

CASE STUDY

Goodstart Early Learning



Size: \$95 million

Goodstart Early Learning is a not-for-profit social enterprise that aims to raise the quality of early learning, enable all children access to and inclusion in early childhood programs, and provide a financially secure business model to reinvest into quality, inclusion, advocacy and research initiatives. Goodstart Early Learning was created in 2009 as a solution to fill the gap left by the collapse of ABC Learning (once the world's largest provider of child care services). Led by a consortium comprising Social Ventures Australia, the Benevolent Society, Mission Australia and the Brotherhood of St Laurence, Goodstart Early Learning was successful in raising \$95 million to acquire 678 childcare centres, through a combination of bank debt, government loans, subordinated notes and private investment. Today, Goodstart employs over 13,000 staff and is a leader of early learning and care in Australia.

THE INITIATIVE

Purpose of capital	To provide long-day care and early learning services for children
Sector	Education
Geography	Australia (centres in all States and Territories)
Scale of impact	<p>Goodstart Early Learning is one of the largest social enterprises in Australia and provides</p> <ul style="list-style-type: none"> • early learning and care for approximately 73,000 children • access for disadvantaged families and communities to integrated family and children's services • economic benefits including increased female workforce participation, improved educational performance and long term human capital and social capital outcomes
Timeline	<p>ABC Learning provided approximately 15% of childcare in Australia until it went into voluntary administration in 2008. The financial viability of the distressed ABC assets meant that a proposition presented itself to create a social enterprise at scale. The Goodstart Consortium was formed in November 2008 and sought expert advice on early childhood evidence and frameworks to inform its social impact objectives. After sufficient funding was raised, Goodstart was announced as the preferred winner for the bid on 9 December 2009, and acquired 678 centres for \$95 million.</p>

THE INVESTMENT

Investors	National Australia Bank, Australian Government, Private investors, the Goodstart Consortium (Social Ventures Australia, the Benevolent Society, Mission Australia and the Brotherhood of St Laurence)
Investee	Goodstart Early Learning. Goodstart is a non-for-profit that invests all surplus generated into early learning initiatives, for the benefit of Australia's children.
Investment structure and terms	<p>Private investment</p> <ul style="list-style-type: none"> • Unsecured social capital notes: \$22.5 million over 8 years at 12 per cent (41 private investors) • Non-cash subordinated notes: \$10 million at 15 per cent for advisory services (Benevolent Society, Brotherhood of St Laurence, Mission Australia, Social Ventures Australia) • Unsecured subordinated notes: \$7.5 million over 20 years at 15 per cent (Benevolent Society, Brotherhood of St Laurence, Mission Australia) <p>Bank finance</p> <ul style="list-style-type: none"> • Secured Senior Debt: \$50 million over 5 years at 10 per cent (National Australia Bank) • Operational capital: \$70 million in various forms (National Australia Bank) <p>Other</p> <ul style="list-style-type: none"> • Australian Government Secured Debt: \$15 million over 7 years at market yield for treasury fixed coupon bonds
Arranger/Lead	Social Ventures Australia
Source of deal	To take advantage of the opportunity to create a flagship early learning organisation following the collapse of ABC Learning, the Goodstart Consortium was formed. Social Ventures Australia, the Benevolent Society and Mission Australia joined in November 2008, and the Brotherhood of St Laurence joined the consortium in September 2009. To raise further capital, the consortium also approached National Australia Bank and the Australian Government. Finally, in September 2009, members also began approaching individual investors (philanthropists, high net-worth individuals) and foundations, and Goodstart raised the remaining \$22.5 million from these social investors.

THE IMPACT

Social, cultural or environmental impact	<p>As at 30 June 2014:</p> <ul style="list-style-type: none"> • Goodstart operated 644 early learning centres caring for more than 72,500 children from 60,500 families and employs more than 13,000 staff • Goodstart had 174 centres located in communities with a Socio-Economic Index (SEIFA) in the bottom 30 per cent of communities • 130 centres are in communities where the percentage of children assessed as developmentally vulnerable through the Australian Early Development Index (AEDI) is one-and-a-half times higher than the national average • Over 1000 staff are involved in delivering social inclusion programs • 1,118 children with special needs were supported in Goodstart centres • Over 76% of centres assessed in 2014 met or exceeded National Quality Standards • Staff attrition rate fell to 14.2 per cent (down from 23.8 per cent when the enterprise commenced)
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FINANCIAL RETURN

Financial return	<p>For the year ending 30 June 2014:</p> <ul style="list-style-type: none"> • Goodstart recorded an underlying operating surplus of \$40.4 million • \$43.1 million of debt was repaid (last of the external debt), saving Goodstart \$12.4 million in interest repayments over the next five years
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OTHER

Future opportunities	Goodstart has made considerable progress on its goals of quality, inclusion and stability. With their external debt repaid and the business stable, Goodstart has been taking up opportunities for a slow expansion of their network. They plan to increase their social inclusion programs in all centres and target investment in 55 high priority centres by 2020, as well as continue to provide high quality early learning and care experiences for children in Australia.
More information	www.goodstart.org.au