Risk Factors Comparison 2024-02-27 to 2023-02-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The following risk factors and other information included in this Annual Report should be carefully considered. Set forth below are certain risks related to our business, industry and common stock that could have an adverse effect on our operations. The risks described below are not the only risks we face. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial, may also impair our business, financial condition ~~or~~ **,** results of operations **or the trading price of our common stock** . Business and Operational Risks **Our business depends largely on our ability to hire and retain qualified teachers and maintain strong employee relations.** The **provision** ~~global COVID- 19 pandemic and recovery therefrom has significantly disrupted our operations and our financial condition and operating results and may continue to adversely impact our business. The COVID- 19 pandemic and the recovery therefrom has substantially disrupted our global operations, and we expect to continue to be impacted as the conditions persist. Although conditions continue to stabilize, the situation remains subject to rapid and potentially material changes. As~~ of ~~December 31, 2022, we operated 1, 078 early education and~~ child care **services is personnel intensive** ~~centers, 99 % of which were open~~ . **Our business depends** ~~While we are focused~~ on ~~the enrollment of our centers, the continued or additional disruptions to our business and potential adverse impacts to our financial condition and results of operations resulting from the COVID- 19 pandemic and recovery include, but are not limited to: • significant changes in the conditions of the markets we operate in may limit~~ our ability to **attract** ~~provide our services~~ , **train** ~~especially center- based child care and center- based back- up child care~~ , and **retain the appropriate mix of qualified employees** ~~may result in center closures; • inability to hire~~ and **on effectively implementing and** ~~maintain~~ **maintaining strong employee relations, cultivating** an **atmosphere** ~~adequate level~~ of ~~center~~ **trust, and effectively communicating the value proposition of working at Bright Horizons. Difficulty hiring or retaining appropriately qualified** staff ~~requiring us to constrain or reduce enrollment, close classrooms or centers in order to comply with mandated ratios, inability to retain teachers, and the impact to our operations if a significant percentage of our workforce is unable to work because of illness, quarantine, government restrictions, or difficulty maintaining or retaining staff, which~~ may have a disproportionate impact on our business compared to other companies that depend less on the in- person provision of services and do not directly provide care and education to young children ~~; • reduced or shifting demand for our services due to adverse and uncertain economic and demographic conditions, including as a result of clients that have been adversely impacted, and / or increased unemployment, school and business closures, lockdown orders, long- term shift to a remote workforce, and general effects of a broad- based economic recession; • a reduction or limit on governmental grant funding for COVID- 19 relief at the federal, state and local level could adversely impact our results of operations; and, • potential asset impairments or write- downs as we review assets impacted by the COVID- 19 pandemic. These factors could place limitations on our ability to operate effectively and could have a material adverse effect on our operations, financial condition and operating results. The recovery from the COVID- 19 pandemic could continue to have a negative impact on our results of operations, the size and duration of which we are currently unable to predict. Additional impacts may arise of which we are currently not aware, the nature and extent of which will depend on future developments which are highly uncertain and cannot be predicted. Our business depends largely on our ability to hire and retain qualified teachers and maintain strong employee relations. The provision of child care services is personnel intensive. Our business depends on our ability to attract, train, and retain the appropriate mix of qualified employees and on effectively implementing and maintaining strong employee relations, cultivating an atmosphere of trust, and effectively communicating the value proposition of working at Bright Horizons~~ . The early education and child care industry traditionally has experienced high turnover rates. In addition, state laws require our teachers and other staff members to meet certain educational and other minimum requirements, and we often require that teachers and staff at our centers have additional qualifications. We are also required by government regulation to maintain certain prescribed minimum teacher- to- child ratios. If we are unable to hire and retain qualified teachers at a center, we ~~could~~ **have been, and may in the future** be **,** required to **constrain or** reduce enrollment, close classrooms or centers or be prevented from accepting additional enrollment in order to comply with such mandated ratios. We **have been and** may continue to experience difficulty in attracting, hiring and retaining qualified teachers due to tight labor pools and **general labor shortages** ~~we may experience difficulty in attracting and retaining teachers due to changes in the work environment as a result of the COVID- 19 pandemic~~ . Such market pressures have required us to offer increased salaries, enhanced benefits and institute additional initiatives to maintain strong employee relations, which increase costs, and may further increase costs in the future. Difficulties in hiring and retaining qualified personnel may also affect our ability to meet growth objectives in certain geographies and to take advantage of additional enrollment opportunities at our early education and child care centers in these markets, which could negatively impact our business. From time to time we may be subject to employee organizing efforts. Labor union representation of a material number of our employees could impact our business, financial condition or operating results as a result of additional labor costs, payroll and benefit expenses, new rules and practices, or work stoppages. Changes in the demand for child dependent care and workplace solutions, which may be negatively affected by demographic trends and economic conditions, may affect our operating results. Our business strategy largely depends on employers recognizing the value of providing employees with child care, dependent care, workforce education, and other workplace solutions as an employee benefit. The number of employers that view such services as cost- effective or beneficial to their workforces may not continue to grow at the levels we anticipate or may diminish. In addition, changes in demographic trends, including the number of dual working parent or working single parent families in the workforce, **and the number of children requiring care,** may impact the demand for our services **from parents and families** . Further,

