completely rebuild a nursery in the event of it being destroyed beyond repair, such as in the event of a fire. BRC is the terminology used when considering building insurance and business protection.

C

CGT
Capital Gains Tax

This is the tax payable on the profit made when you sell an asset which has increased in value.

D

DD
Due Diligence

The process by which a buyer of a business or asset investigates the target by reviewing legal, financial and commercial information relating to it to support a valuation, establish whether there are any matters on which it requires further information, or uncover any issues which may require some form of renegotiation or contractual protection.

E **EBITDA**
Earnings before interest tax
depreciation and amortisation

The key financial consideration on which basis day nurseries are valued, bought and sold.

F **FTE**
Full Time Equivalent

FTE is used to establish the ratio of the total number of hours taken during a period (e.g. part time, full time over the course of a week) An FTE of 1.0 is equivalent to a full time child's place / 0.5 indicates half / 0.2 indicates 1 day out of 5.

G **GIA**
Gross Internal Area

Gross Internal Area is the area of a building measured to the internal face of the perimeter walls at each floor level.

H **HOC'S**
Head Office Costs

The costs incurred by a nursery groups Head Office, as a function of operating a portfolio of day nurseries. Also referred to as Central Costs.

I **IC**
Investment Committee

An investment committee are a group of individuals or board, that appraise the credentials of any given prospective investment. They determine whether or not such investment will be sanctioned and made. So my perspective nursery purchasers, may have an acquisition internal acquisition process which means IC approval must be sought and gained before transaction completion.

J **JV**
Joint Venture

A joint venture is a commercial arrangement between two parties seeking the same objective. For example, an NHS workplace nursery could be delivered via a joint venture partnership, with the NHS providing the property from which the nursery will operate, an operator providing the operating expertise.

K **KPI's**
Key Performance Indicators

Numerical performance appraisal, often assessed in percentage terms, which allow benchmarking to illustrate a nursery businesses operational efficiencies, often used to compare performance against comparable settings.

L **LTV**
Loan to Value

LTV is a commonly used as a banking finance term, which simply means the amount of money a lender is prepared to lend against the Market Value of an operational nursery business or a property.

M **MV**
Market Value

"The estimated amount for which an asset is expected to exchange at a date after the valuation date, and specified by the valuer, between a willing buyer and a willing seller, in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". (RICS Red Book)

N **NDA**
Non-Disclosure Agreement

An agreement entered into by two parties in order to protect confidentiality. Prospective business buyers are often requested to sign a NDA had any sensitive or confidential trading information being supplied to them.

O **OIRO**
Offers In the Region Of

A common pricing term used to indicate the flexibility around an asking price, encouraging serious offers to be placed. Another common term is OIEO (Offers in Excess Of) indicates offer expected above asking price.

P **PE**
Private Equity

Private equity firms invest capital in businesses where they can secure majority shareholdings, with the direct intention of growing that business over a 5 to 7 year, seeking high yielding returns on investment.

Q**QoE**
Quality of earnings

A financial accounting process that measures how sustainable a company's earnings are and how well they represent the company's core operations. High-quality earnings are consistent and not significantly influenced by non-recurring items, accounting adjustments, or financial engineering.

R**ROI**
Return On Investment

The Return on Investment, expressed as a percentage, is calculated in order to measure of the performance and efficiency of an investment.

S**SPA**
Share Purchase Agreement

The legal agreement made by a buyer and a seller that finalises terms and conditions related to the sale of company shares. For nurseries which trade as limited companies the property from which the nursery trades will most frequently be owned by the company and it is the company's shares, assets and liabilities which are being sold.

T**TUPE**
Transfer of Undertakings
(Protection of Employment)

The purpose of TUPE is to protect the contracted employees of a company/ business when it is sold or changes hands. It ensures the employee's terms and conditions of employment are transferred to a new employer.

U**USP**
Unique Selling Point

A USP is a unique factor which sets your nursery business apart from other competitors. A USP is something which specifically defines your service or setting.

V**VP**
Vacant Possession

VP is a term used to describe a property which is to be empty or free of any rights of occupation.

W**WC**
Working Capital

This is a cash balance (either positive or negative) showing the difference between current assets (i.e. cash in bank/payments due into the company) and current liabilities (i.e. debts to pay)

X**XBRL**
eXtensible Business
Reporting Language

This is a modern business term used to describe the language and data formats used generally in a business and accounting capacity. It involves the application of computer-readable tags to business data so that it can be processed automatically and transferred efficient on multiple software platforms.

Y**YE**
Year End

An accounting term used by nurseries which trade as limited companies. A company's financial year ordinarily runs for a 12- month period, for example 1 January – 31 December each year. YE is an abbreviation of year end, which for last year would have been expressed as YE2019 or YE19.

Z**Z-OC**
Zero Carbon

Over a year, the net carbon emissions from all energy use in the nursery are zero.

**Courteney Donaldson BSc (Hons) MRICS**

Managing Director, Childcare & Education

T: +44 161 833 6924

M: +44 7831 099 985

E: Courteney.Donaldson@christie.comE: childcareandeducation@christie.com

T: 0333 034 1751