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# Annual Letters

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Long-Term Investors Providing Permanent Capital

An aerial photograph of the London skyline at sunset. The sun is low on the horizon, casting a golden glow over the city. The River Thames is visible, winding through the city. Numerous skyscrapers are illuminated with lights, including the Shard on the left and the Gherkin in the center. The overall scene is a dense urban landscape with a mix of modern and traditional architecture.

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[RDCPGROUP.COM](http://RDCPGROUP.COM)

**RD CAPITAL PARTNERS (RDCP)  
2019 ANNUAL LETTER**

**RDCP's Performance vs. the S&P 500 and FTSE 100**

	Annual Percentage Change		
	RDCP Annual Return	S&P 500	FTSE 100
Annual Return – 2015-2019	157.2%	9.1%	1.5%
Total Return – 2015-2019	4376.9%	41.6%	6.3%

The figures above represent cumulative annualised returns for the four-year period starting from July 1, 2015 and ending on June 30, 2019. RDCP's annual return is calculated using the internal rate of return (IRR) method.

**To the Stakeholders of RDCP Group:**

Iryna Dubylovska and I met in August 2014 whilst working at the Royal Bank of Scotland's (RBS) investment bank in London. Less than 12 months later, we decided to leave the world of banking behind to launch our own investment firm from the living room of our one-bedroom apartment in Clerkenwell.

RD Capital Partners ("RDCP") was born over four years ago in June 2015. I had learned that the UK's healthcare sector was highly fragmented and, in a sense, broken. There was a calling for someone to build a strong healthcare business and consolidate the sector. I wanted RDCP to be this someone.

The original plan was to raise capital for a healthcare fund, so as to start building a portfolio of care homes. We were inspired by the dozens of private equity firms out there and even some UK healthcare focused midmarket firms. We thought we needed to raise money in order to make money. *Not true. More on this later.* However, after an unsuccessful fundraising trip to Dubai, we had to come up with an alternative strategy. We decided to put our savings together, take on some bank debt and acquire our very first nursing home.

In June 2016, we launched RDCP Care with the vision of becoming a leading elderly and specialist care provider in the UK. Within a few weeks we had identified Kings Bromley Care Home as our first acquisition and officially completed this transaction in February 2017.

We had two simple goals at the time:

1. Grow the overall value of RDCP Group.
2. Make a positive and long-lasting societal impact.

Mistakenly, we thought the only way to achieve these goals was to raise capital via a fund structure. We decided to not attempt to raise another healthcare fund until we grew RDCP Care to at least £30 million in enterprise value. Reach a certain critical mass. We proudly achieved this goal in February 2019. By re-investing cashflow, intelligently utilising bank debt and finding undervalued investment opportunities, we were able to grow RDCP Care's value to £30 million. We did this without taking on any outside capital or giving up any shareholding in any RDCP company.

Soon after this, in May/June 2019, we decided the time was right to launch RDCP Healthcare Opportunities Fund II with a target size of £50 million. And we were right. Unlike our previous attempt, this time around we received a number of offers. *Cause for celebration? Not quite.* Unfortunately, if we went ahead and accepted this capital, we would no longer be the sole shareholders in RDCP. We had gotten used to wholly owning our portfolio companies, and not managing them on someone else's behalf. Due to downward pressure on asset manager fees, and especially for new and emerging managers, we would only be making 1% in management fees and between 10% to 15% of profits, after achieving a minimum target return, known as the hurdle rate. We would have a board of directors full of outside investors. There would be several restrictions on what we could and could not do, including the inability to enter into other sectors. In effect, we would once again become employees. And I hate being told what to do.

What had seemed like the overarching goal of RDCP for nearly four years, no longer applied. We no longer wanted to become a private equity firm. We enjoyed managing our own portfolio. Almost like a holding company. So, what had changed? The biggest change was that we had taught ourselves to grow a business and scale it without needing external equity capital. When you manage your own money, every single penny counts. Due to this, we had become razor-sharp about valuation methodology and keenly focused on finding deep value in our investments. We became religiously focused on increasing free cash flow and profit margins as the only way we grow our group value (or "AUM") is if we effectively re-invest this free cash flow into more undervalued acquisitions.

This was a massive change. And we would be giving all this up to become a private equity firm? In order to make this tough decision, we had to crunch the numbers based on the offers we had received. The results were unexpected. We could as easily grow AUM to £100 million by re-investing cashflow and retaining 100% shareholding, as we could by raising a fund and schmoozing investors. The decision was a no-brainer. Being the founders of a £100 million business that was built from scratch is significantly more impressive than being the fund managers of a £100 million fund. The first option leaves us with total control and the ability to build much greater wealth. Whilst with the second option, we would always be overshadowed by mega-funds and consistently "boxed-in" and compartmentalised into the category of an "emerging fund manager."

On top of this, over the last four years, we realised our values align significantly more with Warren Buffett or Bernard Arnault, rather than with Steve Schwarzman or David Rubenstein. We are building an investment firm with growing inter-connected businesses, with the ability to centrally allocate capital to the highest yielding investments. We do not want to have a "fund cycle" or "exit horizon." We do not want to spend our time raising funds. We want to spend our time building businesses.

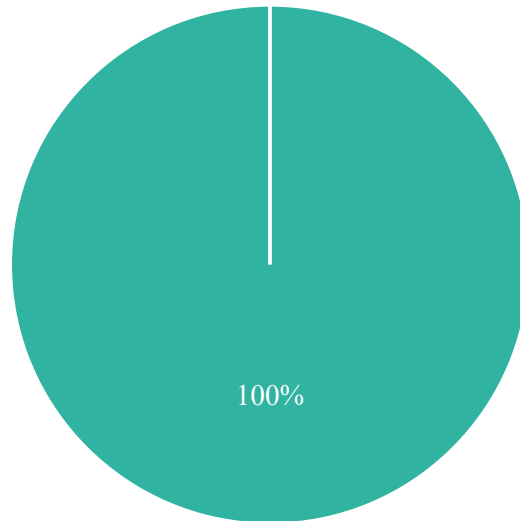
This level of clarity and self-awareness is, frankly, addictive.

### RDCP as a Snapshot in 2019

The table at the start of this letter shows the level of returns we are able to achieve by finding investment niches and doubling down when we know we can press an advantage.

In order to invest with uncompromising conviction and make contrarian, long-term investments that we want to make, we need to stay fully independent. This is reflected in the chart below.

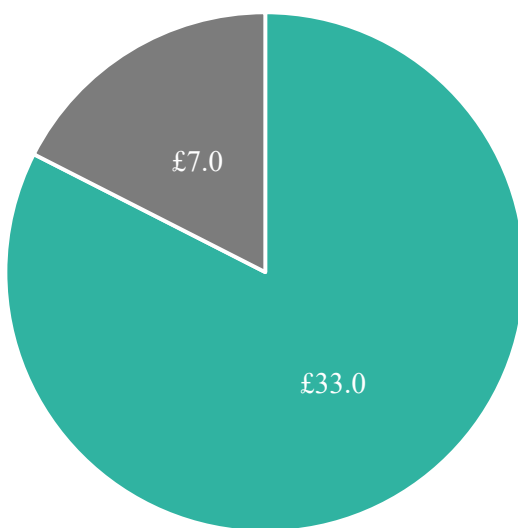
RDCP Investor Type



■ Founding Partners

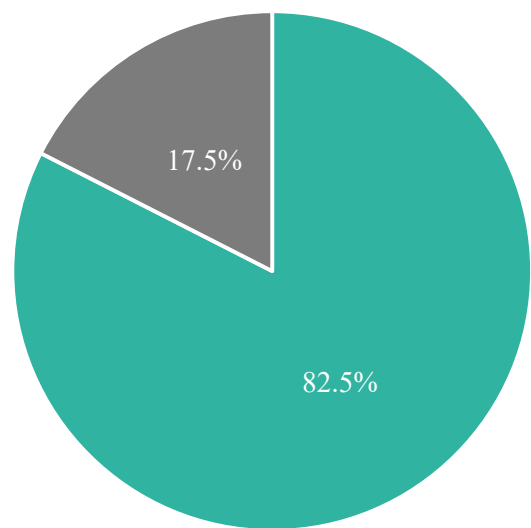
As of June 30, 2019, RDCP had a presence in two sectors: healthcare and real estate. In line with our goal of marrying profit hunting with making positive societal impacts, we have identified infrastructure to be the next sector that RDCP will build a presence in.

Enterprise Value (in millions)



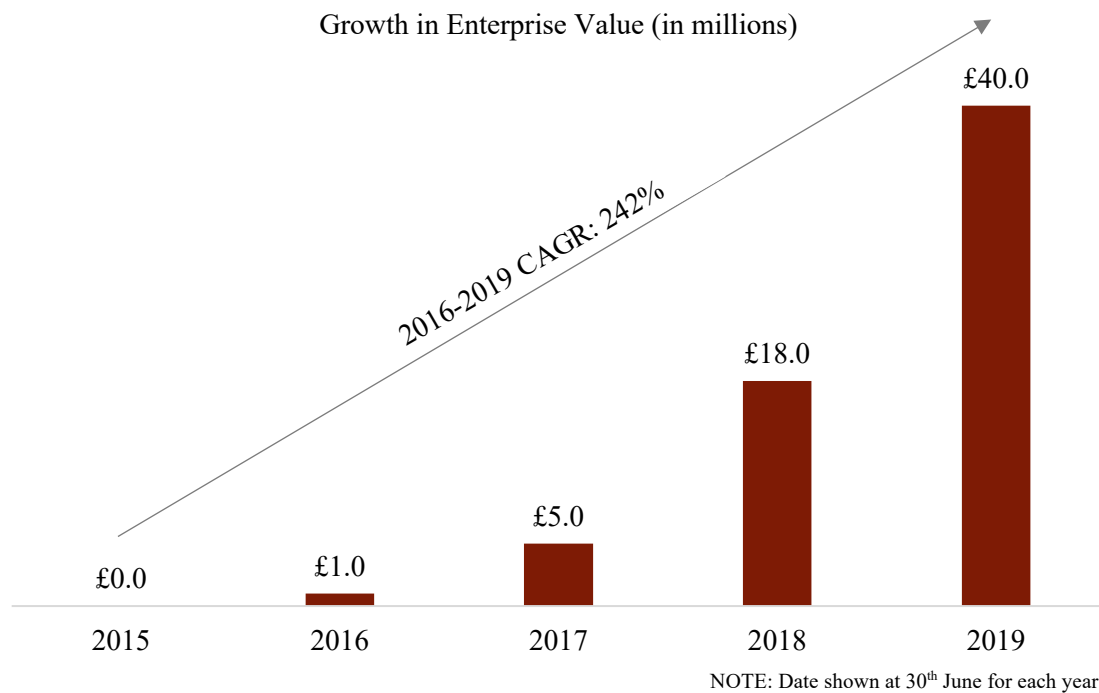
■ RDCP Care ■ RDCP Real Estate

Sectors

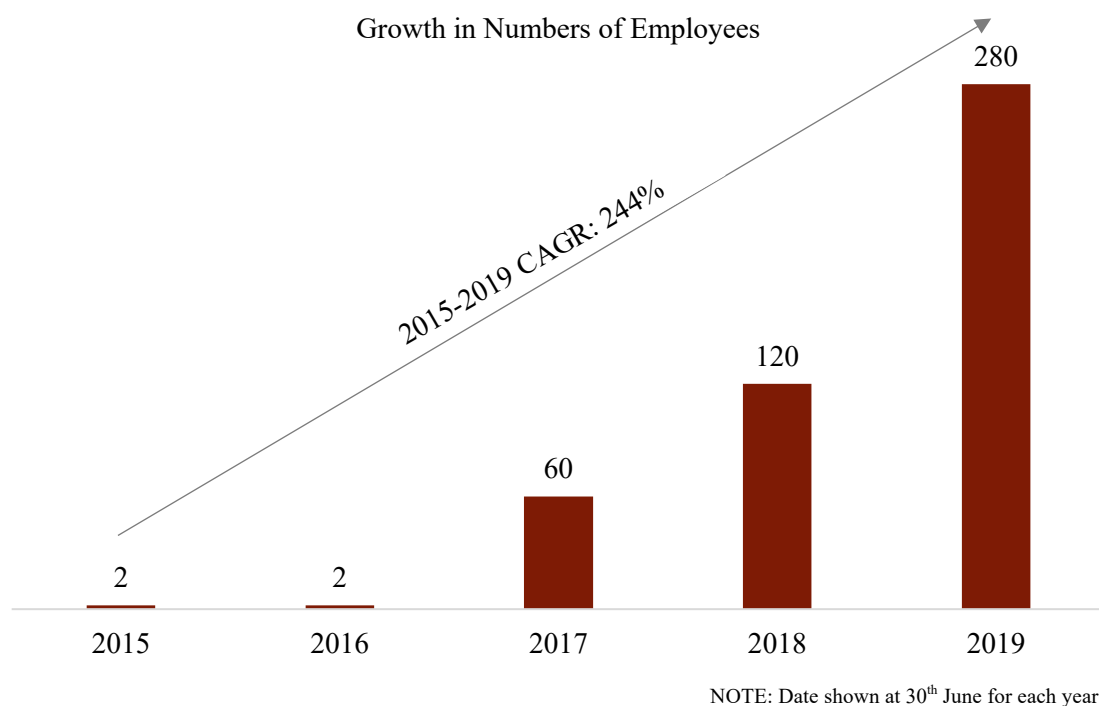


■ Healthcare ■ Real Estate

Our enterprise value has grown at an average CAGR (compound annual growth rate) of 242% since 2016. We expect group enterprise value to rise to over £60 million once our live healthcare and infrastructure transactions complete in 2020.



Our staff team is tight-knit, highly competent and focused on growth. We are fortunate enough to currently employ 280 full-time staff members. We started as just two in 2015.



## Why We Don't Invest in Tech

This is a question I get asked constantly. In fact, some folks mistake RDCP to be a venture capital fund, assuming as we are “young,” we must clearly be into tech start-ups and cryptocurrencies. *Most certainly not.* They should really take a look at our website.

There is an endemic problem in the vast majority of new businesses or “start-ups.” Their founders seem to have forgotten that a company’s revenue should fund more than 100% of its costs, allowing the business to earn a profit. *The most basic rule of running a business.* This no longer seems to be the goal though. Instead, the mindset is that new equity capital will fund any shortfall. This is acceptable for the first year or so, but not forever. The founders instead focus on burn rate: the rate at which a company is losing money, usually expressed in per month terms. The goal should not be how to raise capital to fund this burn rate, but instead how to grow the top line to achieve positive EBITDA. How can a company go down the route of an initial public offering (IPO) without ever having demonstrated profitability? **A business that makes no money is not a business, it’s a hobby.**

One of my favourite investors and thought leaders, Chamath Palihapitiya, argued in his 2018 annual letter that venture capitalism has morphed itself into a ponzi scheme. He couldn’t be more correct. He argues:

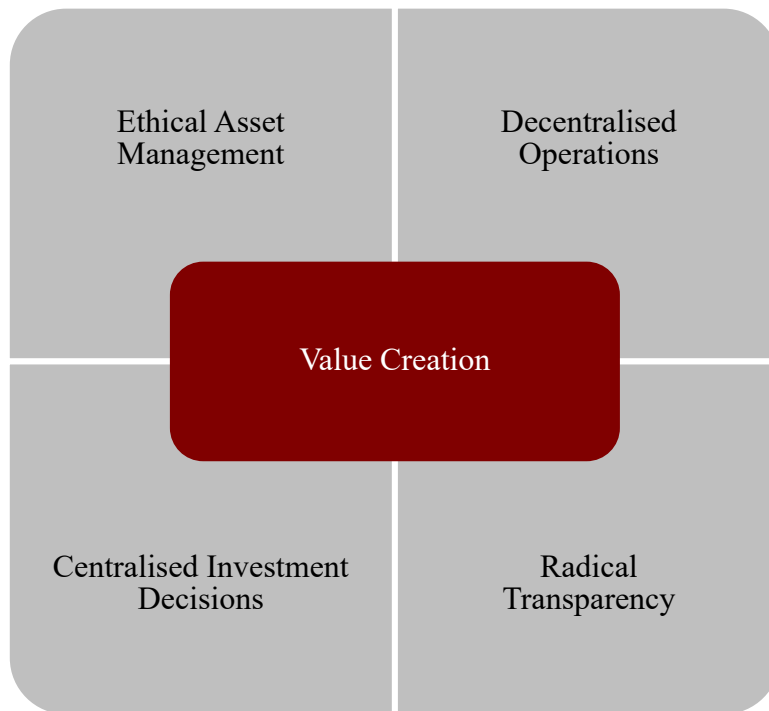
“if you’re a VC with a \$200 million dollar fund, you’re able to draw \$4 million each year in fees. (Typical venture funds pay out 2 percent per year in management fee plus 20 percent of earned profit in carried interest, commonly called “two and twenty”). Most funds, however, never return enough profit for their managers to see a dime of carried interest. Instead, the management fees are how they get paid. If you’re able to show marked up paper returns and then parlay those returns into a newer, larger fund - say, \$500 million - you’ll now have a fresh \$10 million a year to use as you see fit.”