~~availability of~~ work- from- home or hybrid work options may shift demand away from locations where we currently offer services **resulting in center closures or potential impairments** . Such changes could materially and adversely affect our business and operating results. Even as employers recognize the value of our services, demand may be adversely affected by general economic conditions or changes in workforce demographics **or workplace locations** ~~and work- place environments as a result of COVID- 19~~ . Uncertainty or a deterioration in economic conditions, including global inflationary pressures impacting our clients and customers, could lead to reduced demand for our services as employer clients may reduce or eliminate their sponsorship of work and family services, ~~and~~ prospective clients may not commit resources to such services **or families may seek alternatives to center- based care** . In addition, a reduction in the size of an employer' s workforce **or an increase in the cost of employer subsidies** could negatively impact the demand for our services and result in reduced enrollment ~~or~~ **,** failure of our employer clients to renew their contracts **or center closures** . A deterioration of general economic conditions in both the U. S. and globally, recessionary fears or changes in workforce demographics may adversely impact the need for our services because out- of- work parents may decrease or discontinue the use of child care services, or be unwilling to pay tuition for high- quality services. Additionally, we may not be able to increase the price for our services at a rate consistent with increases in our operating costs. If demand for our services were to decrease, it could disrupt our operations and have a material adverse effect on our business and operating results. Because our success depends substantially on the value of our brands and reputation as a provider of choice, adverse publicity or negative perceptions about our business could impact the demand for our services. Our reputation and brand are critical to our business. Adverse publicity concerning reported incidents or allegations of inappropriate, illegal or harmful acts to a child at any child care center or by a caregiver or through a third party provider, whether or not directly relating to or involving Bright Horizons, could result in decreased enrollment at our child care centers, termination of existing corporate relationships, inability to attract new corporate relationships, or increased insurance costs, all of which could adversely affect our operations. Brand value and our reputation can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in substantial litigation. These incidents may arise from events that are beyond our ability to control, such as instances of abuse or actions taken (or not taken) by one or more center managers, teachers, or caregivers relating to the health, safety or welfare of children in our care **. The proliferation of social media may increase the likelihood, speed, and magnitude of these negative brand and reputation events** . In addition, from time to time, customers and others make claims and take legal action against us. Whether or not claims have merit, they may adversely affect our reputation and the demand for our services. Such demand could also diminish significantly if any such incidents or other matters erode general confidence in us or our services, which would likely result in lower sales, and could materially and adversely affect our business and operating results. Any reputational damage could have a material adverse effect on our brand value and our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. If we or our third- party vendors are subject to cyber- attacks, data breaches or other security incidents, or if there is a disruption or failure of our information technology systems or software, such events could expose us to liability and could adversely affect our financial condition and operating results. As part of our business, we collect, process, use, and store sensitive data and certain personal information from our clients, the families and children we serve, and our employees. We also utilize third- party vendors and electronic payment methods to process and store some of this information, including credit card information. Our business relies on information technology networks and systems to store this data, process financial and personal information, manage a variety of business processes, and comply with regulatory, legal and tax requirements. We are also highly dependent on information technology for the coordination and delivery of our back- up care and educational advisory services. Additionally, we maintain other confidential, proprietary, or otherwise sensitive information relating to our business and from third parties. The information technology networks and systems owned, operated, controlled, or used by us or our third- party vendors may be vulnerable to **, among other things,** damage, disruptions or shutdowns, software or hardware vulnerabilities, data breaches, ~~security~~ **cybersecurity** incidents, failures during the process of upgrading or replacing software or databases or components thereof, power outages, natural disasters, hardware failures, attacks by computer hackers, telecommunication failures, user errors, user malfeasance, computer viruses, unauthorized access, phishing or social engineering attacks, ransomware attacks, **extortion attempts,** distributed denial- of- service attacks, brute force attacks, robocalls, and other real or perceived ~~cyber~~ **cybersecurity** - attacks or catastrophic events, all of which may not be prevented by our efforts to secure our networks and systems. Security incidents can also occur as a result of non- technical issues, including intentional or inadvertent actions by our employees, our third- party vendors or their personnel, or other parties. Security incidents are becoming increasingly prevalent and severe, as well as increasingly difficult to detect. Any of these incidents could lead to interruptions or shutdowns of our platforms, disruptions in our ability to process service requests, ~~record~~ **limit** ~~or~~ **our ability to access data** ~~analyze the use of our services~~ , **result in the** loss or corruption of data, or unauthorized access to, or acquisition of, personal information or other sensitive information, such as our intellectual property. ~~We~~ **While we and our vendors** maintain policies and practices ~~and~~ **,** operational safeguards, **as well as** measures and controls aimed at reducing our ~~cyber risk~~ **risks related** ~~, protecting and recovering our data and ensuring business continuity, which include reasonable efforts~~ to ~~ensure that our third- party vendors maintain reasonable security~~ **cybersecurity threats** ~~, including encryption and authentication technology, and will notify us promptly if a security incident occurs. However~~ , none of our or our vendors' security measures can provide absolute security. ~~Advances in computer capabilities~~ **We and our vendors may not anticipate** , **detect, or implement fully effective preventative measures against all cybersecurity threats particularly because the techniques used are** increasingly sophisticated tools and ~~methods used by hackers and~~ **constantly evolving. For example, as artificial intelligence continues to evolve,** cyber ~~terrorists, new discoveries in the field of cryptography or other developments may~~ **- attackers could also use artificial intelligence to develop malicious code and sophisticated phishing attempts. As a** result ~~in our failure or inability~~ , ~~or the failure or inability of our vendors, to adequately protect personal or other sensitive information, and~~ there can be no assurance that we or our vendors will not suffer a **cybersecurity incident** ~~cyber- attack~~ , that hackers or other unauthorized parties will not gain access to or exfiltrate personal information or other sensitive data, or that any such data compromise or unauthorized access will be discovered in a timely fashion. Like many businesses, we, and our third- party vendors, have in the past and will in the future continue to be subject to ~~cyber- attacks,~~ cybersecurity threats **, cybersecurity incidents,** and attempts to compromise and penetrate our data security and systems and disrupt our services. ~~Cyber~~ **For example, as previously disclosed, on December 12, 2022, we determined that a cybersecurity incident had impacted and disrupted a number of our operational and information technology systems. Although our operational and business systems and functionality were promptly restored and this incident did not have a material impact on us, similar incidents or other cybersecurity** - attacks against us or our third- party vendors could lead to operational disruptions that could have an adverse effect on our ability to provide services to clients and customers and on our results of operations and financial results. ~~For example, on December 12, 2022, we determined that a ransomware cyber incident had impacted and disrupted a number of our operational and information technology systems. Promptly upon detecting and containing the incident, we launched an investigation and engaged the services of cybersecurity experts and advisors, incident response professionals, and external counsel to support the investigation and restored operational and business systems and functionality. We are continuing to assess all actions that we will take to further improve our existing systems. Based on the information currently available to us, we do not believe that the December 2022 ransomware attack will have a material impact on our business, results of operations, or financial condition, but no assurances can be given as we continue to assess the full impact from the incident, including costs, expenses, and insurance coverage.~~ Failure of our systems to operate effectively or a compromise in the security of our systems, or the systems of our affiliates or other third- party ~~,~~ that results in unauthorized persons or entities obtaining personal information or other sensitive information **,** could materially and adversely affect our reputation, operations, operating results, and financial condition. Actual or anticipated ~~cyber-~~ **cybersecurity threats and** attacks may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees, pay higher insurance premiums, and engage third- party specialists for additional services. Breaches in our data security, those of our affiliates or other third- parties, could expose us to risks of data loss, inappropriate disclosure of confidential or proprietary information, potential claims, investigations, regulatory proceedings, litigation penalties and liability, could impede our processing of transactions and our financial reporting, and could result in a disruption of our operations. In addition, we may incur other substantial costs in connection with remediating and otherwise responding to any ~~data security~~ **cybersecurity** incident, including potential liability for stolen client, customer, or employee data, repairing system damage, or providing credit monitoring or other benefits to clients, customers, or employees affected by the incident. Additionally, if we or our third- party service providers experience security incidents that result in a decline in ~~marketplace~~ **the** performance **of our systems** , availability problems, or the loss, corruption of, unauthorized access to, or disclosure of personal data or confidential information, people may become unwilling to provide us the information necessary to receive our services, and our reputation and market position could be harmed. Existing customers may also decrease their use of our services or cease using our services altogether. The ~~impact~~ **impacts** of these security threats, incidents, and other disruptions are difficult to predict. Our insurance coverage for such security threats, incidents, and other disruptions may not be adequate to cover all related costs, and we may not otherwise be fully indemnified for them. This may result in an increase in our costs for insurance or insurance not being available to us on economically feasible terms or at all. Insurers may also deny us coverage as to any future claim. Any of these results could harm our growth prospects, financial condition, business, and reputation. **For additional information on our cybersecurity risk management, strategy and governance, see Item 1C, " Cybersecurity, " of this Annual Report on Form 10- K.** Our collection, use, storage, disclosure, transfer and other processing of personal information could give rise to significant costs and liabilities, including as a result of governmental regulations, uncertain or inconsistent interpretation and enforcement of legal requirements or differing views of personal privacy rights, which may have a material adverse effect on our reputation, business, financial condition and results of operation. A variety of laws, regulations, industry self- regulatory principles, industry standards or codes of conduct and regulatory guidance relating to privacy, data protection, marketing and advertising, and consumer protection apply to the collection, use, retention, protection, disclosure, transfer **,** and other processing of certain types of data. As the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and changing requirements applicable to our business, including the European Union' s General Data Protection Regulation and various privacy **laws** ~~legislation in the U. S., such as the California Consumer Privacy Act~~ , compliance with such requirements could impose significant limitations, require changes to our business, or restrict our use or storage of personal information, which may increase our compliance expenses and make our business more costly or less efficient to conduct. **For example, we are subject to various state privacy laws, several of which went into effect in 2023 (i. e. California, Virginia, Colorado, Connecticut, and Utah), all of which give new data privacy rights to their respective residents and impose significant obligations and processors of data.** Failure to comply with such regulations could result in enforcement actions, significant fines, penalties **,** and damages which could materially and adversely affect our business and financial condition **. We are also subject to evolving privacy laws on the use of " cookies " and other similar technologies. Many countries have adopted, or are in the process of adopting, regulations governing the use of cookies and similar technologies, and individuals may be required to " opt- in " to the placement of cookies used for purposes of marketing. In addition, some providers of consumer devices and web browsers have implemented, or announced plans to implement, means to make it easier for internet users to prevent the placement of cookies, to block other tracking technologies or to require new permissions from users for certain activities, which could if widely adopted significantly reduce the effectiveness of such practices and technologies. The regulation of the use of cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such technologies could increase our costs of operations and limit our ability to acquire new customers on cost- effective terms and consequently, materially adversely affect our business, financial condition and operating results** . Our continued profitability depends on our ability to pass on our increased costs, such as labor and related costs, to our customers.