This is the problem. The VC investors are propagating foolish capitalism, creating companies which rely on “investor subsidies” and forget about a path to real profitability. Somehow, the venture capital firms and their limited partners (LPs) don’t seem to understand or (perhaps) don’t want to understand the issue.

The way I see it is their ignorance is our win. They can continue to focus on food delivery apps and “Uber for cycles,” whilst we snowball our portfolio by investing for the long-term in real businesses in core sectors such as healthcare and infrastructure. We focus on finding businesses with a demonstrated history of cashflow. We then work hard and negotiate to buy this cashflow for as little as possible. We then re-invest this cashflow into more high-cashflow businesses. This is the simple RDCP philosophy for successful investing.

## Our Corporate Values

We try to keep our management philosophy and corporate values equally simple.



We create valuable, sustainable and robust businesses by adhering to core RDCP values:

- **Ethical Asset Management:** we are proud to have built an honest organisation with a focus on care excellence, person-centric care, ethics and integrity.
- **Decentralised Operations:** we run a flat organisation with a lean investment team, releasing entrepreneurial energy for each individual business unit.
- **Centralised Investment Decisions:** we have the ability to invest across multiple sectors, and we understand that capital and resource allocation is the single most important driver of a business' success. Hence, all investment decisions are made centrally by the small executive management team.
- **Radical Transparency:** we are radically transparent about all aspects of our business with all staff members and stakeholders, including mistakes and weaknesses, and this helps us create an idea meritocracy. This and future annual letters are a testament to this core value.

## Lessons Learned

Over the last four years, we as a company, and I as the CEO, have learned countless lessons from our failures and successes. Here are my top five.

### 1. Hold on tight to your equity

As an entrepreneur and founder, starting and scaling a business can be a lonely endeavour. The easy solution might seem like bringing on a number of other partners and handing out equity like it is charity. We almost made this mistake twice, but thankfully had the insight to not follow through. Learn to value yourself.

### 2. Understand the pecking order of your balance sheet

A common mistake companies make is when they need capital to grow, the only solution that comes to mind is selling equity in exchange for money. Equity is the most expensive part of any company's capital structure. If capital is needed for growth, always opt for internal funds, followed by bank debt. Raising capital via a share issuance should be the last resort. I learned this lesson in my very first corporate finance class at McGill.

### 3. When hiring advisors, never opt for a Tier 1 firm

Tier 1 lawyers, accountants or bankers will charge your company extortionate fees and hand the work over to a junior straight out of university. Stick to a smaller but reputable firm with hungry partners, who will work twice as hard for half as much money.

### 4. Avoid chasing the same goals as the majority

Chasing the same goals as the majority creates abnormally intense competition, with wins that feel like Pyrrhic victories. Let's use a series of relatable examples.

- It's extremely competitive to get a job at Goldman Sachs. Once you get there, you realise that working 100-hour weeks might not be as glamorous as you had imagined.
- Raising a fund is statistically easier than getting a job at Goldman. However, once again, it's very competitive. After successfully raising said fund, you might realise that you do all of the work, but only keep a tiny portion of the profits.
- A growing business that is trying to raise equity capital from investors faces a lot of competition from other businesses that are also fundraising. After going through the entire process, you might realise you no longer have control of your own business and own a much smaller piece of the pie.

The path that most will never take is actually the easiest one. Build a business by utilising bank debt. Let your cashflow fuel further inorganic growth. Focus your energies on finding solid businesses with great cashflow and then improving margins further, rather than window-dressing your business to make it appealing to investors.

### 5. Never waste cashflow on awards, conferences or other networking events

Instead continue to build and invest into the business. The time will come where awards are given rather than purchased and invitations are received to speak rather than attend conferences. If the focus is on growth rather than on optics, then soon enough, news and media agencies will be writing about the business, all without spending a single penny.

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All of these lessons are counter-intuitive and contrarian, but that's the point. The vast majority cannot fathom that there's a simpler way of doing business. Again, their ignorance is our gain.

## Future Plans

Every investment firm needs a compelling reason to start. Our reason was and is UK healthcare. Over the last four years, we have worked hard to successfully build a strong presence in the highly regulated UK elderly care sector. Our most important platform, RDCP Care, is growing at a CAGR of 304% per annum since launch in 2016. Obviously, this growth rate is slowly trending down to a more reasonable level. However, our goal still is to create one of the largest healthcare businesses in the UK – a well-capitalised healthcare company that provides elderly care, specialist adult care and child care.

We are lucky to have Rosie Howell lead the business currently as Senior Operations Manager and soon as Chief Operating Officer (COO). Rosie manages a growing team of 280 hardworking staff members. She and her team continue to focus on person-centric care, ensuring compassionate and dignified care for residents with a keen focus on each individual's needs. As a company, we are also building an ecosystem of care excellence, where quality of care and residents' needs are the highest priority and at the forefront of every decision we make.

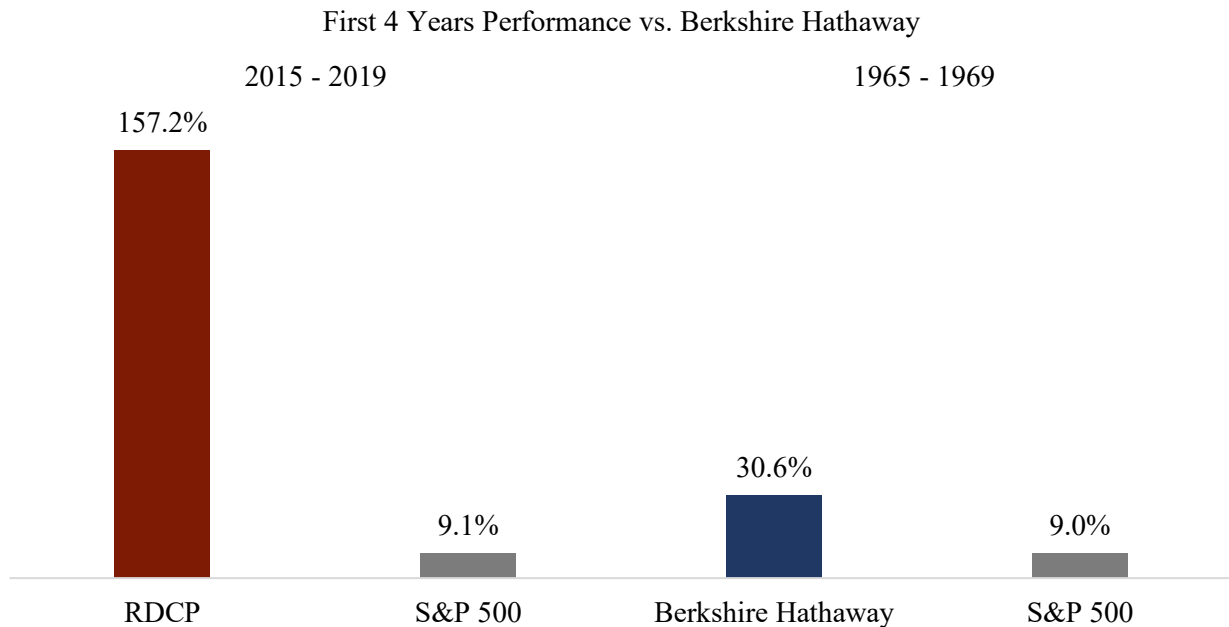
Currently, there are approximately 300,000 elderly care beds in supply in the UK, with demand for nearly 500,000 beds. By 2040, the demand will increase by 60%, reaching 800,000 beds. Hence, we will continue to invest further into the elderly care sector, but also start building a presence in the subsectors of child care and specialist adult care. The majority of new money into sector goes towards the overcrowded luxury care sector. Although this is a pleasant business to own, the cost-per-bed and breakeven weekly bed rates are through the roof. Hence, RDCP Care continues to focus on overlooked and somewhat forgotten affordable care market. The backbone of any economy is its middle class and a healthcare business that ignores this part of the market is not thinking long-term.

We have a small, almost negligible, presence in the real estate sector via RDCP Real Estate. Our vision for residential real estate is to create a community of happy tenants and become the landlord of choice for young adults and students. We would also like to invest into commercial real estate. The issue, of course, is pricing and valuation. Any real estate investments around London or the South are overpriced. Hence, the opportunities lie in the Midlands, Wales and the North. When the time is right, we will actively start growing our real estate portfolio, but this is not likely to be the case in 2020.

The sector we are very bullish on is infrastructure. Same as healthcare, infrastructure is a core aspect of the economy. Capital constraints on the part of government entities are increasing the attractiveness of private participation in infrastructure businesses. Civil engineering and construction businesses are under-priced in today's market. We can see a number of opportunities to build a large presence in a matter of months via inorganic acquisitions. Infrastructure will certainly be RDCP's second largest sector.

Ahead of our five-year anniversary in summer 2020, our goal is to achieve a group enterprise value of £50 million. £50 million in just 5 years, with no outside capital. However, the real overarching financial goal is to grow the business to £100 million in value without selling any equity. This is exciting for us. *Why, you ask.* Because I cannot think of a single business that has achieved this goal in the last two decades. Any business of this magnitude has a number of third-party investors. This also circles back to lesson #4 that I discussed earlier. Nobody has gone down this path of growth. Hence, there is no competition and no comparable companies or founders.

I have made it a habit to benchmark our financial performance and AUM to successful investments firms and conglomerate businesses during their first decade. The one that always comes to mind is Warren Buffett and Berkshire Hathaway. The vast majority of our investment principles are based on inspiration from the likes of Buffett, Munger and Graham. Hence, it is always a pleasure to see a chart like this one below.



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We are only just getting started. We learn something new every single day. We are careful about who we gain inspiration from. We are focused on growth. The present and the future are exciting.

Respectfully,

Sameer Rizvi, CFA  
 Chief Executive Officer (CEO)  
 December 13, 2019

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**RD CAPITAL PARTNERS (RDCP)  
2020 ANNUAL LETTER**

**RDCP's Growth in Enterprise Value (in millions)**



In last year's annual letter, I compared RDCP's internal rate of return (IRR) to the S&P 500 and FTSE 100 annual returns from 2015 to 2019. Whilst this is an interesting exercise, since we do not manage or invest outside capital, the IRR figure is not that relevant to us. Instead, I am way more interested in the annual growth rate of RDCP Group's enterprise value (EV) or assets under management (AUM). We grow this figure by either organically growing our existing businesses or making accretive acquisitions. In 2020, we grew our valuation by a 175% from £40 million to £110 million. I plan to start every single future annual letter with an updated version of the above chart.

**To the Stakeholders of RDCP Group:**

2020. What a crazy year this has been. So much has happened in these past 12 months. In February, I was blessed to have become a father to my baby boy, Victor. Lockdown could not have come at a more appropriate time as I really bonded with the little one in this past year.

I am also pleased to share that we successfully achieved our goal of growing RDCP Group to over £100 million in our first five years of business. We did this without selling any equity. And more importantly, we did this without raising a fund and taking on outside capital. This makes me extremely proud. I cannot think of a single business or investment fund that has grown organically in this way.

Obviously, we cannot talk about 2020 without at least briefly mentioning the infamous virus. Everyone seems to have their own opinions on COVID-19. There are those that have effectively chosen to write off this year. I would call this the majority. And then there are those that have utilised this as one of the greatest acquisition opportunities in recent history. A

generational shift of wealth. The minority. RDCP is most certainly part of this minority. Frankly, pointing fingers, blaming the government, and blaming others has never been a successful way of doing business or even living life. Why would now be any different?

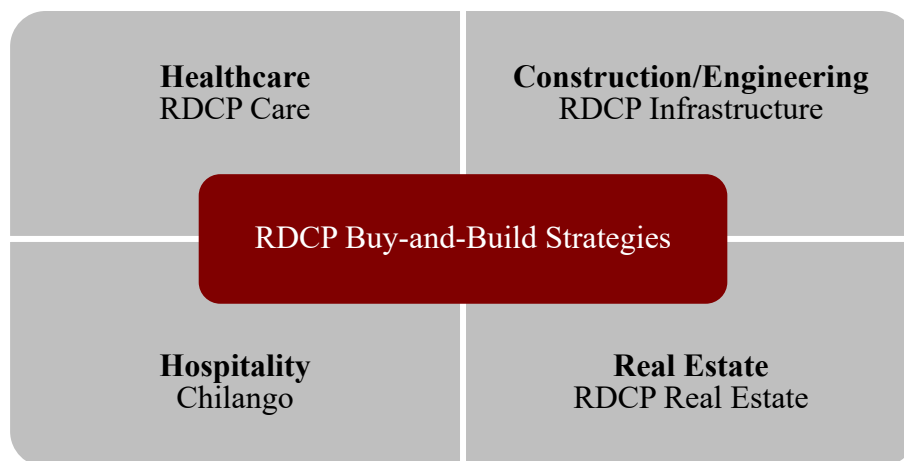
In terms of value creation, in this one year we grew RDCP by more than the last four years *combined*. This was no coincidence. This was compounding – the most potent force in business. It does not just apply to investments; it also applies to people and relationships. We invested early and maintained consistently.

In 2020, we acquired five different businesses in two distinct sectors. We entered the hospitality sector for the first time via the acquisition of Mexican restaurant group, Chilango. We also launched RDCP Infrastructure by successfully executing a buy-and-build strategy in the construction engineering sector via four acquisitions: Killingley, Macair, Su-Fix Precast and Buxton Water. Let’s get into the details.

### Sector Strategies

RDCP can no longer be classified as a healthcare-only investment firm. We are sector agnostic. Yes, we like and love certain sectors, but no one can compartmentalise us into a certain bucket anymore. We worked hard to make sure of that. Why? Because our opportunity pool was starting to get dramatically more limited. We would show interest in a certain business, and the response would be “but you have never invested in this sector before” or “you guys do just healthcare, right?” It was frustrating and one of my primary goals of Q1 2020 was to make sure this problem goes away.

As of December 2020, we are executing buy-and-build strategies in four sectors: healthcare, hospitality, construction/engineering and real estate.



### 1. Healthcare: RDCP Care

Healthcare continues to be one of the most robust sectors in the current market environment. Despite being in the middle of a global pandemic and a recession, healthcare valuations have not been discounted. If anything, I have seen a slight rise in valuations. As an owner of a £40 million healthcare portfolio (RDCP Care), this is great. However, as a net buyer in the sector, this is certainly a pain. We tried, but failed, on a number of occasions to negotiate more reasonable prices. This is not to say these potential acquisitions have subsequently been sold to other investors at higher valuations, but more so that neither the sellers nor their advisors

were willing to budge. Nevertheless, we are confident that 2021 will bring more appropriate buying opportunities in the UK healthcare sector.

Vision: Our vision remains the same. Become one of the largest elderly care operators in the UK by 2025, providing care for at least 2,000 elderly residents.

Leadership: We are pleased that, in October 2020, Rosie Howell formally accepted the role of Managing Director of RDCP Care. I could not be more excited to have Rosie formally lead the business she has already been indirectly leading for years. Rosie is consistently the hardest working person in any room. She is honest, transparent and ethical. She successfully marries running a business that works not only for its shareholders and staff, but also for our elderly residents and their relatives. Rosie has worked extremely hard in the last few years, but in particular, in 2020, she has utilised every strain of business and nursing knowledge she has to steer RDCP Care through the most tumultuous time in our history.