Hiring and retaining key employees and qualified personnel, including teachers, is critical to our business and labor costs are our largest expense. Because we are primarily a service business, inflationary factors and regulatory changes that contribute to wage and benefits cost increases result in significant increases in the cost of running our business. We expect to pay employees ~~at rates~~ above ~~the~~ **applicable** minimum wage **rates** , and increases in the statutory minimum wage rates **or statutory leave requirements** could result in a corresponding increase in the wages and benefits we pay to our employees. Additionally, competition for teachers and staff, and costs associated with hiring, compensating **,** and retaining employees, and costs of training teachers could result in significant increases in the cost of running our business, including costs to enhance employee compensation and benefit programs as an incentive and retentive tool. Our success depends on our ability to continue to pass along these costs to our customers and to meet our changing labor needs while controlling costs. In the event that we cannot increase the price for our services to cover these higher wage and benefit costs without reducing customer demand for our services, our margins could be adversely affected, which could have a material adverse effect on our financial condition and results of operations as well as our growth. Changes in our relationships with employer sponsors or failure to anticipate and respond to changing client and customer (parents or client employees) preferences and expectations or develop new customer- oriented services may affect our operating results. We derive a significant portion of our business from early education and child care, back- up care, and other workplace solutions associated with employer sponsors for whom we provide these services at single or multiple sites pursuant to contractual arrangements. Our contracts with employers for full service center- based child care typically have terms of ~~three~~ **3** to ~~ten~~ **10** years, and our contracts related to back- up care and educational advisory services typically have terms of ~~one to~~ three years, with varying terms and renewal and termination options. We have a history of consistent contract renewals, but we may not experience similar renewal rates in the future. Failure to comply with or monitor contract terms or the termination or non- renewal of a significant number of contracts or the termination of a multiple- site or multiple- service client relationship could have a material adverse effect on our business, results of operations, financial condition or cash flows. Additionally, our continued success depends on our ability to convert and retain new and existing clients, cross- sell to existing clients, and our ability to develop new consumer- oriented strategies or services to accommodate changing client, learner, or parent expectations and preferences around our services or service delivery. Our future success depends on our ability to ~~continue to~~ meet the evolving needs and expectations of our customers, including enhancing our existing services **and technology, and building a high- quality experience across all lines of business and geographies** . Obsolete processes and / or skill gaps **or a failure to scale innovation** could impede our ability to meet new or changing customer demand **. Additionally, client unwillingness to adopt new technology enhancements, including artificial intelligence technology, could impact our return on investment** . Failure to meet these needs may result in client loss and reduced demand and could have a material impact on our financial results. We depend on key management and key employees to manage our business and timing considerations. Our success depends on the efforts, abilities and continued services of our executive officers and other key employees. We believe future success will depend on our ability to continue to attract, motivate and retain highly- skilled managerial, sales and marketing, operational, and early education and child care center director personnel as well as key personnel in the back- up care and educational advisory markets. We may experience difficulty in attracting, hiring and retaining corporate staff and key employees due to the current labor market. Difficulties in hiring and retaining key personnel may affect our ability to meet growth objectives and such market pressures may require us to enhance compensation and benefits, which may increase costs. Failure to retain our leadership team and attract and retain other important personnel could lead to disruptions in management and operations, which could affect our business and operating results. Our operating results are subject to seasonal fluctuations. Our revenue and results of operations fluctuate with the seasonal demands for child care and the other services we provide. Revenue in our child care centers typically declines during the third quarter due to decreased enrollments over the summer months as families withdraw children for vacations and older children transition into elementary schools. In addition, use of our back- up services tends to be higher when school is not in session and during holiday periods, which can increase the operating costs of the program and impact results of operations. We may be unable to adjust our expenses on a short- term basis to minimize the effect of these fluctuations in revenue. Our quarterly results of operations may also fluctuate based on the number and timing of child care center openings and / or closings, the timing of new client service launches, acquisitions, the performance of new and existing early education and child care centers, the contractual arrangements under which child care centers are operated, the change in the mix of such contractual arrangements, competitive factors and general economic conditions. The inability of existing child care centers to maintain their current enrollment levels and profitability, the failure of newly opened child care centers to contribute to profitability, and the failure to maintain and grow our other services could result in additional fluctuations in our future operating results on a quarterly or annual basis. **Our business could be adversely affected by events beyond our control, such as public** ~~Health~~ **health crises,** pandemics, natural ~~disaster~~ **disasters , negative global climate patterns** , sociopolitical **events, geopolitical tensions,** or other catastrophic ~~event~~ **events** ~~could severely disrupt our business~~ . A regional or global health ~~pandemic~~ **crisis** , not unlike the COVID- 19 pandemic, depending on its duration and severity, could severely affect our business. Enrollment in our child care centers could experience sharp declines as families might avoid taking their children out in public or to center- based care in the event of a health ~~pandemic~~ **crisis** , and local, regional or national governments might limit or ban public interactions to halt or delay the spread of diseases causing business disruptions and the temporary **or permanent** closure of our centers. Additionally, a health ~~pandemic~~ **crisis** could also impair our ability to hire and maintain an adequate level of staff and may have a disproportionate impact on our business compared to other companies that depend less on the in- person provision of services. Other ~~unforeseen~~ events **beyond our control** , including acts of violence **(including violent acts in the workplace and school settings)** , war, terrorism and other international, regional **,** or local instability or conflicts (including labor issues), embargoes, natural disasters such as earthquakes, tsunamis, hurricanes, typhoons or other adverse weather and climate conditions, whether occurring in the United States or abroad, could restrict or disrupt our operations. Enrollment in our child care centers could experience sharp declines as families might avoid taking their children out in public or to center- based care as a result of one or more of these events. Further, climate change may increase both the frequency and severity of extreme weather conditions and natural disasters, which may affect our business operations and our clients, either in a particular region or globally. In addition, changes in **legislation and** regulations ~~brought about by~~ **both in the U. S. and in other jurisdictions in response to** climate change could **impose new burdens and costs on us and could** impact our business, operating results, and financial condition **. Moreover, even without such legislation or regulation, the perspectives of our clients, stockholders and employees regarding climate change are continuing to evolve and may result in increased costs to our business to meet the sustainability expectations of these stakeholders** . We also face the potential for business disruptions from information technology interruptions associated with natural disasters and other events including power outages, catastrophic events, computer and network failures, inadequate or ineffective redundancy plans, system failures, and flaws in third- party software or services. Our back- up care and educational advisory and other services segments as well as the corporate departments that support our lines of business are highly dependent on information technology for the coordination and delivery of services, which could be significantly impacted by system interruptions. Our policies and practices and operational safeguards, measures and controls aimed at protecting and recovering our data and ensuring business continuity, may not be sufficient to ensure our key services are delivered without minimal disruption in the event of information technology system failures. If those systems are damaged, interrupted or cease to function properly or if our disaster recovery and business continuity plans fail, it may have a material adverse effect on our business or results of operations. Financing Related Risks Our substantial indebtedness could adversely affect our financial condition, and our variable interest rate indebtedness exposes us to interest rate volatility, which could cause our debt service obligations to increase significantly. We have a significant amount of indebtedness from borrowings outstanding under our senior secured credit facilities. Information on our debt is included in " Management' s Discussion and Analysis of Financial Condition and Results of Operations " in Item 7 of this Annual Report on Form 10- K and Note 12, Credit Arrangements and Debt Obligations, to the consolidated financial statements in Item 8 of this Annual Report on Form 10- K. Our level of debt could have significant consequences, including: • limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate needs, and increasing our cost of borrowing; • requiring a substantial portion of our cash flow to be dedicated to debt service payments instead of other corporate purposes, thereby reducing the amount of cash flow available for operations, capital expenditures, and acquisitions among other purposes; and, • limiting our flexibility in planning for, and reacting to, changes in the industry in which we compete and placing us at a disadvantage compared to other, less leveraged competitors or competitors with comparable debt at more favorable interest rates. In addition, borrowings under our senior secured credit facilities bear interest at variable rates. Interest rates increased during ~~2022~~ **2023** . If market interest rates continue to increase, variable rate debt will create higher interest service requirements, which could adversely affect our cash flows and impact future earnings. While we have entered into interest rate cap agreements to limit our exposure to higher interest rates on a portion of our debt, and may enter into additional agreements in the future, any such agreements may not offer complete protection from ~~this risk posed by~~ interest rate fluctuations and may carry additional risks. For information regarding our sensitivity to changes in interest rates, refer to " Quantitative and Qualitative Disclosures About Market Risk " in Item 7A of this Annual Report on Form 10- K. The terms of our indebtedness restrict our current and future operations, particularly our ability to respond to changes or to take certain actions. The credit agreement governing our senior secured credit facilities contains a number of restrictive covenants that impose operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long- term best interest, including restrictions on our ability to, or requirements that certain financial condition tests must be satisfied in order to, incur liens, make investments and acquisitions, incur or guarantee additional indebtedness, pay dividends or make other distributions in respect of, or repurchase or redeem, capital stock, or enter into certain other types of contractual arrangements affecting our subsidiaries or indebtedness. In addition, the restrictive covenants in the credit agreement governing our senior secured credit facilities require us to maintain specified financial ratios, and we expect that the agreements governing any new senior secured credit facilities will contain similar requirements to satisfy financial condition tests and maintain specified financial ratios, subject to certain conditions. Our ability to meet those financial ratios and tests can be affected by events beyond our control. A breach of the covenants under the credit agreement governing our senior secured credit facilities, or any replacement facility, could result in an event of default unless we obtain a waiver to avoid such default. If we are unable to obtain a waiver, we may suffer adverse effects on our operations, business and financial condition, and such a default may allow the creditors to accelerate the related debt and may result in the acceleration of or default under any other debt to which a cross- acceleration or cross- default provision applies. In the event our lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. Industry, Competition and Growth Risks A permanent shift in workforce demographics and office environments may result in decreased demand for center- based child care and have an adverse effect on our results of operations. During **and following** the COVID- 19 pandemic, a substantial portion of the workforce, including parents of children we serve at our centers, transitioned from working in traditional office environments to working in " virtual " or " home " offices, including in our primary markets of the United States, United Kingdom, Australia, and the Netherlands. While we ~~expect~~ **believe** that many employees **have and** will continue to return to traditional office environments, **this can vary by geography and** some employers ~~may~~ **have** ~~maintain~~ **maintained** a remote or work- from- home presence or ~~may~~ **have or will** permanently ~~move~~ **transition** all or a portion of their workforce to remote or to a hybrid model. While working parents continue to need child care regardless of their work location, there are no assurances that parents who work from home **or in a hybrid model** will continue to use our centers **or use our centers on** ~~. Additionally, we believe that as~~ a **full** ~~result of COVID-~~ **time basis** ~~19, more women have temporarily stepped back from the workforce and that traditional dual- career households may have temporarily decreased~~ . A shift in workplace demographics where employees work from home on a part- or full- time basis, ~~or a sustained decrease in the number of women or dual- career households in the workforce,~~ may reduce demand for center- based child care or specific center locations **, and may impact enrollment** as well as other service offerings. We may be unable to successfully meet changed client and parent demands and needs **around center locations or center availability on a cost effective basis** , which may have a material adverse effect on our business or results of operations **and result in future center closures or potential impairments** . The growth of our business may be adversely affected if we do not implement our growth strategies and initiatives