## **2. Construction & Engineering: RDCP Infrastructure**

In our 2019 annual letter, under the section titled “Future Plans,” I had said:

*The sector we are very bullish on is infrastructure. Same as healthcare, infrastructure is a core aspect of the economy. Capital constraints on the part of government entities are increasing the attractiveness of private participation in infrastructure businesses. Civil engineering and construction businesses are under-priced in today’s market. We can see a number of opportunities to build a large presence in a matter of months via inorganic acquisitions. Infrastructure will certainly be RDCP’s second largest sector.*

Out of the five acquisitions we made this year, four have been in the construction and engineering sector. There is a backlog of infrastructure spending in the UK. Our roads, railways and ports are decades behind US and Canada, as well as certain European nations. The leaders in the UK Government recognise this and, hence, there is going to be a major budget allocation in the next 10 years towards spending on infrastructure projects. Additionally, in order to ensure the economy recovers coming out of this recession, the Government will undoubtedly be injecting capital into construction and infrastructure projects. With all this and the Prime Minister’s “Build Build Build” strategy, we have positioned RDCP Infrastructure to take advantage of this budget allocation. In 2020, we acquired four market-leading businesses, all providing slightly different products and services in the construction/engineering sector:

- Killingley: civil engineering, commercial landscaping, earthworks & remediation
- Macair: mechanical engineering, facilities management
- Su-Fix Precast: precast concrete design, supply and installation
- Buxton Water: hydro-demolition, concrete removal, civil engineering

RDCP Infrastructure is now a business with a combined turnover of over £35 million and an enterprise value of over £40 million. This makes construction/engineering one of our biggest sector.

Vision: We want to become the next Keltbray in the UK, a £500 million turnover construction engineering specialist firm. However, we want to always ensure we are chasing profits and not turnover. In construction, chasing turnover instead of profits can be completely disastrous.

Leadership: We have terrific Managing Directors leading each individual business:

- Killingley: led by Gareth Dillon
- Macair: led by Sean Pointon
- Su-Fix Precast: led by Adam Smith
- Buxton Water: jointly led by Carl Pendleton and Mark Hothersall

We are also in the midst of figuring out what RDCP Infrastructure would look like with shared central functions. This is a work-in-progress. Gareth Dillon, besides being the MD of Killingley, was offered the role of Chief Operating Officer (COO) of RDCP Infrastructure in November 2020 and is taking the lead in slowly “merging” these businesses. Gareth is a robust leader, a tough negotiator and a detail-oriented manager of businesses. He made some very good, quick decisions early on in the first lockdown that ensured we continued work on most (if not all) sites, all in a COVID-secure manner. We will be working closely with Gareth in 2021 to grow RDCP Infrastructure organically.

### **3. Hospitality: Chilango**

At the beginning of 2020, I could not have predicted that we would end up in this sector. Hospitality is a sector I have long admired. I have always wanted to own a business that I can “consume.” Something I can point to on the high street. However, businesses in this sector have historically been quite overpriced, and thus we never had any entry opportunities.

This year, the government-imposed national lockdowns have had a disproportionate impact on hospitality businesses, creating once-in-a-lifetime buying opportunities in the sector. Frankly, not all businesses have the same long-term potential as Chilango. In fact, we were firstly introduced to an opportunity to acquire a casual dining restaurant group in an accelerated M&A transaction. This was back in April 2020, and frankly, we struggled to get behind a hospitality business that offered food that could not do well on delivery. At the time, it was hard to predict how long “lockdown life” would continue. Also, their product offering was unclear. Competitors such as GAIL’s Bakery and Paul had been growing, all whilst this particular chain had been struggling. Hence, despite the low valuation, we chose not to move forward with that opportunity.

We were introduced to the Chilango opportunity in July 2020. This is a business Iryna and I were fans of from our RBS days. In fact, most of the RBS investment bank would take-away from the Brushfield Street Chilango branch near Spitalfields market in the City. Unlike the previous opportunity, the Chilango accelerated M&A was a highly competitive process, with over 10 bids made for the business. Although, our bid was the third highest, we negotiated a good deal with the secured creditors and officially become the approved buyer. The transaction completed within a month in August 2020.

Chilango is one of the strongest brands in the UK hospitality sector. There is no question about it. The corporate culture is vibrant and second to none. At the restaurant level, the business has one of the highest EBITDA margins in the industry. This is due to the company’s robust operations. In addition, the quality of our ingredients and taste of the various menu offerings are market leading. In a “new normal” of being stuck at home, no other food delivers as well as Mexican food. So why did the business get into trouble as the lockdowns started? The previous shareholders had funded growth with the wrong type of capital. They had also focused on growth and not profitable growth. They had made a number of poor decisions when it came to site selection and lease negotiation. In addition, the head office was unusually bloated for a business of this size.

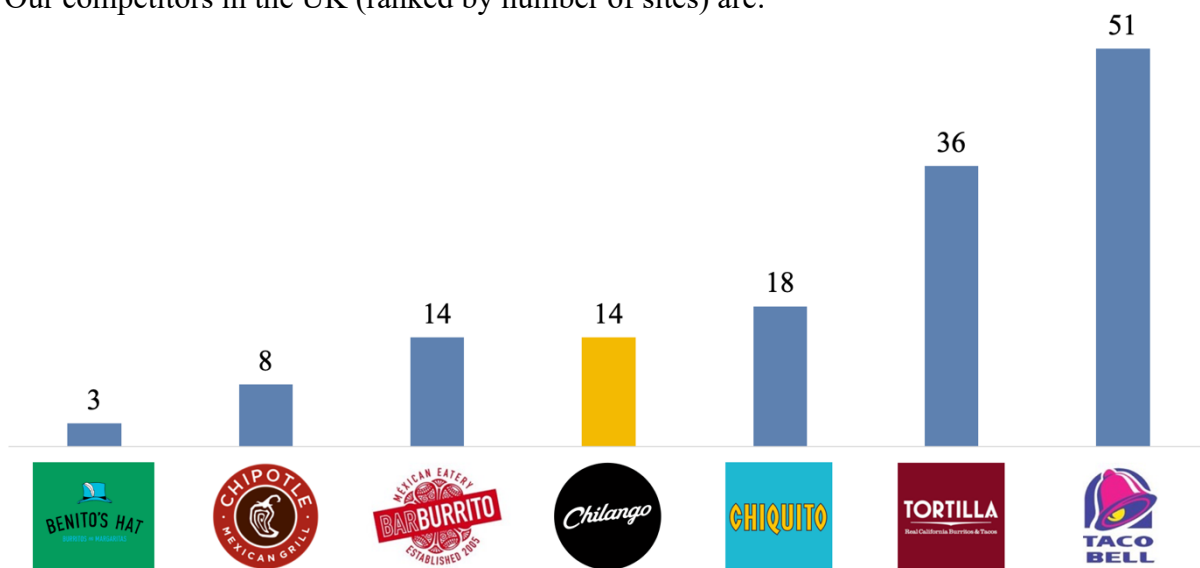
Fortunately for us, the way English law works has allowed us to save all 130 jobs, leave all of the historical debt and liabilities with OldCo, acquire just the business and assets, and set up a NewCo. This now means that we have a strong operating business, all of the brand recognition and brand identity, renewed leases at favourable terms, a clean balance sheet with no debt, a trimmed head office and an extremely bright future.

Our growth strategy for Chilango is focused on two simple principles:

1. Risk minimisation when it comes to site selection; we do this by getting Deliveroo data on area sales, as well as by testing a new location by firstly opening a very low capex ‘Vibrant Kitchen.’
2. Reduction in investment required by focusing our site and EBITDA growth almost exclusively via the highest ROI sites, which are ‘Vibrant Kitchens’ and ‘Chilango Express’ style small-sized sites.

Vision: I have no doubt that Chilango could become the next Chipotle. This is my long-term vision for Chilango. We are a premium Mexican restaurant group and deserve to have sites across the UK. As for my five-year vision, as a bare minimum, I want Chilango to become one of the three largest Mexican restaurant groups in the UK. Including our three vibrant kitchen openings this year and some of our currently closed City sites, we currently have 14 locations.

Our competitors in the UK (ranked by number of sites) are:



We already have a greater footprint than Chipotle (in the UK) and the same footprint as Barburrito. Our goal is to have more sites than Barburrito before the end of 2021 and become larger than Tortilla before 2025.

Leadership: Chilango has one of the best operators in the hospitality sector leading the business. Richard Franks is extremely passionate about Chilango. His background is in operations management, which made him the ideal person for the role of Managing Director – a role he started in January 2020 and has been doing a terrific job in ever since. He has led the business through the single most difficult period in its history and came out the other side stronger than ever before. Out of our entire portfolio, Chilango was hit the hardest by the pandemic. Hence, this is also why the business will undoubtedly be riding the greatest bounce-back wave. We are excited to be working with Richard on executing Chilango’s growth plan.

#### 4. Real Estate: RDCP Real Estate

We did not make any real estate investments in 2020. In fact, even in the last few years, we have not done much to grow RDCP Real Estate. We found much greater value in non-real estate investments in sectors such as healthcare and engineering. For the most part, real estate in the UK is quite overpriced, and rental yields are typically as low as 3% to 4%. However, I am pleased to say that we have now determined a clear strategy for our growth in this sector over the next few years.

In 2021, we will be making buy-to-let and buy-refurb-let investments in South East England. In particular, we have identified residential hotspot locations in Portsmouth, Southampton and Brighton.

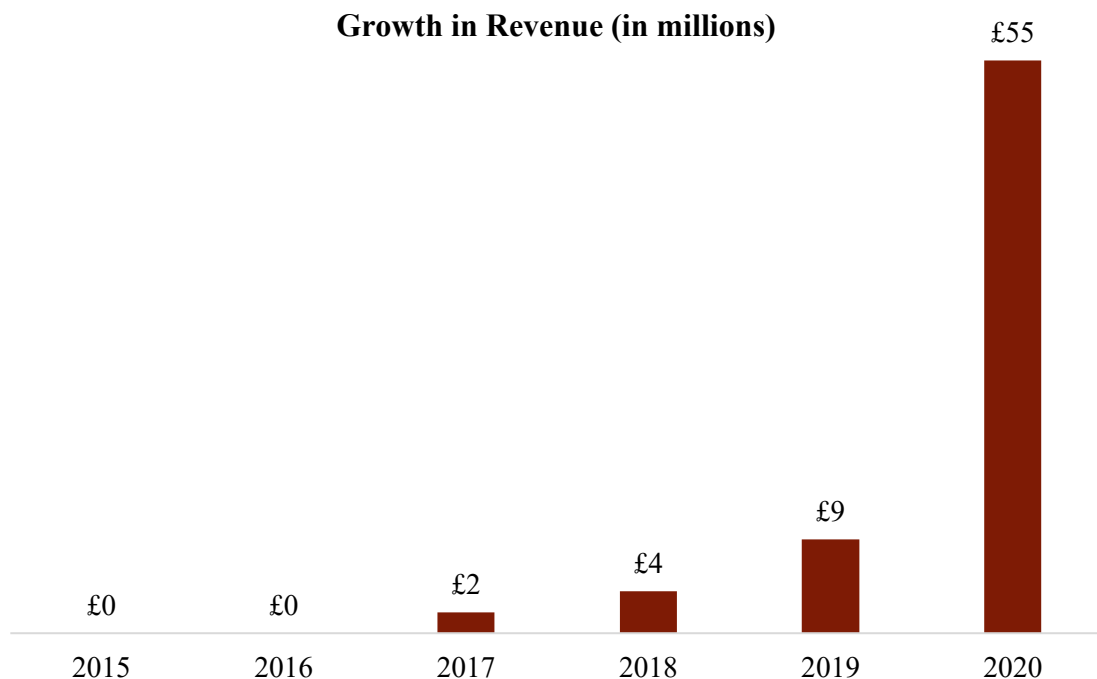
Vision: Our vision is to become a sizeable landlord of high-quality affordable housing in the UK, and the preferred choice for both young professionals and students.

#### RDCP as a Snapshot in 2020

I opened this annual letter with a chart showing our growth in enterprise value:

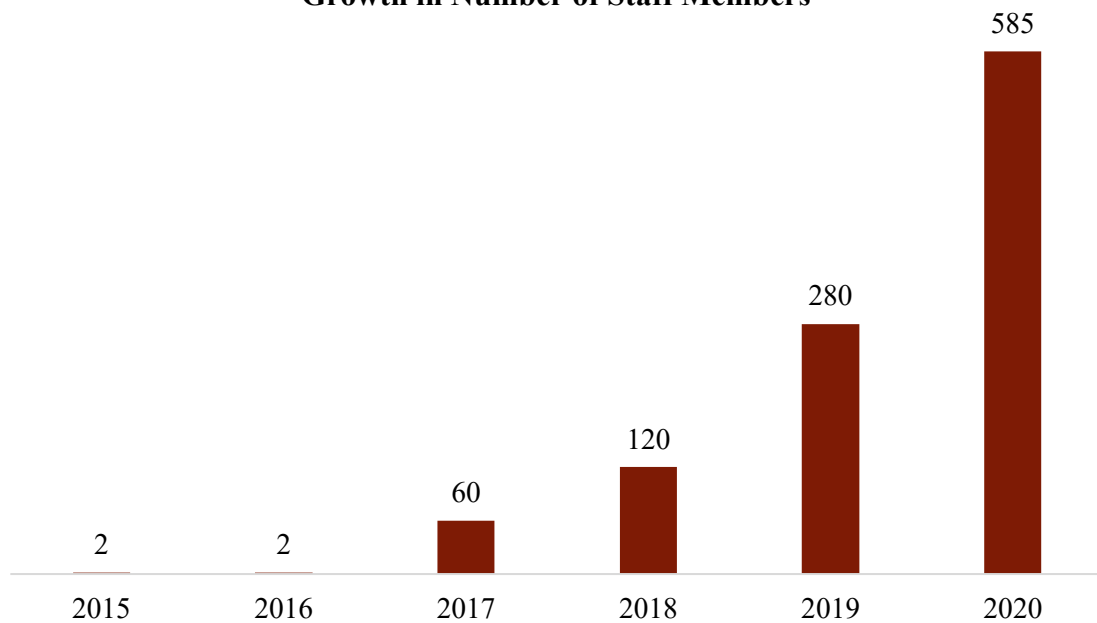
2015: £0m  
2016: £1m  
2017: £5m  
2018: £18m  
2019: £40m  
2020: £110m

From 2019 to 2020, our valuation increased by 2.75x. This is impressive, but our jump in run-rate revenue is even more unexpected – our run-rate revenue increased by 6.11x from 2019 to 2020. The reason for this is that most of our increase in revenue has come from RDCP Infrastructure. Construction and engineering, unlike healthcare, are relatively low-margin businesses. Hence, even though our revenue has increased by 6.11x, our valuation has only increased by 2.75x.



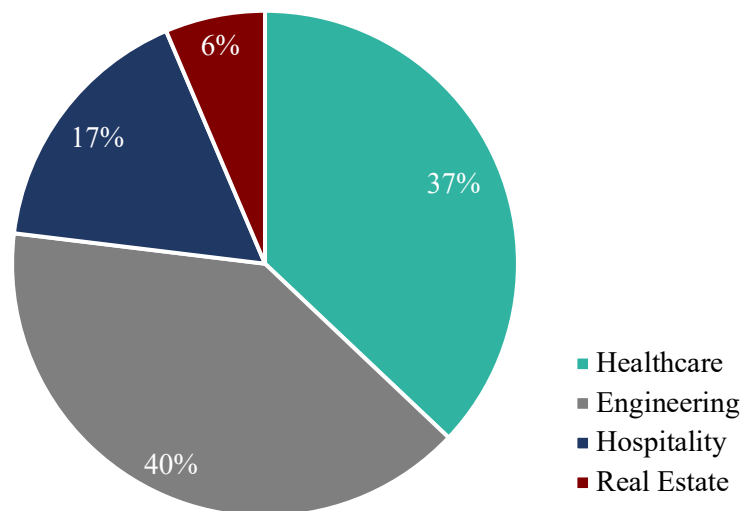
Our staff numbers have also increased steadily with our growth. As of December 2020, we employ 585 staff members across the group. This is 2.1x higher than 2019 numbers.

### Growth in Number of Staff Members



Unlike last year, when our portfolio was almost exclusively healthcare, we now own a much more balanced and diversified group of companies. As discussed in the previous section, each sector has a very clear buy-and-build strategy.

### Sector Diversification



## Reasons Behind Our Success

We took RDCP from £0 to £100 million in just five years. We never sold any equity to fuel this growth. We never raised a fund or took on outside capital. So how did we do it? What are the real reasons behind our success?