successfully or if we are unable to manage our growth or operations effectively. We have expanded and are continuing to expand our operations, suite of services and client relationships, which has placed, and will continue to place, significant demands on our management and our operational, **HR,** IT and financial infrastructure. Additionally, our ability to grow in the future will depend on a number of factors, including the ability to develop and expand new and existing client relationships, to continue to provide and expand the high- quality services we offer, to hire and train qualified personnel, to expand and grow in existing and future markets, to develop and operationalize new service offerings, and to sustain operational excellence and efficiencies across all business lines. Achieving and sustaining growth requires the successful execution of our growth strategies, which may require the implementation of enhancements to customer- facing, operational and financial systems, expanded sales and marketing capacity, continuous updates to technology **, such as those related to artificial intelligence,** and improvements to processes and systems, and additional or new organizational resources. Given these challenges, we may be unable to manage our expanding operations effectively, or to maintain our growth, which could have a material adverse effect on our business or results of operations. Acquisitions present many risks and may disrupt our operations. We also may not realize the financial and strategic goals that were contemplated at the time of the transaction. Acquisitions are an integral part of our growth strategy, and we have made, and intend to continue to make, acquisitions to add centers, clients, new service offerings and complementary companies, products, or technologies, and from time to time may enter into other strategic transactions such as investments and joint ventures. Acquisitions involve numerous risks, including potential difficulties in the integration of acquired operations, such as bringing new centers through the re- licensing or accreditation processes, successfully implementing our curriculum programs, integration of systems and technology, diversion of management' s attention and resources in connection with an acquisition and its integration, loss of key employees or key service contract arrangements of the acquired operations, and failure of acquired operations to effectively and timely adopt our internal control processes and other policies. Additionally, the acquisition of new service offerings or emerging services may present operational and integration challenges, particularly with respect to companies that have significant or complex operations or that provide services where we do not have significant prior experience. With any acquisition, the financial and strategic goals that were contemplated at the time of the transaction may not be realized due to increased costs, undisclosed liabilities not covered by insurance or by the terms of the acquisition, write- offs or impairment charges relating to goodwill and other intangible assets, and other unexpected integration costs. We also may not have success in identifying, executing and integrating acquisitions in the future. The occurrence of any of these risks could have an impact on our business, results of operation, financial condition or cash flows, particularly in the event of a larger acquisition or concurrent acquisitions. For information on our acquisition growth strategy, see Item 1, " Business — Our Competitive Strengths " and " — Our Growth Strategy. " Significant competition in our industry could adversely affect our results of operations. We compete for enrollment and sponsorship of our early education and child care centers in a highly- fragmented market. For enrollment, we compete with center- based child care (such as residential and worksite child care centers, full- and part- time nursery schools, private and public elementary schools and religious faith- affiliated and other not- for- profit providers) as well as family child care (operated out of the caregiver' s home). In addition, alternatives to organized child care, such as relatives and nannies caring for children, can represent lower cost options to our services. For sponsorship, we compete primarily with large community- based child care companies with divisions focused on employer sponsorship and with regional child care providers who target employer sponsorship. We believe that our ability to compete successfully depends on a number of factors, including quality of care, site convenience, breadth of service offering and cost. We often face a price disadvantage to our competition, which may have access to greater financial resources, greater name recognition or lower operating or compliance costs. In addition, certain competitors may be able to operate with little or no rental expense and sometimes do not comply or are not required to comply with the same health, safety **,** and operational regulations with which we comply. Therefore, we may be unable to continue to compete successfully against current and future competitors. In connection with our back- up care and educational advisory and other services segments, we face competition from existing providers and new entrants into the market. We believe our ability to compete in these markets is dependent on prices for services, quality and timeliness of service delivery, and our digital platforms and offerings. However, competitors may seek to provide alternative offerings or undercut pricing in these markets. If we are unable to maintain our competitive advantage, our growth could be adversely impacted and our future operating results negatively impacted. Governmental child care benefit programs could reduce the demand for our services **or impact our revenue and profitability** . National, state or local child care benefit programs comprised primarily of subsidies in the form of tax credits or other direct government financial aid to parents provide us opportunities for expansion in additional markets. However, a broad- based benefit with governmentally mandated or funded child care or preschool, **such as universal pre- K,** could reduce the demand for early care services at our existing early education and child care centers due to the availability of lower cost care alternatives, or could place downward pressure on the tuition and fees we charge, which could adversely affect our revenues and results of operations. **In response to the economic impact of the COVID- 19 pandemic, we received funding from pandemic- related government support programs from various federal, state, and local governments. While we received less pandemic- related government support in 2023 as funding for most of the programs for which we were eligible ended in September 2023, a further reduction or limit on other government support programs at the federal, state and local level could further impact our results of operations.** Additionally, changes in government support programs in our international jurisdictions, such as the reduction of government- funded tuition subsidies, **or legislation aimed at the cost of child care, such as tuition caps,** could reduce the demand for our services in these markets **or reduce revenue** , adversely impacting our results of operations. Litigation, Insurance, Tax and Regulatory Risks Our business activities subject us to litigation risks that may lead to significant reputational damage, monetary damages and other remedies and increase our litigation expense. Because of the nature of our business, we may be subject to claims and litigation, including unasserted claims and matters, alleging negligence, inadequate supervision, illegal, inappropriate or abusive behavior, health and safety, or other grounds for liability arising from injuries or other harm to the people we serve, primarily children. We may also be subject to employee claims based on, among other things, discrimination, harassment or wrongful termination. These claims and lawsuits could result in damages and other costs that our insurance may be inadequate to cover or result in licensing suspensions or revocation. In addition to diverting our management resources, such allegations may result in publicity that may materially and adversely affect us, our brands and our reputation, regardless of the validity of any such allegations. Any such claim or the publicity resulting from claims may have a material adverse effect on our business, reputation, results of operations and financial condition including, without limitation, adverse effects caused by increased cost or decreased availability of insurance and decreased demand for our services from employer sponsors and families. Our international operations may be subject to additional risks related to litigation, including difficulties enforcing contractual obligations governed by foreign law due to differing interpretations of rights and obligations, limitations on the availability of insurance coverage and limits, compliance with multiple and potentially conflicting laws, new and potentially untested laws and judicial systems, and reduced or diminished protection of intellectual property. A substantial judgment against us or one of our subsidiaries could materially and adversely affect our business and operating results. Significant changes to the availability of, or increases in the cost of, insurance or our deductibles may negatively affect our profitability. We currently maintain the following major types of commercial insurance policies: workers' compensation, commercial general liability (including coverage for sexual and physical abuse, and student accident coverage), professional liability, automobile liability, excess and " umbrella " liability, commercial property coverage, employment practices liability, commercial crime coverage, fiduciary liability, privacy breach / cyber liability and directors' and officers' liability. A portion of our general liability coverage is provided by our wholly- owned captive insurance company. These policies are subject to various limitations, exclusions and deductibles and certain claims may not be covered by such policies and / or exceed policy limits. There is no assurance that our insurance, particularly coverage for sexual and physical abuse, will adequately cover our claims, or continue to be readily available to us in the form or amounts we have been able to obtain in the past, and our insurance premiums could materially increase in the future as a consequence of conditions in the insurance business or in the child care industry. Changes in laws and regulations could impact the way we conduct business. Our early education and child care centers, back- up care, and educational advisory services are subject to numerous national, state and local regulations and licensing requirements. Although these regulations vary greatly from jurisdiction to jurisdiction, government agencies generally review, among other areas, the adequacy of buildings and equipment, licensed capacity, teacher- to- child ratios, educational qualifications and training of staff, record keeping, dietary program, daily curriculum, hiring practices, and compliance with changes in federal and local labor laws and regulations, health and safety standards and requirements, and data privacy statutes. In addition to costs associated with compliance of licensing requirements and changing laws and regulations, failure to comply with applicable regulations and requirements could subject us to governmental sanctions, which can include fines, corrective orders, probation or, in more serious cases, suspension or revocation of one or more of our child care centers' licenses to operate, and require significant expenditures to bring those centers into compliance. Our tax rate is dependent on a number of factors, a change in any of which could impact our future tax rates and net income. As a global company, we are subject to income and other taxes in the United States and foreign jurisdictions, and our future tax rates and operations may be adversely affected by a number of factors, including: changes in tax rates, tax laws or the interpretation of such tax laws in the various jurisdictions in which we operate; changes in the estimated realization of our deferred tax assets and settlement of our deferred tax liabilities; changes in the jurisdictions in which profits are determined to be earned and taxed; incremental taxes upon repatriation of non- U. S. earnings **; limitations on the deductibility of interest expense** ; adjustments to estimated taxes upon finalization of various tax returns; increases in expenses that are not deductible for tax purposes, including impairment of goodwill in connection with acquisitions; changes in available tax credits; and the resolution of issues arising from tax audits with various tax authorities. Losses for which no tax benefits can be recorded could materially impact our tax rate and its volatility from one quarter to another. Deductions associated with stock- based compensation may not be realized as a result of decreases in our stock price. Any significant change in our jurisdictional earnings mix or in the tax laws in those jurisdictions could impact our future tax rates and net income in those periods and any increases in income tax rates or changes in income tax laws could have a material adverse impact on our financial results. **The Organization for Economic Cooperation and Development introduced a framework to implement a global 15 % minimum corporate tax (" Pillar Two "). The European Union issued a directive to its member states to enact the Pillar Two in their local laws effective after December 2023. A number of other countries are expected to also implement similar legislation with effective dates in the future. The Company is continuing to evaluate the future impact of Pillar Two in the jurisdictions in which the Company operates.** International Risks The success of our operations in international markets is highly dependent on the expertise of local management and operating staff, as well as the political, social, legal and economic operating conditions of each country in which we operate. The success of our business depends on the actions of our employees. In our international locations, we are highly dependent on our local management and operating staff to operate our centers in these markets in accordance with local law and best practices. If the local management or operating staff were to leave our employment, we would have to expend significant time and resources building up our management or operational expertise in these local markets. Such a transition could adversely affect our reputation in these markets and could materially and adversely affect our business and operating results. We are also subject to inherent risks attributed to operating in a global economy. As of December 31, ~~2022~~ **2023** , we had ~~435~~ **431** centers located in ~~four~~ **4** foreign countries- the United Kingdom, the Netherlands, Australia and India. If the international markets in which we compete are affected by changes in political, social, legal, economic, or other factors, such as ~~the economic and political uncertainty following the United Kingdom' s exit from the European Union (" Brexit "), the global economic impact from the COVID- 19 pandemic, and~~ adverse global economic conditions, including slower growth or recession, higher interest rates, and foreign currency exchange rate fluctuations, our business and operating results may be materially and adversely affected. Our international operations may subject us to