1. We are nimble in our investment-decision making. Unlike other investment firms that take weeks or months to reach a conclusion, we typically take less than a day to decide on an investment. We also do not need a cadre of analysts building models. We do not feel the need to know and consider every data point: just the ones that matter. We have a great sense for what these are.
2. We stay within our circle of competence. Many investors think they need to be constantly keeping up with the latest technologies. On the other hand, we know what we don't know. We are highly aware of our "circle of competence" and generally stick to it. We only invest in industries we already understand or *can* understand relatively quickly.
3. We are flexible. Yes, we have a guiding investment philosophy. A year ago, we were pretty much just investing in healthcare. Currently, we are executing buy-and-build strategies in four different sectors. We are willing to change our opinions upon receipt of new information. It would be foolish not to. An investment philosophy should only supply guidance, and not rigidity.
4. We are fearful when others are greedy, and greedy when others are fearful. 2020 is case in point. We saw that healthcare assets were starting to get overpriced. Every imaginable fund is chasing the same group of assets. Private equity funds, REITs, hedge funds dabbling in illiquid investments, family offices, insurance companies, and pension funds are all in love with the healthcare sector. Understandably, this is starting to create a bubble. The same happened to student accommodations and dental practices a few years ago. Hence, we have not made any healthcare investments this year. On the other hand, hospitality is the least loved sector of 2020. Investors are selling left, right and centre. Valuations are at circa 1x pre-pandemic EBITDA. This is why we decided to enter the sector via the acquisition of Chilango.
5. We are willing to buy companies on the operating table. It is emotionally easy to invest when the economy is booming, companies are reporting higher earnings, asset prices are rising, and risk-taking is being rewarded. However, buying already appreciated assets, hoping to sell them for even higher, is not the key to superior returns. Rather, the greatest bargains are accessed by buying when the economy and companies are suffering. We did this a number of times in 2020.
6. We have a completely long-term focus. Most funds have a relatively short life cycle: three years, five years or seven years. Our favourite holding period is the same as Warren Buffett's – forever. This is also how we are able to utilise the potent tool of compounding.
7. We never overpay for a business. Within minutes of evaluating an investment, we know the maximum price we would be willing to pay for it. If the expectations are higher and negotiation does not bring it to within our range, then we simply walk away. Every single time. Unlike funds managing outside capital, we do not need to deploy "dry powder." This means we make our investment decisions completely unconstrained.

## **Why The UK?**

We invest exclusively in the UK. *Why?* The UK is currently experiencing one of its most unloved decades in recent history. Brexit is not going according to plan. Out of the G20 countries, UK's GDP was hit the hardest by COVID-19. GBP is falling out of favour. All of this means that most investors (like sheep) are viewing the UK in quite a negative light. Less capital will be allocated towards investments. Other European countries will receive more of this reallocated capital. This unexpectedly creates one of the greatest investment opportunities right here in the UK. More and more baby boomers are retiring every day. Their sons and daughters have no interest in taking over their family businesses. They are too focused on working for big name organisations in the City. They are leaving behind fantastic mid-market businesses that are ripe for acquisitions and growth. We offer a much-needed liquidity event to these entrepreneurs. It's a win-win situation for both parties. If you look at this from a macroeconomic point of view, the UK itself is a contrarian investment right now. We at RDCP are excited for the future and are doubling, in fact even tripling down, on the UK.

## **Future Plans**

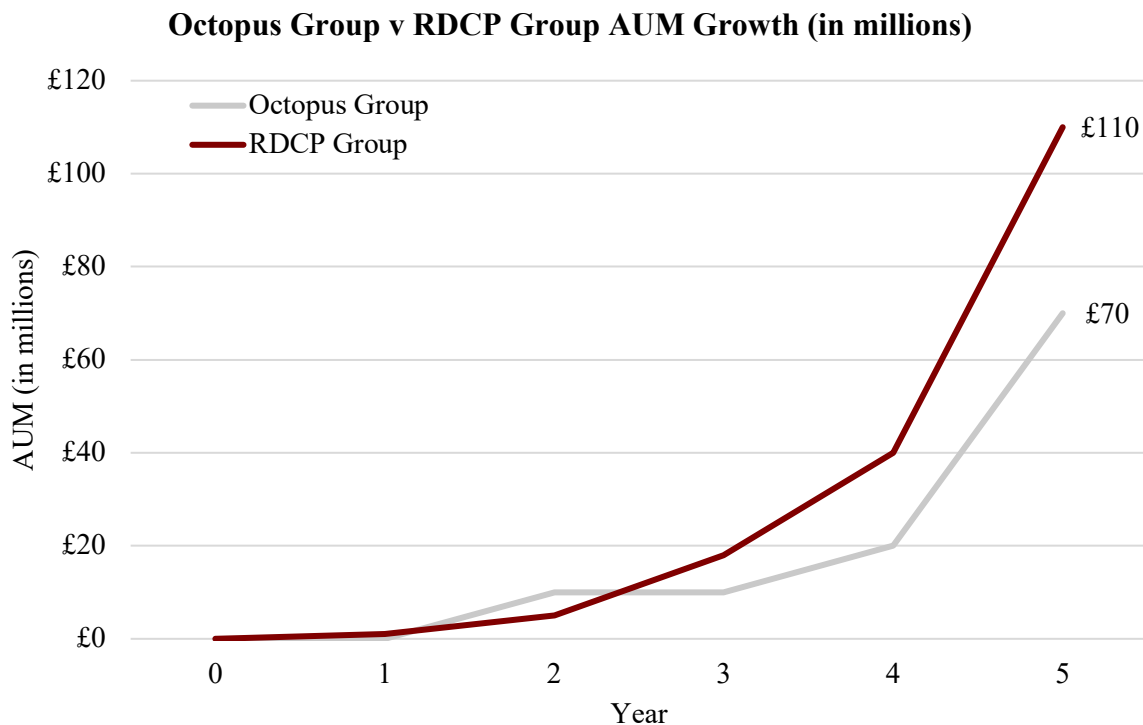
We are going into 2021 and this new decade as a £100m+ (circa US\$150m) investment firm. This is exciting. In our first five years of being in business, we had to fight to be taken seriously. We had to prove our worth countless times. We are no longer being asked to do that. There are certain situations which are now much easier. We have access to much better dealflow. Most lenders and advisory firms either know us, know of us, or a quick Google search gives them the comfort they need to move forward with us. Our covenant strength is good. We are able to differentiate ourselves as an investor due to the fact that we invest permanent capital, which also happens to be our own firm capital, rather than outside capital. All of our businesses are ring-fenced from each other. We have the best advisors working with us to manage all of our growth. We are also lucky to have great leaders within our business, leading each sector. Most importantly, we have not only survived the hardest year for our business, but also acted with conviction and grew our balance sheet by 2.75x in this very same year.

All of this means we are well-placed to take on any and all opportunities and threats that come our way in this next decade. Do we want to become a £1 billion conglomerate with interests in numerous sectors? Most certainly. Do we have a business plan and timeline for this growth? You bet.

In 2020, in the midst of a global pandemic, we stayed above the noise and acquired five businesses, including in unloved sectors such as hospitality. In 2021, we will continue developing buy-and-build strategies into our four core sectors of healthcare, hospitality, engineering and real estate. We will focus on both organic growth via increased sales and improved margins, and also inorganic growth via acquisitions. The next milestone is £200 million. Only time will tell how long it will take to get there.

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In last year’s annual letter, I compared RDCP’s performance to that of Berkshire Hathaway in their early years. This time I would like to present a more local comparison. Up until 2019, Octopus Group (<https://octopusgroup.com>) used to share their AUM figures on their website. They had a graphic which showed how their AUM has grown each year. I cheekily noted this down in an excel file last year, hoping to use it for a future annual letter. The figure below compares our “AUM” with that of Octopus’ in our respective first five years of business.



Octopus was launched in 2000 and by 2005, they were managing £70 million in assets. We set up shop in 2015, and now, by 2020, are managing £110 million in assets. This puts RDCP 57% ahead of Octopus. *Yes, I know, I have not adjusted for inflation. 20 years in, i.e. as of this year, Octopus Group is now one of the largest conglomerates in the UK and manage over £9 billion in assets.*

We have a long way to go. We are constantly focused on finding the right drivers for growth. And most importantly, we take a lot of pleasure in our journey.

Respectfully,

Sameer Rizvi, CFA  
 Chief Executive Officer (CEO)  
 December 10, 2020



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# 2023 ANNUAL LETTER

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Long-Term Investors Providing Permanent Capital

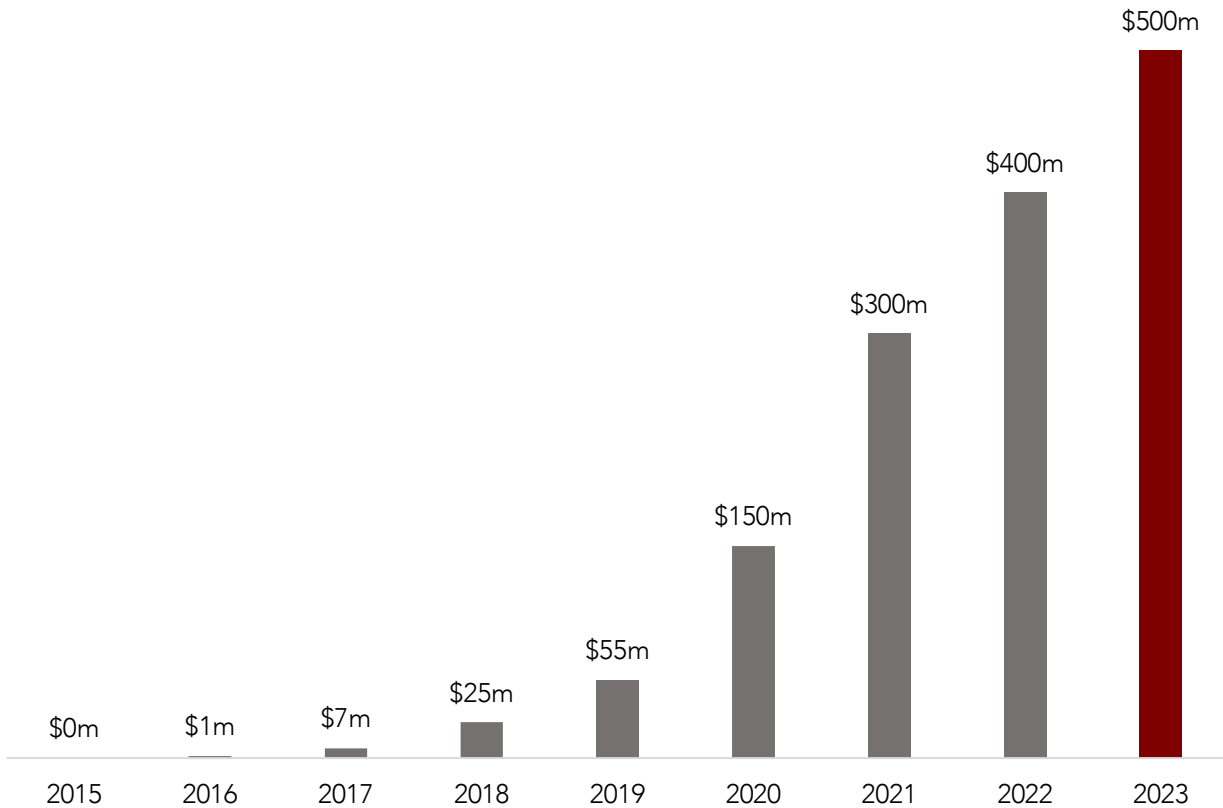
An aerial photograph of the London skyline at sunset. The sun is low on the horizon, casting a warm, golden glow over the city. The River Thames flows through the center, with several bridges visible. The skyline is dominated by modern skyscrapers, including the Shard on the left and the Gherkin in the center. The buildings are illuminated with lights, and the sky is filled with soft, orange and yellow clouds.

7-12 Tavistock Square, London WC1H 9LT

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[RDCPGROUP.COM](https://www.rdcpgroup.com)

### RDCP's Growth in Enterprise Value (EV)



In 2023, we have grown our enterprise value by 25%, from \$400m to \$500m by making a number of meaningful acquisitions.

### RDCP's Performance vs. the S&P 500 and FTSE 100

	S&P 500	FTSE 100	RDCP Group
Annual Return 2015 – 2023	11.7%	1.3%	91.4%
Total Return 2015 – 2023	128.9%	10.2%	12893.0%

This is our eighth year in business and the first year where our average annualised rate of return has dropped below a triple digit internal rate of return (IRR), down to 91.4%. As mentioned in last year's annual letter, this was inevitable. With a growing portfolio and thus a larger capital base, a higher rates environment and a slower overall economic backdrop, a drop in our average annualised growth rate was something we could see coming.

## To the Stakeholders of RDCP Group:

2023 has been our most challenging year yet. We have been in business since summer 2015, having made a total of 28 investments that are consolidated into 12 portfolio companies, generating, on an annual basis, a combined £175m (\$225m) of revenue and £24m (\$31m) of EBITDA. For the most part, we have acquired and built up this portfolio during an extended period of low interest rates and a two-year period where British lenders received guarantees from the UK government (CBILS and RLS) and thus threw capital at acquisitive investment firms. All of this allowed us to stay significantly more focused on the upside, with relatively limited focus on the downside.

In 2023, all of our closely held beliefs and principles were tested. In fact, this year has been the most eye-opening year of my career and has allowed RDCP to form newer, better principles that will allow us to scale to our \$1bn target AUM by 2025, but in a much more sustainable and risk-neutral manner. Yet, despite exiting a few small non-core and non-performing investments this year, we still maintain our dual perfect record of:

1. Growing our AUM every single year since our inception in 2015.
2. Never having lost our money on an investment.

The fact of the matter is that there are a small handful of investment firms that have never had a down year, i.e. their AUM or equity value has grown every single year, year on year. We are proud that RDCP is a part of this privileged group of investment firms and long may this continue. However, other than RDCP, there are no investment firms that I know of that have never lost money on an individual investment. Realistically, I cannot see this carrying on forever. As our group's free cash flow grows, we are able to either make larger investments or increase the number of investments we make in a year. Hence, it is inevitable that we will soon have an investment that has lost money for RDCP. Having said that, we will continue fighting hard to ensure we maintain this perfect record for as long as we can.

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## Portfolio Overview: 2023 Acquisitions

Over the past eight years, RDCP has made 28 investments that have been consolidated into 12 companies, employing a total of 1,900 of staff members. Below I detail the businesses we have acquired in 2023.

### 1. The Pexion Group



Month Acquired: Jan 23  
Leadership: Dave Brindle  
Sector: Engineering

Headcount: 500  
Revenue: £50m  
EBITDA: £6m

The Pexion Group is a precision engineering platform business with 14 subsidiaries. The business is led by Dave Brindle and Darren Turner, who executed a management buyout, followed by a buy-and-build strategy in the precision engineering sector with HSBC.

The transaction was brought to market as Pexion were looking for a partner that would allow the business to go on phase two of their buy-and-build journey. The deal gives RDCP a 51% stake in this £50 million turnover and £6 million EBITDA business. RDCP is also partnering with Pexion to support bolt-on acquisitions and grow EBITDA to over £20 million within 5 years. The incumbent lender HSBC continues to support the business.

Established in 1986 and headquartered in Chorley, Lancashire, the Pexion Group is a diversified group of high value precision and electronic engineering businesses. The business operates with 14 subsidiaries, offering a one stop engineering solution to some of the world's biggest original equipment manufacturers and tiered supply chain providers. Services include design, development, prototyping, medium to high volume production with fully integrated supply chain solutions. Clients operate across the aerospace, defence, oil and gas, precision automotive, power generation and medical industries.

We are pleased to be backing Dave Brindle as CEO. Dave joined Pexion as Group Operations Director in 2008. He has 32 years of engineering experience (both in the UK and internationally) in several industry sectors including aerospace, automotive and consumer electronics. Dave became Chief Executive Officer in 2016 following the management buyout (MBO) with Darren Turner and further developed Pexion's buy and build strategy after securing £16m of acquisition facilities from HSBC. Dave has a master's degree in mechanical engineering from University of Salford and an MBA from University of Hull.

Pexion is an important acquisition for RDCP Group as it gives us immediate and deep access to UK's precision engineering and precision manufacturing sectors, which typically have high barriers to entry. In addition, we have competed with Pexion a few times on potential acquisitions, where Pexion ultimately won the deal. Hence, I could not be more pleased to now join forces with Dave and Darren and continue this buy-and-build journey to grow Pexion's valuation to over £200million within the next 5 years.

## **2. i4Plus (CC Electronics and Hone-All)**

**i4Plus**

Month Acquired: Nov 23  
Leadership: Dave Brindle  
Sector: Engineering

Headcount: 140  
Revenue: £9.5m  
EBITDA: £1.6m

In November 2023, we completed a sister-company acquisition of i4Plus which was jointly owned by Dave Brindle and Darren Turner. This acquisition brought two engineering companies, CC Electronics and Hone-All, into the RDCP-backed Pexion group of companies.

Collectively between all 16 Pexion/i4Plus subsidiaries, we now forecast 2024 revenues of over £60m and EBITDA of over £9m.