additional risks that differ in each country in which we operate **,** and such risks may negatively affect our results. The factors impacting the international markets in which we operate may include changes in laws and regulations affecting the operation of child care centers, parent or tuition subsidies or other government financial support, the imposition of restrictions on currency conversion or the transfer of funds, or increases in the taxes paid and other changes in applicable tax laws. Our business is exposed to fluctuations in foreign currency exchange rates, which could adversely impact our results. As a multinational company, we conduct our business in a variety of markets and are therefore subject to market risk for changes in foreign currency exchange rates. Instability in European **and other** financial markets **,** or other **geopolitical** events, such as ~~the economic uncertainty resulting from Brexit, the impact from the COVID- 19 pandemic, and~~ adverse global economic conditions, ~~including inflation, slower growth or recession, and higher interest rates,~~ could cause fluctuations in exchange rates that may adversely affect our revenues and net earnings. Approximately ~~26~~ **27** % of our revenue was generated outside the United States in ~~2022~~ **2023** . While most of our revenues, costs and debts are denominated in U. S. dollars, revenues and costs from our operations outside of the United States are denominated in the currency of the country in which the services are provided, and these currencies could become less valuable as a result of exchange rate fluctuations. Such changes in foreign currency exchange rates could materially and adversely affect our business and operating results. Market Related Risks We cannot guarantee that we will repurchase our common stock pursuant to our stock repurchase program or that our stock repurchase program will enhance long- term stockholder value. Stock repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves. On December 16, 2021, our board of directors authorized a share repurchase program under which up to $ 400 million of our outstanding common stock may be repurchased, of which $ 198. 3 million remained available as of December 31, ~~2022~~ **2023** ~~. The share repurchase program replaced and canceled the prior $ 300 million authorization announced in June 2018, of which approximately $ 0. 2 million remained available as of the termination date~~ . Although our board of directors has authorized the stock repurchase program, the stock repurchase program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares and may be suspended or terminated at any time. Stock may be purchased from time to time, in the open market at prevailing market prices, in private transactions, under Rule 10b5- 1 plans, or by other means, subject to market conditions, in compliance with applicable state and federal securities laws. The timing and amount of repurchases, if any, will depend upon several factors, including market and business conditions, restrictions in our debt agreements, the trading price of our common stock and the nature of other investment opportunities. In addition, repurchases of our common stock pursuant to our stock repurchase program could affect the market price of our common stock or increase its volatility. The existence of a stock repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our stock repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There can be no assurance that any stock repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we determine to repurchase our stock and short- term stock price fluctuations could reduce the program' s effectiveness. ~~Our~~ **The price of our common** stock ~~price~~ could be ~~extremely~~ volatile, and, as a result, you may not be able to resell your shares at or above the price you paid for them. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those described elsewhere herein and others such as: • variations in our operating performance and the performance of our competitors; • actual or anticipated fluctuations in our quarterly or annual operating results; • publication of research reports by securities analysts about us, our competitors, or our industry; • our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market; • ~~additions~~ **changes in management** and ~~departures of~~ key personnel; • strategic decisions by us or our competitors, such as acquisitions, divestitures, initial public offerings, spin- offs, joint ventures, strategic investments, or changes in business strategy; • changing client and customer (parents or client employees) preferences; • the passage of legislation or other regulatory developments affecting us or our industry; • speculation in the press or investment community; • **impairments** ~~changes in accounting principles~~ ; • impact from cyber events; • changes in business activity or the economy; • **acts of violence,** terrorist acts, acts of war, or periods of widespread civil unrest; • pandemics, natural disasters and other calamities ~~, including the COVID- 19 pandemic~~ ; and • changes in general market and economic conditions. The stock market in general can be highly volatile. As a result, the market price of our common stock may be similarly volatile, and investors in our common stock may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our operating performance or prospects, and could lose part or all of their investment. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management' s attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation. Your percentage ownership may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote. Pursuant to our restated bylaws, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock. Provisions in our charter documents and Delaware law may deter takeover efforts that could be beneficial to stockholder value. Our certificate of incorporation and restated bylaws and Delaware law contain provisions that could make it harder for a third party to acquire us, even if doing so might be beneficial to our stockholders. These provisions include a classified board of directors and limitations on actions by our stockholders, including the need for super majority approval to amend, alter, change or repeal specified provisions of our certificate of incorporation and restated bylaws, a prohibition on the ability of our stockholders to act by written consent and certain limitations on the ability of our stockholders to call a special meeting. In addition, our board of directors has the right to issue preferred stock without stockholder approval that could be used to dilute a potential hostile acquiror. Our certificate of incorporation also imposes some restrictions on mergers and other business combinations between us and any holder of 15 % or more of our outstanding common stock other than Bain Capital Partners LLC. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change our direction or management may be unsuccessful. Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of **legal** actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws, or (iv) any other action asserting a claim against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our certificate of incorporation described above. This choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition. The exclusive forum provision in our certificate of incorporation does not apply to claims brought pursuant to United States federal securities laws, including the Exchange Act or the Securities Act of 1933, as amended. The exclusive forum provision in our certificate of incorporation will not relieve us of our duty to comply with the federal securities laws and the rules and regulations thereunder, and stockholders will not be deemed to have waived our compliance with these laws, rules and regulations.