### 3. Coton Care



Month Acquired: Apr 23  
Leadership: Rosie Howell  
Sector: Healthcare

Headcount: 100  
Revenue: £1.85m  
EBITDA: £0.7m

In April 2023, we acquired the Coton Care Group, a group of two care homes, as a bolt-on acquisition for RDCP Care. The two homes bring a combined 56 beds into the portfolio. RDCP Care now is a £12m revenue and £3.7m EBITDA portfolio, with eight care homes located across the Midlands and Wales.

We remain excited about the UK care sector, and RDCP Care continues to be the most resilient, robust and reliable portfolio company in our portfolio of businesses.

### 4. Majestic Group



Month Acquired: Apr 23  
Leadership: Jim Martin  
Sector: Manufacturing

Headcount: 57  
Revenue: £8m  
EBITDA: £2m

In April 2023, we acquired Majestic Windows Group, one of the country's leading windows and doors manufacturing business, based in Somerset. Majestic Windows is our first acquisition in the manufacturing sector and is an important step forward for RDCP as we increase our strategic capital allocation towards UK manufacturing businesses.

Frankly, it was a real win to get this transaction over the line when we did, because although Majestic has had a reasonably strong 2023, many companies in the sector are struggling. This is purely because of reduced consumer spending and not a long-term systemic issue. Hence, even though we would like to acquire more companies in the sector, and we have two targets identified, raising debt capital has proven to be a challenge.

### 5. Home Counties Pools



Month Acquired: Aug 23  
Leadership: Paul Woodhead  
Sector: Facilities Management

Headcount: 10  
Revenue: £2m  
EBITDA: £0.6m

In August 2023, we acquired Home Counties Pools as a bolt-on acquisition to Deep End Pools. Although consumer spending in the UK has pulled back, we continue to believe that this is a relatively short-term feature of the economy, and as rates (and inflation) start to fall in 2024 and beyond, we expect consumer spending to mean-revert to normal levels. Thus we remain reasonably bullish on the facilities management sector.

## 6. The Soft Drinks Company

### The Soft Drink Company

Month Acquired: Sept 23

Headcount: 40

Leadership: Vipin Patara

Revenue: £15m

Sector: Consumer Discretionary

EBITDA: £0.5m

In September 2023, we acquired The Soft Drinks Company (TSDC) as a bolt-on acquisition to SOS Wholesale. Despite general market headwinds, our investment thesis remains that the food and beverages wholesale sector, which is a sub-sector of the consumer discretionary sector, is a recession-proof sector that will continue to showcase strong performance.

We are excited to be working with Paul Michael Broomhead as the General Manager of TSDC, who will be supported by Vipin Patara and her team at SOS Wholesale.

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### Exited Businesses

We maintain a selective approach to the construction sector. Going forward, our focus will be solely on main contractor businesses with a strong competitive position, resilient business model, robust balance sheet, and substantial barriers to entry. Specifically, we are interested in UK infrastructure-focused main contractors, distinguishing them from smaller sub-contractors who operate on minor projects at the direction of larger firms.

As I stated last year, and I will reaffirm now, RDCP is not an exit-driven investment firm. We believe that substantial returns and meaningful wealth creation come from holding investments long-term, allowing cash flows to reduce debt naturally and reinvesting profits into additional ventures. This approach best supports the power of compounding.

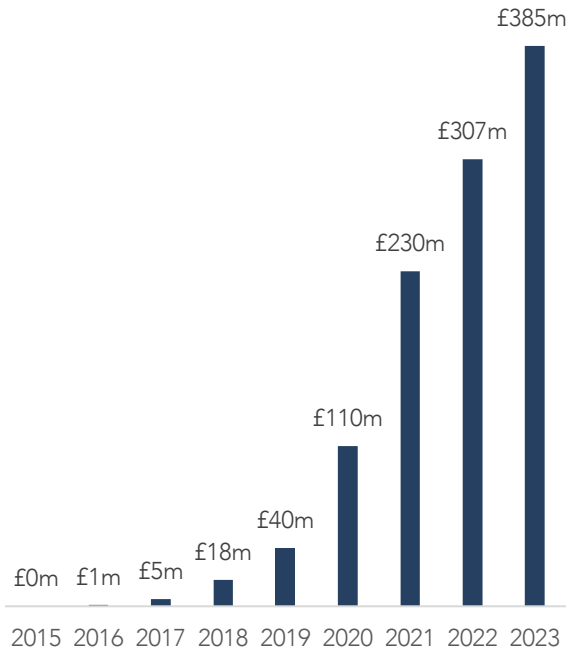
That said, there will be instances where we exit a business or a sector, whether due to diminished confidence in its potential or management, or to generate liquidity for new investments. In 2023, we largely exited the construction sector by divesting from our main construction holding, Killingley Group.

Our four-year investment in this sector yielded considerable returns, but we foresee limitations ahead. The construction industry often faces volatile income streams, with profitability fluctuating sharply based on project pipelines. In 2023, we observed this volatility within several Killingley Group subsidiaries, particularly as government projects like HS2 were discontinued. During economic downturns, the construction sector is typically among the first impacted and often takes the longest to rebound.

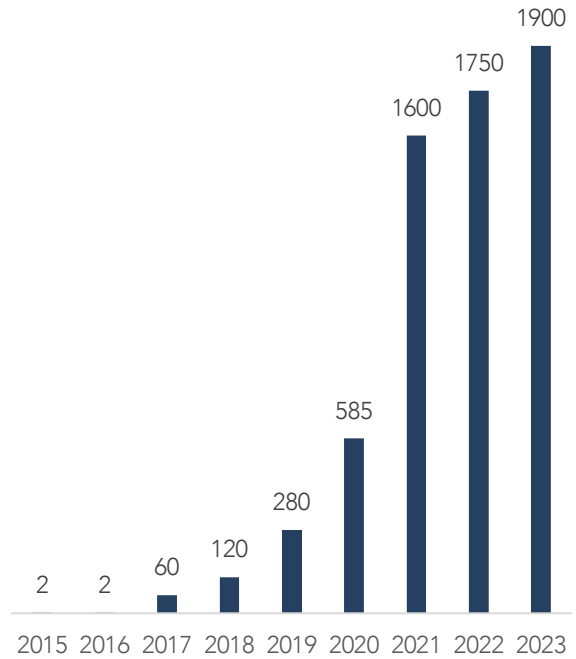
It is for these reasons that we exited the various Killingley Group subsidiaries over the course of this past year.

## RDCP as a Snapshot in 2023

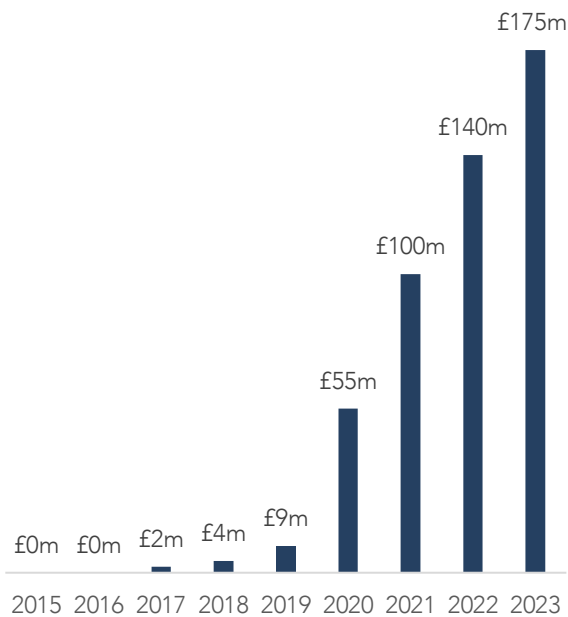
In 2023, we acquired six new companies and exited Killingley Group. This is what the RDCP portfolio looks like today.



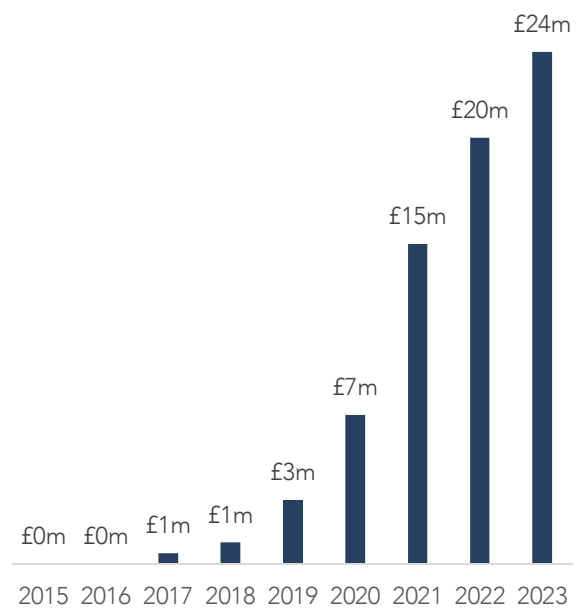
Growth in Enterprise Value (EV)



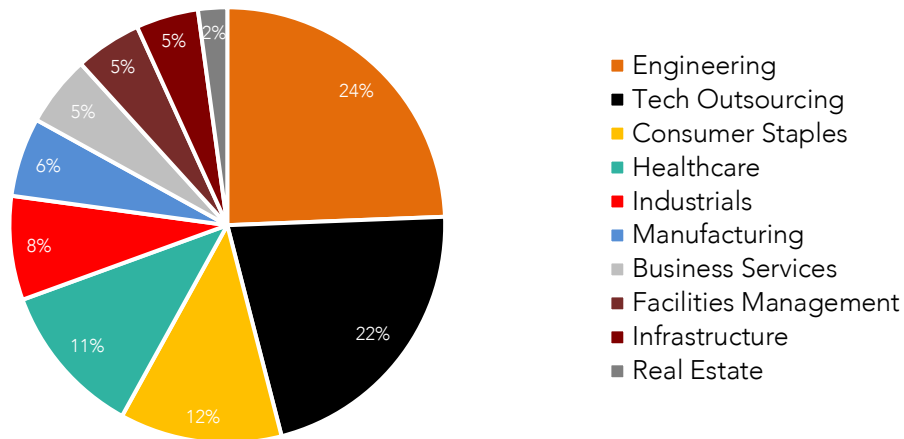
Growth in Staff Headcount



Growth in Run-Rate Revenue














Growth in Run-Rate EBITDA



Sector Diversification

### Portfolio Companies

The RDCP portfolio today comprises 12 portfolio companies across 10 sectors, generating a combined £175m (\$225m) in run-rate revenue and £24m (\$31m) in run-rate EBITDA.

<p><b>Engineering</b></p>  <p>Precision engineering group with 16 companies</p>	<p><b>Tech Outsourcing</b></p>  <p>Tech-enabled contact centre business</p>	<p><b>Consumer Staples</b></p>  <p>£45m revenue food wholesale business</p>	<p><b>Healthcare</b></p>  <p>Elderly care provider with 8 nursing homes</p>
<p><b>Industrials</b></p>  <p>Electrical equipment distributor: 6 branches</p>	<p><b>Manufacturing</b></p>  <p>Windows design and manufacturing business</p>	<p><b>The Soft Drink Company</b></p> <p>£15m revenue soft drinks distribution business</p>	<p><b>Infrastructure</b></p>  <p>Mechanical &amp; electrical building services</p>
<p><b>Business Services</b></p>  <p>Web and sheet-fed printing business</p>	<p><b>Real Estate</b></p>  <p>Private real estate portfolio valued at £7m</p>	<p><b>Facilities Management</b></p>  <p>Luxury swimming pool installation group</p>	<p><b>Alma Rail</b></p>  <p>Railway track and rail engineering business</p>

## **Charlie Munger – a Tribute**

Charlie Munger was one of the greatest investors of all-time. The company he ran alongside Warren Buffett, Berkshire Hathaway, is the single best example of long-term compounding and wealth creation for sensible, logical and patient investors. Berkshire, Buffett and Munger have been the greatest inspiration not only for me personally, but for RDCP as an investment firm, and we have tried our very best to mimic their rational investment principles and approach. Sadly, Charlie Munger passed away on 28<sup>th</sup> November 2023, at the age of 99. May he rest in peace.

There are numerous Charlie Munger quotes, anecdotes, and general pieces of wisdom out there, but the below story really stuck with me.

In 1953, Charlie Munger was 29 years old.

Recently divorced. Lost the house. Huge social stigma of divorce back then.

His 8-year-old son, Teddy, was diagnosed with cancer. The leukemia was incurable. No medical insurance – Munger paid for all his medical care. Charlie would visit Teddy in the hospital every day -- and then walk the streets crying.

Teddy died at the age of 9.

Charlie was broke, divorced and just lost his child. 99.9% of people would have turned to alcohol, drugs, or suicide (and you'd understand why). Munger never did.

Fast forward to 52 years old, a failed surgery left him blind in one eye with the potential of going fully blind one day. Charlie was an obsessive learner who read every book he could get his hands on. When confronted with the possibility of going blind and no longer being able to read, he said: "It's time for me to learn braille!"

The only thing that might be more impressive than Charlie Munger's intellect were his actions, and this lack of self-pity.

This is what Charlie Munger himself had to say on self-pity:

*"Generally speaking, envy, resentment, revenge, and self-pity are disastrous modes of thought. Self-pity gets pretty close to paranoia... Every time you find your drifting into self-pity, I don't care what the cause, your child could be dying from cancer, self-pity is not going to improve the situation. It's a ridiculous way to behave. Life will have terrible blows, horrible blows, unfair blows, it doesn't matter. Some people recover and others don't. There I think the attitude of Epictetus is the best. He thought that every mischance in life was an opportunity to behave well. Every mischance in life was an opportunity to learn something and that your duty was not to be immersed in self-pity, but to utilize the terrible blow in a constructive fashion. That is a very good idea."*

## **Investment in Human Capital**

A large part of RDCP's success is down to its people. Up until recently, this idea mostly just referred to the strong management teams that lead our portfolio companies and allow us to grow profitably as a group. However, this year, we brought on two key recruits at a RDCP Group level.

Firstly, we asked Paul Clunn to step up to the role of Investment Director. Paul leads one of our key portfolio companies, Worcester Electrical Distributors, as Managing Director, and earlier this year started assisting RDCP Group as an Investment Director, working with the RDCP founders on identifying, evaluating and executing transactions, whilst also supporting portfolio companies throughout RDCP's investment hold period, working with the management teams to help them deliver on the potential of their respective businesses. Paul is predominantly focused on the industrials sector. Prior to RDCP, Paul spent over 25 years working in leadership roles in the electrical products sector, at blue-chip companies such as City Electrical Factors, Rexel, Eland Cables and Cleveland Cable Company. Paul has a Masters in Law from University of Central Lancashire. Paul has also spent over 5 years with the Royal Navy.

We have also recruited Martin O'Donoghue as Chief Legal Officer. Martin has previously worked at major law firms, including Armstrong Teasdale, Eversheds and Teacher Stern. Martin leads the legals on all mergers and acquisitions, strategic exits, joint ventures, corporate finance transactions and commercial contracts at RDCP. He has over 20 years of legal experience, having advised clients on commercial transactions in the UK, Ireland, the US, Europe, Africa and Asia. Prior to RDCP, Martin was a Partner at Armstrong Teasdale, advising on several large M&A transactions. Previously, Martin worked at Teacher Stern and Eversheds. He is consistently recognised by the Legal 500 for advising on M&A transactions. Martin studied Law at University College Dublin and is a member of the Law Society of England and Wales and the Law Society of Ireland. Martin also has an MBA.

As our portfolio continues to grow, Martin is keenly focused on downside mitigation and risk management – areas of our business that I deemed most underdeveloped until Martin's arrival. Bringing this key role in-house has been a game-changer, not only because of the massive savings in legal spend with various law firms, but the relationship-compounding that occurs with Martin overseeing legal matters of the various portfolio companies and of group.

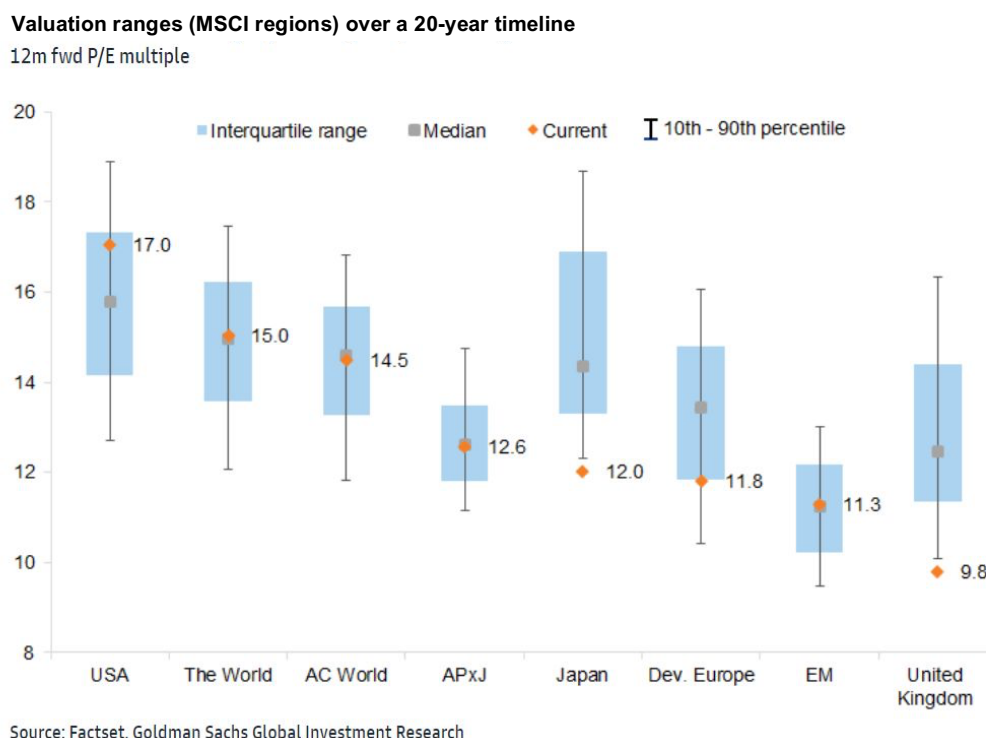
Having an in-house counsel has inspired me to bring more outsourced functions in-house. We currently outsource financial due diligence and financial modelling to third-party accounting and corporate finance firms, spending a significant amount on fees. Post-acquisition, there is also limited accountability on tracking how these companies perform against the original acquisition model.

Successfully bringing these roles in-house would further strengthen RDCP as an investment firm and have strong team members fighting for sustainable growth as part of the core team.

## UK Equities/Companies Remain "Cheap"

Whatever way you slice it, equities look cheap in the UK and in Europe.

When comparing the attractiveness of public and private companies in different regions, you want to look at valuations from two angles: from the way a region's valuation stacks up against other regions, and from how it stacks up against its own history. If the region ranks high on both measures, it is most likely overvalued. If it ranks low on both counts, it is most likely undervalued.



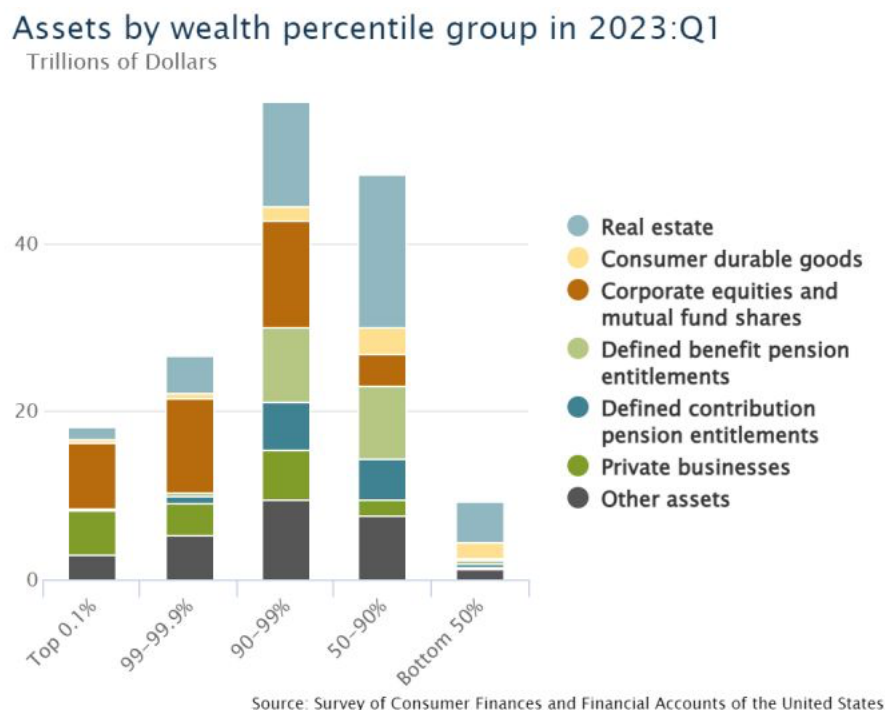
Take US stocks, for instance: they have not only got the most expensive 12-month forward price-to-earnings (P/E) ratio right now, but their current multiple is also near the top of their 20-year range. US stocks then are probably expensive. On the other end of the spectrum, there are UK stocks: their P/E ratio is the lowest across the globe, and they are extremely cheap relative to their own history. So, UK stocks are undoubtedly inexpensive.

Of course, different regions have different sector exposures, which also vary over time. That means you are not exactly comparing apples to apples, and that can bias the results. For example, the tech sector grew significantly in the US over the past 20 years, and now represents a much higher share of stock indexes than it does in other regions. Tech stocks have a higher growth profile, and so they deserve a higher multiple, so it is easy to see why US stocks have that elevated multiple relative both to other countries and their own history. That being said, the gap is so wide that differences in sector compositions cannot explain it all (and sector-adjusted price-to-earnings ratios between Europe and US, for one, support that view).

Valuations are a major driver of long-term returns. So, if you have a long-term horizon, buying UK equities continues to be a sensible strategy, providing a higher margin of safety.

## Equities – The Superior Asset Class

A study done by a US government department, called Consumer Finances and Financial Accounts of the United States, looked at what assets were owned by the various wealth percentile groups (the bottom 50% all the way to the wealthiest 0.1%)



Whilst 99% of the population had real estate as a significant proportion of their net worth, the wealthiest 1%, but more importantly, 0.1% predominantly derived their net worth from ownership of public and private companies. This essentially means that almost all millionaires reached that net worth status by owning a property over a long time-horizon or inheriting a property, but all centi-millionaires or billionaires own businesses.

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## Lessons Learned / Reasons Behind Our Success

In 2023, our portfolio was tested for the first time ever: UK corporate insolvencies rose to an all-time high, base rate topped out at 5.25% and inflation peaked. This has not only tested our portfolio, but also tested our resolve as investment managers in navigating a group of companies through these rather treacherous waters. These were some tough moments, and even tougher decisions that we had to make. But guess what, we are here, we have managed to grow the portfolio, our companies are strong, and I (and RDCP) have learned more in this one year than the entire history of RDCP combined. 2023 has humbled me. Yet, it's proven to me just how resilient RDCP really is.

1. Opt for insourcing instead of outsourcing. This only really applies for a business of a certain scale. If a firm only does one or two transactions per year, then outsourcing is the most cost-efficient way to grow. However, for RDCP now, as detailed earlier in this

annual letter, when it comes to advisors (legal, corporate finance, financial modelling), as an acquisitive investment firm, by bringing key business functions in-house, there are significant benefits. Firstly, there are the obvious and rather meaningful cost savings. But actually, this is not the main benefit. The greatest benefit is the corporate culture “compounding” that occurs when a group of highly driven senior management team members are focused on delivering a shared vision.

2. Most decisions are reversible. Life is all about reversible vs irreversible decisions, and pretty much, other than having a child, most decisions are reversible. Unhappy with an investment, try to exit it. Unhappy with a recent hire, ask them to leave. However, due to classic investor biases such as confirmation bias (where investors seek information that confirms their existing beliefs and ignore information that contradicts them) or anchoring bias (where investors fixate on specific prices or values, often the purchase price of an investment, and make decisions based on this anchor, which can lead to reluctance to sell a losing investment), we as investors sometimes forget that we can always unwind a decision. Admit when we are wrong, act on the newly presented information and move past an old decision. This can be a powerful decision-making tool.
3. Be a player and not a spectator. While this year has been a challenge, the lessons learned came from actually being in the arena, and not commenting from the sidelines. The vast majority of principles that the greatest of investment firms (e.g. Berkshire Hathaway or Bridgewater Associates) have formed and then leveraged are because of the fact that they invested through recessions and learned principles the hard way by losing money on bad investments. An investor can read about the mistakes of others, but there is no greater teacher than trying to unwind a bad investment.
4. Successful entrepreneurs show up every day. The biggest difference between winners and losers is that winners never really stop, or give up, or stop showing up. You should never bet against the individual that just keeps showing up. So much of life just comes down to showing up, day in, day out, doing the simple things well. These unremarkable daily actions turn into remarkable long-term results.
5. Do not dwell on past success. Dwelling too long on past successes can hinder growth. It can lead to a sense of contentment or complacency, which prevents us from seeking new challenges and striving for further achievements. Rent is due every single day.
6. Pain plus reflection equals progress. Ray Dalio famously said that “pain plus reflection equals progress.” Truer words have never been said. In life and in business, there are only wins or lessons.

## Future Plans

We remain focused on growing our enterprise value to \$1bn by 2025. How? The average conglomerate trades at 15x EBITDA or more. \$1bn divided by 15x equals \$67m of EBITDA (or £52m of EBITDA). In essence, we need to grow our EBITDA from £24m to £52m in the next 24 months. This is undoubtedly going to be challenging, but we remain fervently determined in achieving this goal.

Interestingly, what has changed this year is that although this goal is incredibly important to us, we only want to achieve it in a sustainable way, without a “growth at all costs” type of mentality that we have previously had. In fact, this drive for sustainable growth has pushed us to focus on five key areas as an investment firm:

1. Sustainable AUM Growth: Not just inorganic growth via acquisitions, but also organic growth of our portfolio companies via increased revenues and profits. This also involves our portfolio companies selling their services to each other and cross-selling to clients.
2. Cash Generation: Until recently, we have reinvested and poured all our cash constantly into more acquisitions, fueling our growth. However, we are now incredibly focused on cash generation and cash retention, and no longer wish to purely be an asset-rich investment firm, with limited cash reserves (relative to our enterprise value).
3. Cash Compounding: As some of our companies start to become debt-free, our cash generation will continue to increase each year, and the impact this has on overall growth will be incredible.
4. Downside Mitigation and Risk Management: There are some proprietary ways in which we are now managing downside risk and applying other risk management methods to ensure our growth is sustainable and repeatable. These are unique to us and part of our proprietary intellectual property. The ones I can publicly share are (i) identifying problems early, (ii) hiring A-players and (iii) managing our reputation.
5. USA Expansion: The US midmarket alone is the third largest economy in the world. It is 3x larger than UK’s entire economy. As RDCP gets to \$1bn in enterprise value, and looks ahead towards further growth, a focus on North American expansion (both US and Canada) is inevitable and is something we are already starting to work on as a firm. We will always have a meaningful presence in the UK but want to now expand into the US.

There is a lot of hard work ahead of us in 2024 and 2025. We can only achieve this goal by following the above five key focus areas, and ensuring we surround ourselves with smart, driven and high-integrity senior management team members that are all working towards our common goal.

Respectfully,

Sameer Rizvi  
Founder & CEO  
30<sup>th</sup> December 2023



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# 2021 ANNUAL LETTER

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Long-Term Investors Providing Permanent Capital

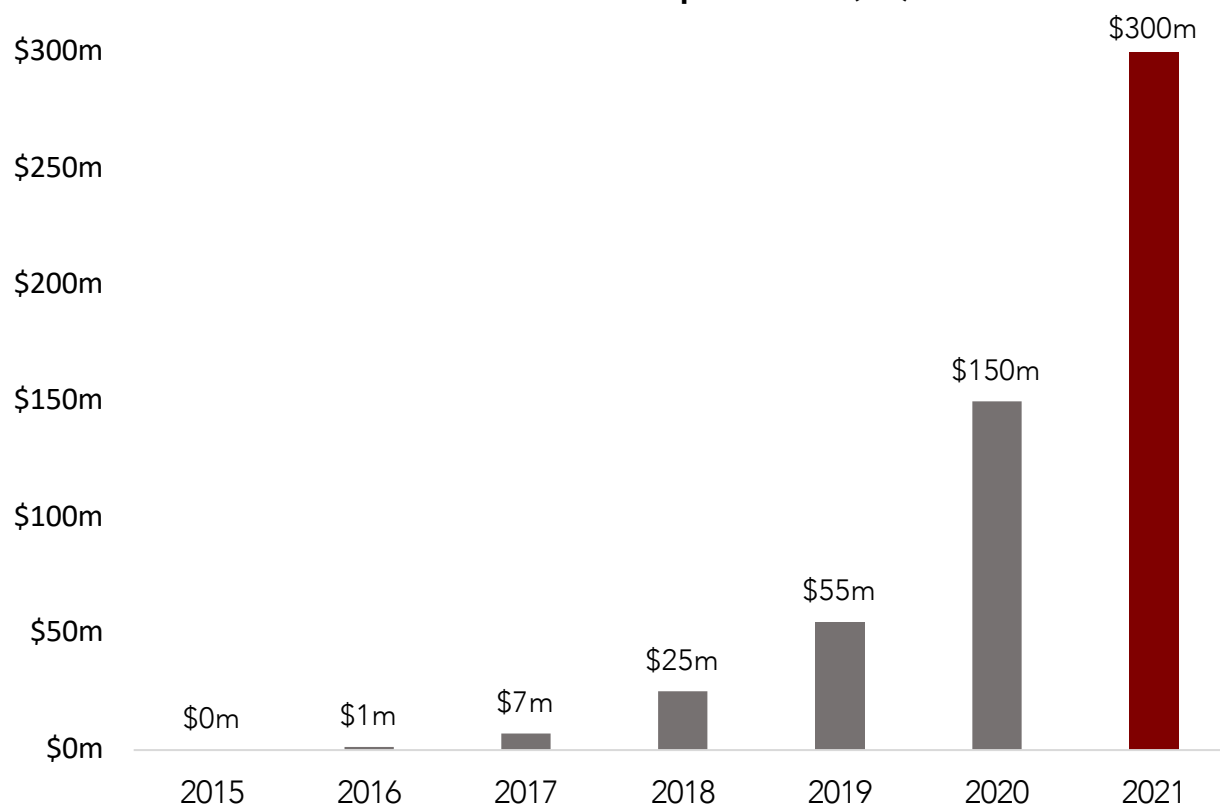
An aerial photograph of the London skyline at sunset. The sun is low on the horizon, casting a golden glow over the city. The River Thames flows through the center, with several prominent skyscrapers, including the Shard and the Gherkin, illuminated. The city extends far into the distance under a hazy sky.

25 North Row, Mayfair, London W1K 6DJ

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[RDCPGROUP.COM](http://RDCPGROUP.COM)

### RDCP's Growth in Enterprise Value (EV)



In my 2019 annual letter, I presented RDCP's annual return against the S&P 500 and FTSE 100. In my 2020 annual letter, I started presenting the annual growth rate of RDCP's enterprise value (i.e. assets under management). I now believe it is factual, useful and even interesting to present both. 2021 was another record year for RDCP. Every single one of our portfolio companies grew their revenues and their profits, but of course, majority of the 167% increase in our AUM came from the four companies we acquired and added to the portfolio.

### RDCP's Performance vs. the S&P 500 and FTSE 100

	S&P 500	FTSE 100	RDCP Group
Annual Return 2015 - 2021	13.6%	0.5%	114.6%
Total Return 2015 - 2021	126.1%	3.4%	14208.5%

The figures above represent cumulative annualised returns for the six-year period starting from 2015 and ending in 2021. RDCP's annual return is calculated using the internal rate of return (IRR) method. Please note that these returns represent unrealised IRR, as RDCP has not exited any of its investments.

### To the Stakeholders of RDCP Group:

This “pandemic period” seems to just carry on. Two out of six years of RDCP have now been in a global pandemic. My son, Victor, was born in February 2020 and thus has only known a world with masks and restrictions. As of writing this letter, I unfortunately do not see this coming to an end in 2022. Nevertheless, our job as rational investors and sound decision-makers is to be aware of the risks and threats the pandemic presents, but to exclusively focus on what we *can* control, and most importantly, to continue to find undervalued investment opportunities that are just so prevalent in this tumultuous period.

In 2021, we did precisely this and acquired Intelling Group, Ancient House Printing Group, SOS Wholesale and Woodford Engineering, thereby growing our AUM from \$150m to \$300m.

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### Portfolio Overview

In the past six years, RDCP Group has made 18 investments that have been consolidated into 7 companies, employing a total of 1,850 of staff members. These portfolio companies are presented in order of valuation size, largest to smallest.

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#### 1. Intelling: Tech-enabled specialist communications business / [intelling.co.uk](https://intelling.co.uk)



Sector: Technology / BPO  
Leadership: Phil Morgan

Revenue: £40m  
Headcount: 1,025

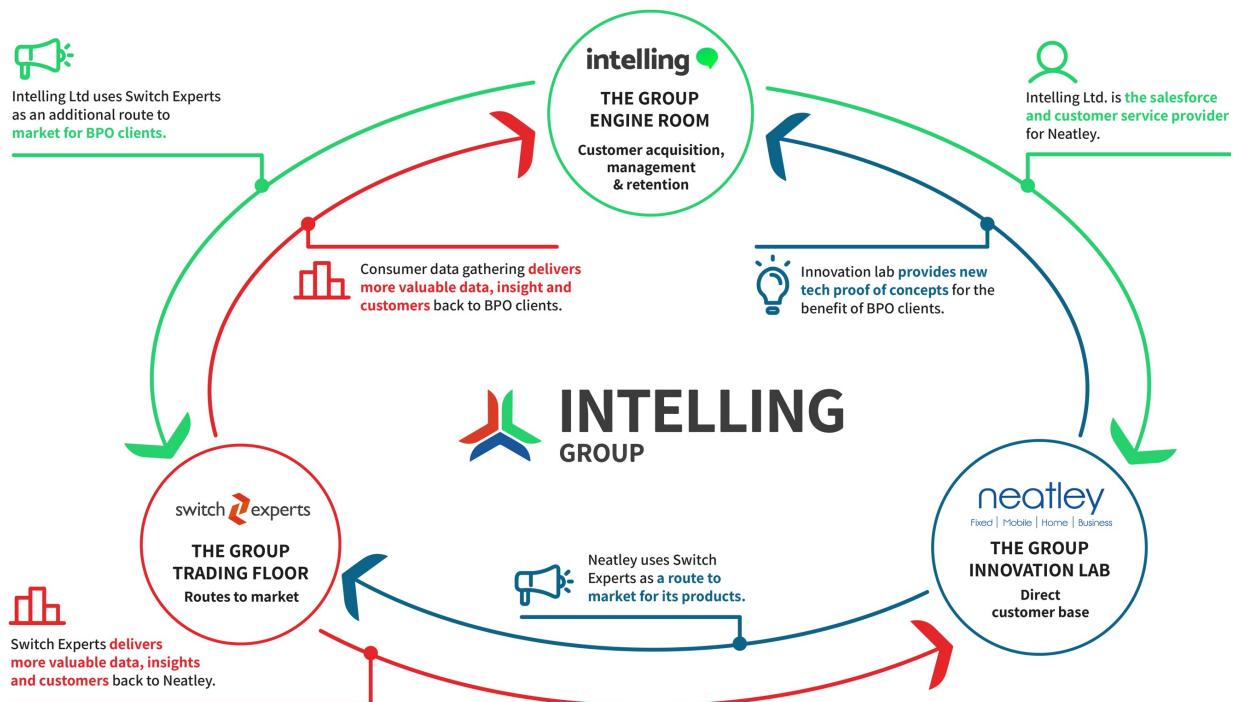
Intelling is a tech-enabled customer management business, delivering business process outsourcing (BPO) and communications services to a range of blue-chip clients, including O2, Virgin Media, Octopus Energy, TalkTalk, Serco, Cision and Experian.

Intelling is one of our most exciting portfolio companies – our first venture into a “new-economy” sector. We acquired a 67.4% stake in the business in October of this year. One of the reasons we are excited about Intelling’s prospects is because the business has been growing its revenue at an average rate of 50% a year for the past four years, all whilst maintaining EBITDA margins of 14%. This growth has been purely organic, a combination of increased work with existing clients as well as onboarding new clients. Hence, without a doubt, out of all our investments, Intelling is the most scalable business.

Today, Intelling Group comprises three integrated businesses that proficiently focus on securing, supporting and sustaining customers. The business model exploits the opportunity to acquire data at a low cost and subsequently add value to it via cleansing and enhancing techniques.

As data is enhanced (improved accuracy and precise segmentation) and supplemented with new customer information, it increases in value. The data is then used as part of the company’s core BPO contact services, utilised in-house through different service offerings (e.g. Switch Experts), or re-sold to third parties.

At its core, the BPO arm is the largest element of the business and acts as the key platform that underpins the entire Group’s operations. The result is a truly compelling value proposition, whereby the individual divisions create value for each other, whilst maximising profitability for Intelling’s clients and the combined business as a whole – the mechanics of which are below:



Leadership: Phil Morgan is the Founder and CEO of Intelling Group. He founded the business in 2012, taking on the highly competitive BPO sector. In the past nine years, Phil and his senior management team have grown Intelling from zero to a £40m turnover business, creating two further subsidiary businesses: Neatley and Switch Experts, and executing a £3m venture capital investment from NVM Private Equity. Phil is also a vested partner, owning 20.4% of the shareholding in Intelling.

Vision: Intelling is already a high-growth tech-enabled business. Our vision for the business is simple, which is to help and support the management team in executing their business plan of making Intelling a £65m turnover and £11m EBITDA business by 2024.

## 2. RDCP Infrastructure: Construction engineering specialist firm / rdcpinfra.com



RDCP  
Infrastructure

Sector: Infrastructure  
Leadership: Gareth Dillon

Revenue: £40m  
Headcount: 200

RDCP Infrastructure is a construction engineering specialist business with five divisions. The business offers fully integrated delivery of complex construction projects featuring innovative engineering solutions across key building and infrastructure sectors. RDCP Infrastructure was born in March 2020 when we acquired Killingley. Subsequently, we embarked on a buy-and-build strategy acquiring Macair in September 2020, Su-Fix Precast and Buxton Water in December 2020, and most recently, Woodford Engineering in September 2021.

2021 was all about consolidation and getting the right business functions in place. This way, RDCP Infrastructure is set up to (i) allow for new acquisitions to be onboarded swiftly, (ii) enable cross-selling between the various subsidiary divisions, and (iii) become a scalable machine in the infrastructure, construction and engineering sectors.

After the consolidation was largely completed this summer, we completed the acquisition of Woodford Engineering. Woodford is an engineering business with over 40 years' experience in producing high quality precision engineered parts and fabrications for local, national, and international clients. It operates from a 23,000 sqft facility in Lydney, Gloucestershire, providing a first class machining, fabrication, laser, and water jet cutting service. Max Caan was brought on to lead the business, and we could not be more excited to be in partnership with Max. What attracted us to the business was its consistent trading history and its track record of revenue and profitability growth, even during the tough pandemic months of 2020/21. We see growth opportunities in working with Max and his team to bring on new clients and diversify the firm's revenue streams.

RDCP Infrastructure is now organised into five subsidiaries, offering different products and services:



**Killingley:** civil engineering, landscaping & earthworks / [killingley.co.uk](http://killingley.co.uk)



**Macair:** mechanical engineering & facilities management / [macair.co.uk](http://macair.co.uk)



**Su-Fix Precast:** precast concrete supply & installation / [sufix.co.uk](http://sufix.co.uk)



**Buxton Water:** hydro-demolition & civils / [buxtons-water.co.uk](http://buxtons-water.co.uk)



**Woodford:** precision manufacturing / [woodfordengineering.co.uk](http://woodfordengineering.co.uk)

Leadership: Our businesses grow for two reasons. Firstly, the leadership team deliver growth organically by winning more projects or clients and thus growing their top-line. Secondly, the leadership team do such a brilliant job at managing the business, its people and its profitability that we feel compelled to make bolt-on acquisitions. RDCP Infrastructure continues to grow due to both these reasons and we have Gareth Dillon to thank for this. Gareth has done a terrific job at consolidating the five companies that were acquired in quick succession over the past 18 months. If it was not for Gareth’s management style and raw leadership abilities, we would not feel confident in acquiring more engineering or construction businesses.

Vision: RDCP Infrastructure is currently our second largest business, behind Intelling. Based on the current pipeline of projects won by the company and its subsidiaries, coupled with the three live acquisitions we have ongoing, I have no doubt that by Q2 2022, RDCP Infrastructure will become the Group’s largest portfolio company, surpassing Intelling’s valuation. Our vision still is to become the next Keltbray in the UK. As every year passes, this vision starts to become more real. By Q2 2022, assuming our pipeline of live deals for RDCP Infrastructure achieve completion, the company’s valuation will be just north of £100m.

**3. RDCP Care:** Elderly care provider with 6 nursing homes / [rdcpcare.com](http://rdcpcare.com)



Sector: Healthcare

Revenue: £10m

Leadership: Rosie Howell

Headcount: 315

RDCP Care always has been and still continues to be the bedrock that RDCP Group was built on. Despite the pandemic and the challenges it specifically brings to the healthcare sector, the business has had an incredible year.

Leadership: Rosie Howell has now been the company’s Managing Director for 15 months, and the results speak for themselves. The business is better managed and more profitable than it ever has been, and staff morale is at an all-time high. As mentioned above in relation to Gareth Dillon and RDCP Infrastructure, the same applies to Rosie Howell and RDCP Care. I feel compelled to bring more care home acquisitions to Rosie and her team. However, the opportunity pool is dry. Any good operators do not want to bring their businesses to market as they worry about not achieving their desired valuation levels. Whilst the businesses that are on the market are either grossly overvalued or ensnared with CQC issues (Note: CQC is the healthcare regulator in the UK). Nevertheless, I am quietly confident that 2022 will provide more acquisition opportunities.

Vision: Our vision remains the same, which is to become one of the top 20 elderly care operators in the UK by 2025, managing at least 2,000 beds.

**4. SOS Wholesale:** Food wholesale business / [soswholesale.co.uk](http://soswholesale.co.uk)



Sector: Wholesale Revenue: £45m  
Leadership: Mark Beckett / Vipin Patara Headcount: 120

SOS Wholesale is a food wholesale business based in Derbyshire. RDCP Group acquired 100% of the shareholding of SOS Wholesale in December 2021. The business was founded in 1996 to provide great value products to independent retailers, and has since become one of the UK’s largest wholesalers of groceries, soft drinks, cakes, biscuits, confectionery, pet food, household good, toiletries and alcohol. SOS prides itself on providing exceptional customer service and delivering superb value on well-loved brands. The Company operates from a 70,000 square feet warehouse and distribution centre in Derby.

SOS supplies over 5,000 products (i.e. SKUs) to its customers and represents all major brands including Mars, Walkers, Heinz, Nescafe, Colgate and Fairy. SOS also sells certain brands that it has exclusivity over including The Crucials Sauce range, Ye Olde Oak and Drivers Pickles. SOS has also developed a number of its own brands including Peppy Pets, Nico’s Deli Range, Mrs B’s and Haddon Grove Biscuits & Flapjacks.

Leadership: The business is jointly run by Mark Beckett and Vipin Patara. Mark Beckett and his brother Steven Beckett founded the business in 1996, and have grown the revenue to £45m over this time. Vipin Patara was brought in five years ago and is the Trading Director of the business. In a few years’ time, Mark will move on and Vipin will formally step into the role of Managing Director.

Vision: One of the reasons we backed the business was because of Vipin and her vision for SOS Wholesale’s growth. We like the food and wholesale sectors, and feel comfortable with both helping SOS grow organically via increased sales channels, but also by bringing bolt-on acquisitions of smaller competitors (horizontal integration) and of our suppliers (vertical integration).

**5. Ancient House Printing Group:** Commercial printing business / [ancienthouse.co.uk](http://ancienthouse.co.uk)



Sector: Manufacturing Revenue: £18m  
Leadership: Michael Underdown Headcount: 100

Ancient House (“AHP”) is one of the UK’s most established and experienced web and sheet-fed printing businesses, situated in Ipswich, Suffolk. The business caters to a large number of high-profile clients across the UK. We acquired a 95% shareholding in the business in May 2021, with 5% retained by Michael Underdown and Allison Berry.

Ancient House has had another strong year of both sales and EBITDA performance. Despite the pandemic environment, the business has consistently maintained margins across the board. In fact, the pandemic provided Michael and his team with the opportunity to “streamline” operations, and once sales levels returned to pre-pandemic levels, EBITDA margins shot up.

Leadership: Ancient House is jointly led by Michael Underdown (Managing Director) and Allison Berry (Managing Director), and supported by Paul McMorrine (Commercial Sales Director) and Adrian Howard (Finance Director). One of the reasons we were in favour of this acquisition was because Michael Underdown, who has been running the business since 1985 alongside his sister, Allison Berry, wanted to continue leading and growing Ancient House in a full-time capacity. These two bring with them a well-established and longstanding reputation within the printing industry, as well as decades of industry experience. We are excited to be in partnership with Michael and Allison.

Vision: Our vision for Ancient House is for steady annual growth in both revenue and profit margins. The focus will be on organic growth via increased sales channels and additional work with existing clients.

## 6. **Chilango:** Mexican quick-service restaurant chain and brand / [chilango.co.uk](http://chilango.co.uk)



Sector: Hospitality

Revenue: £10m

Leadership: Richard Franks

Headcount: 100

Chilango is a 15-site quick-service Mexican restaurant chain and brand, headquartered in London, with a presence in Manchester and Brighton.

### Restaurants:

1. Brewer Street in Soho
2. Croydon Boxpark
3. Tooley Street in London Bridge
4. Upper Street in Islington
5. London Wall
6. Chancery Lane
7. Brushfield Street near Spitalfields
8. Monument (currently closed)
9. Fleet Street (currently closed)
10. Oxford Street in Manchester

### Vibrant Kitchens:

1. Battersea
2. Canary Wharf
3. Acton
4. Dulwich
5. Brighton

We acquired Chilango in August 2020 and have now owned the business for almost 1.5 years, and without doubt, it has been the most incredible journey and learning experience. No MBA program or business book can teach you what I have learned as an active board member of Chilango.

Leadership: Richard Franks is the Managing Director of Chilango, and also a widely respected industry leader. The current pandemic continues to carry on, and as you can imagine, Richard has had to navigate through the most choppy of waters, making tough, but fair decisions along the way. One of the smartest decisions made by Richard was to bring on Nigel Sherwood (Chief Operating Officer of Wagamama) as a Non-Executive Director (NED) of Chilango. Together as a Board, we respond quickly to any threats and consistently make sound decisions about growth, profitability and people.

Vision: Last year, I wrote that my five-year vision for Chilango was to “become one of the three largest Mexican restaurant groups in the UK.” I still have this same vision. However, this has now evolved into a razor-sharp focus on profitability. Growing without a constant focus on profitability and margins is a recipe for disaster. And out of all sectors, we see this the most in hospitality. Businesses that look pretty from a distance, but don’t actually make any money. Hence, we want Chilango to grow, but steadily and profitably. This is the only way to ensure longevity for any business.

**7. RDCP Real Estate:** Owner of high quality real estate in the UK



**RDCP**  
Real Estate

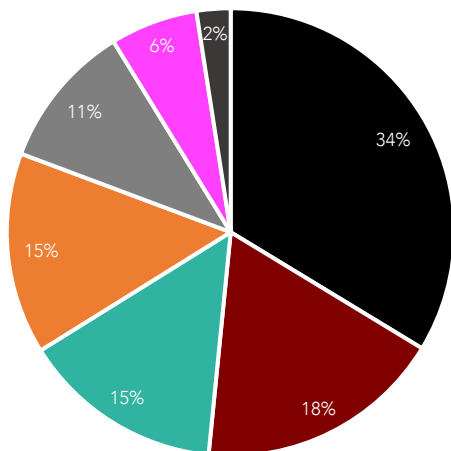
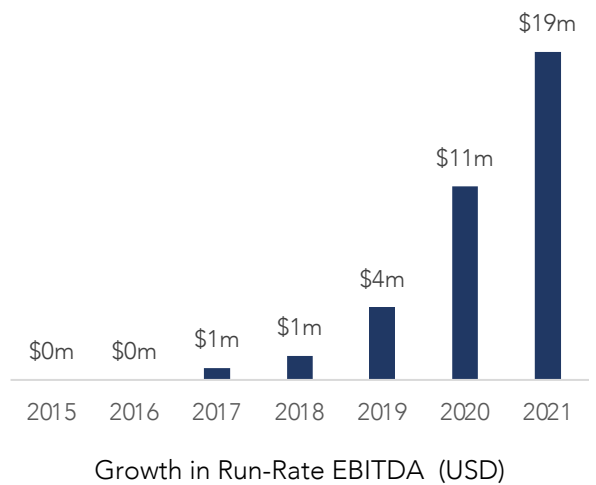
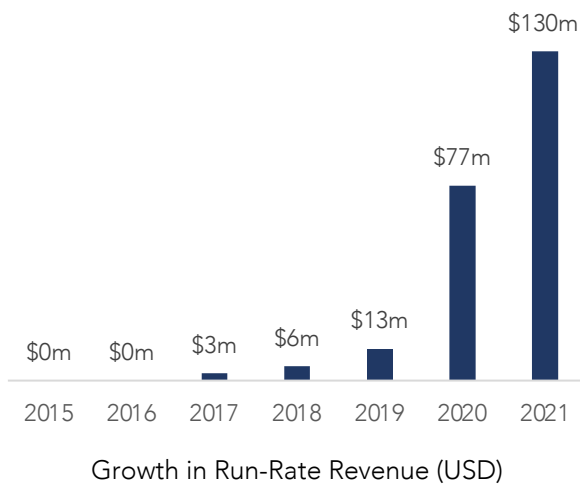
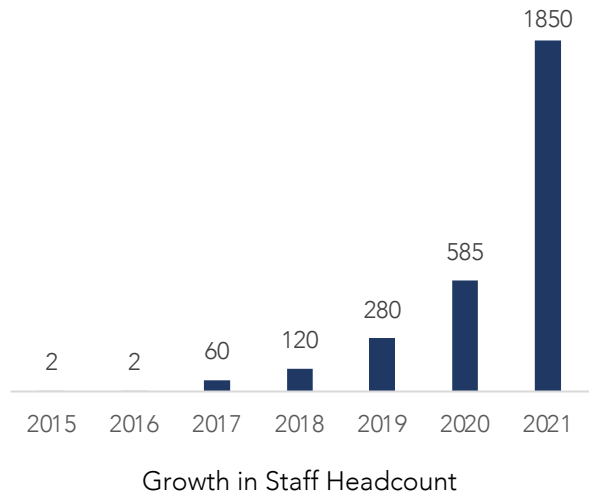
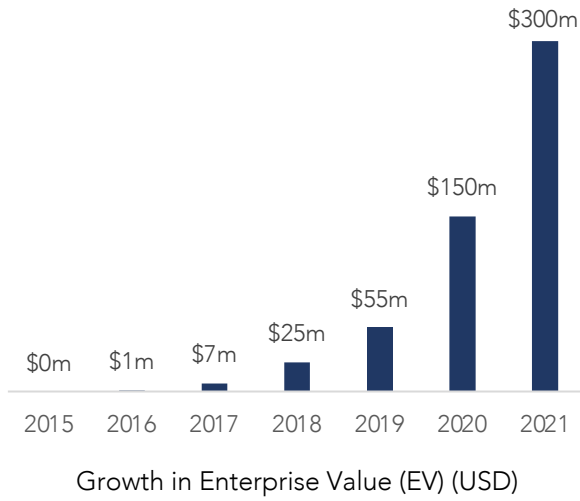
Sector: Real Estate  
Leadership: –

Revenue: <£1m  
Headcount: –

RDCP Real Estate is our smallest and least-developed business. However, this started to change in 2021 and the business will continue to mature in 2022. In 2021, we developed our first HMO (House in Multiple Occupation). A 5-unit HMO located adjacent to two of our care homes in Birmingham. We are working in partnership with Robert McMillan and Richard Dupoy of HomeZones, with whom we completed this Birmingham project.

Vision: Our vision is to grow our real estate portfolio to over 400 units in the next five years. Just like the rest of the business, we want the existing real estate portfolio to self-fund all of this growth, i.e. compound dramatically on its own with limited cash injections from RDCP Group. This is the challenge we are currently working on with the trusted team at HomeZones. Based on the model outputs I have seen, I feel confident in our ability to scale to 400 units by 2027.

### RDCP as a Snapshot in 2021



- Tech BPO
- Infrastructure
- Healthcare
- Wholesale
- Manufacturing
- Hospitality
- Real Estate

Sector Diversification

## **Valuation Methodology / Multiples Arbitrage**

Our game is simple. We create value for RDCP Group every time we make an acquisition by buying businesses at below what we deem as intrinsic value. However, once the business is a part of RDCP Group, I reflect its value on our books at the specific business' true intrinsic value, and not the price we paid. Of course, we are set up as a holding company with shared ownership, and not as an investment advisor advising third party funds. Hence, we also have the benefit of scale and the "multiples premium" that comes with being part of a conglomerate.

Each portfolio company's intrinsic value is calculated using a combination of methods, generally looking at average trading or acquisition multiples in the target's sector, but always having a certain floor multiple that well-managed conglomerates typically command. Certain portfolio companies are freehold asset heavy; for example, RDCP Real Estate or RDCP Care. Hence, a different valuation methodology applies. Others, such as Intelling, are tech-heavy and thus command a higher average multiple. Similarly, well-managed hospitality businesses tend to trade on a higher of a revenue multiple, or a restaurant-level EBITDA multiple. All of these sector-specific valuation methodologies are given a lot of thought and attention when determining intrinsic value.

Simply put, price is what we pay, value is what we get. Two very different things, something most investors just do not understand. This entire process is what we call multiples arbitrage.

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## **Why USD and not GBP**

Although we are focused on exclusively investing in British businesses, and this will not change for several years; for marketing purposes, on our website and in brochures, we present our high-level figures (AUM, enterprise value, revenue and EBITDA) in USD, and not GBP. This is for two reasons:

1. We want the business to be relatable to a global audience;
2. And this is the real reason: it is faster to grow our AUM to \$1 billion than to £1 billion.

I have found that milestones seem easier to achieve if we help ourselves by moving the goalpost closer. Beyond that, success breeds success.

## Reasons Behind Our Success

Each year I try to reflect on what values and principles are currently helping us to succeed; and frankly, each year the answer is different. Every month, with every acquisition, with every milestone, we learn something new. Sometimes this new lesson or principle supersedes a previous closely held belief. Hence, I particularly enjoy writing this section and then comparing notes with the previous year's annual letter.

1. We are firm about our vision, but flexible about its execution. Our vision is to grow RDCP Group's AUM to \$1 billion by 2025. Every decision we make and step we take needs to bring us closer to this goal. However, in order to get there, we have to be flexible. We have to be willing to roll with the punches, and not be too set in our ways.
2. We are constantly reinforcing the "moat" around RDCP Group. Creating an investment conglomerate that will be here for generations, the likes of Berkshire Hathaway, does not just involve picking good investments and making sure great managers run them, it is also about ring-fenced corporate structures. At RDCP, one portfolio company can never bring down the Group or any other portfolio company. This is why we avoid or limit cross guarantees, personal guarantees or parent company guarantees.
3. We are both investors and entrepreneurs. Warren Buffett once famously said: "I am a better investor because I am a businessman, and a better businessman because I am an investor." We live this statement every day. For the first few years of RDCP, when we had just one main portfolio company, I was the interim CEO of RDCP Care. Now, my time is roughly split 50/50 between investment decision making on potential acquisitions and making strategic decisions as an active board member of our portfolio companies. One job makes me better at the other.
4. We have gamified RDCP. At the end of every year, I set very specific goals and milestones that we must achieve each quarter of the following year. Achieving these goals (typically AUM targets) brings us that much closer to the \$1 billion vision. By breaking it up into multiple quarterly targets, we create an environment for ourselves that allows for bitesize milestones and consistent wins. The dopamine release that is associated with these wins creates the effect of a synthetic drug that makes us want to chase that same vision over and over again. This is proof that success breeds further success.
5. We have control over capital allocation. Buying a company outright, or at least a majority shareholding, gives RDCP the power to make all capital allocation decisions. This has been the key to our growth and investment success, and this is precisely why we do not acquire minority stakes.

6. We have focus. We acquire majority stakes in promising British businesses that have a consistent and profitable trading history, committed and ambitious management teams and a defensible and dominant market position within their respective sectors, generating between £2m to £20m in annual EBITDA. We do consider smaller business (at least £1m in EBITDA) as bolt-on acquisitions for existing portfolio companies. We do not acquire businesses that are priced at above their intrinsic value, no matter how brilliant the business might be. The business and the transaction (i.e. the business' price) are two very different things. We do not take minority positions in businesses.
7. We reject about 99.1% of all opportunities. In the last six years, we have made 18 investments that have been consolidated in 7 companies, but we have rejected nearly 2,000 investment opportunities. These are estimated numbers, but I think the point is quite clear – it is incredibly hard to become a RDCP portfolio company. The companies and the leaders that are a part of the Group should be very proud.
8. We practice “margin of safety” investing. Margin of safety means buying a business for less than its intrinsic value. The greater this margin, the more protection we have. This is why we focus on finding good value, rather than spending boatloads of money on every type of due diligence exercise under the sun. Frankly, no amount of due diligence will save us as an investor if things go wrong; no McKinsey commercial due diligence report or KPMG financial due diligence report. The only thing that can save us is the margin of safety that comes with having bought the business at below its intrinsic value. This way, even if profitability drops, we can still be “within the margin.”
9. We are lone wolf investors. There is a certain pleasure we derive from investing our own balance sheet capital, owning 100% of RDCP Group, and doing what we love. There are no investors in RDCP Group. We do not manage a “Fund” with Limited Partners (LPs) capital. We do not partake in co-investments. There is literally no one we report to. We hold ourselves accountable. We are, in very sense, a lone wolf investor. This means we can provide patient and permanent capital to our portfolio companies. We can structure deals in unconventional ways. Most importantly, we can be our truest selves to all stakeholders.
10. We are first principles decision-makers. Most investors believe that high returns are directly correlated with the technical difficulty of the problem. This is just not true. Investing is about logic, insight and initiative. First principles is about investing based on the fundamentals of a business and its sector, utilising logic and rational thinking to make investment decisions, rather than overly complicated models that do not reflect reality. This is why some of the best business leaders and investors did not even go to university. This is also why some (not all) MBAs or PhDs get stuck in “analysis paralysis,” because once you have been taught how to use a hammer, everything looks like a nail. Do not forget the basics, the first principles – we never do.

## RDCP vs Private Equity

The entire fee-driven investment management business model (whether it be private equity funds, hedge funds or venture capital funds) is lopsided, in favour of the investment manager instead of the investor actually providing the capital. RDCP Group competes in the same arena as mid-market private equity firms, bidding for businesses that generate between £2 million to £20 million in annual EBITDA. Fortunately for us, in competitive "auction processes," we have found that entrepreneurs and business owners are increasingly starting to choose RDCP over private equity buyers, for a number of reasons. Firstly, we are investing our own balance sheet capital, whilst private equity investors are essentially middlemen, investing on behalf of others and just collecting a fee for doing so. Secondly, private equity buyers tend to be focused on 'exits' as they need to return their investors' capital after three to five years, whilst we have the luxury of investing our own balance sheet capital and thus providing long-term permanent capital to our portfolio companies. In 2021, on three occasions, we convinced the shareholders to choose us instead of a private equity buyer. These businesses are Intelling, SOS Wholesale and Ancient House Printing Group.

I am proud to say that RDCP Group is making a name for itself in the UK mid-market investment space at a time when there is pressure on private equity firms to reduce their unjustified fees and improve their mediocre returns. Many entrepreneurs and sellers are choosing to partner with RDCP as a reliable long-term investor, one that provides a safe home for their businesses, their staff and their legacy.

I believe that with an increased number of private equity firms crowding the space, fighting for the same LP (Limited Partners) capital, chasing the same assets and offering the exact same undifferentiated service offering, fees will keep dropping down. I can see that the "2 and 20" model has already started to reduce to "1 and 10" or "0.5 and 10." In fact, I see this further mean-reverting towards the pension fund model, i.e. they will be around to offer a service, a rather dull service, and fees will be a mere 0.5% to 2% of the AUM. If this does happen, pay levels will start to fall, regulations will tighten further and talent will start to flee from the sector. It will no longer be a "sexy" sector to work in. Then again, I am highly biased. I personally hope this does happen because it means less competition for RDCP Group on acquisition processes.

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Berkshire Hathaway Vice Chairman Charlie Munger shares a similar view. He says:

*"Everyone wants to be an investment manager, raise the maximum amount of money, trade like mad with one another, and then just scrape the fees off the top. Why are they so reckless with our money? Because it is not their money! Let's say I manage a hedge fund; you give me your money to invest, and I use it to help me borrow more money. I then use your money and the borrowed money to place a really big bet. If it works out, you make a ton of money and I make a ton of money in fees. It's a win-win. But if I lose it, you and the bank will be crying, not me. That, for a hedge fund is a great business model."*

A real-life example of this is John Meriwether of Long-Term Capital Management (LTCM). After crashing LTCM into the ground in 1998, John started another fund, JWM Partners, in 1999, which he successfully ran for eight years, getting assets up to \$3 billion. Then the 2008 financial crisis cost him 44% of the fund's assets and he was forced to close it. He then went on to start another fund, JM Advisors, in 2010.

Investment managers are just not aligned with their investors when it comes to the downside. There is basically no penalty. If they are good salesmen, they can go again and again and again.

Now, let's look at an example of the world's most successful investment manager: Blackrock. Whilst Blackrock is an unbelievable business, in that, they control \$9.5 trillion in assets, what baffles me is that their Founder & CEO Larry Fink is worth a mere \$1.1 billion. That is 0.01% of his company's AUM. On the other hand, Warren Buffett's Berkshire Hathaway's market capitalisation is \$650 billion, and Buffett is worth \$100.5 billion. That is 15.5% of his company's AUM, and this is after nearly two decades of slowing giving away his shares to various charitable foundations. Blackrock is 15x the size of Berkshire, but Buffett is worth 100x that of Fink.

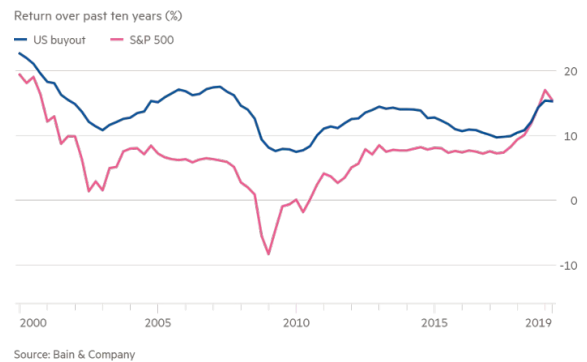
The arguments for an investment conglomerate rather than an investment management business seem quite obvious to me. I can see why Warren Buffett picked this model, and it further reaffirms our decision of becoming a holding-company style conglomerate, rather than an investment manager.

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Ultimately, if I were advising a pension fund, a sovereign wealth fund, a family office or a high net worth investor on which type of "fund" they should invest their money into, I would say spread it across a portfolio of exchange traded funds (ETFs) with an overweighted allocation towards S&P 500 ETFs. The fees will be next to nothing; this is of crucial importance because fees are the primary drag on returns. As an investor, you are basically betting on the US economy continuing to steadily grow. Finally, and most importantly, there are only a handful of investment managers that can consistently beat the market decade after decade. I would rather put my money in an ETF, than spend time betting on the right money manager.

As a "fun exercise" over this festive holiday period, go compare net returns of private equity, venture capital and hedge funds to ETFs over a 20 year or 30 year period. Feel free to use indices that aggregate certain investment manager categories. The results will be eye-opening and help demonstrate that the vast majority of investors are in this business to scrape some fees off the top in the short-term, with little to no real understanding of how to make money in the public or private markets over the long-term.

As an example, look at this chart from Bain & Company showing how S&P 500 returns have converged with US PE fund returns in the last few years. A more recent chart including 2020/2021 data will show S&P 500 far outperforming private equity. This means that PE fund managers are not generating any alpha for their clients. There is no argument for investing capital with a PE fund, over a low-cost, low-risk ETF.



## Origin Story

I have never properly documented our origin story, but this annual letter is all about radical transparency. This is why I have shared our valuation methodology, our financial performance, and deep insights into our portfolio companies. So, let's get into this too.

We went all in to launch RDCP Group. We had no other choice. We were too inexperienced to raise outside capital (note: our weakness has over time become our biggest strength and unique selling point). Neither I nor Iryna Dubylovska (my wife and co-founder) come from money. My father is a career accountant and now the CFO of a regional insurance company based in the Middle East. Iryna's late father was an engineer, who ran a small construction business in France. Despite the lack of wealth around us, we found the money. We capitalised RDCP with \$3.5 million (£2.5 million) of initial capital: £875,000 came from my father, which was 100% of his cash savings at the time. He took the biggest financial risk of his life by supporting me. £1,685,000 came from Iryna, which was 100% of her inheritance monies from a life insurance pay-out of her late father. She took an even greater risk because she invested all of her inheritance monies with her boyfriend who she had known for less than a year.

I never really reflected on what this meant, but a recent conversation with my favourite finance professor from my time at McGill University, Dr Jiro Kondo, shed light on something very important: I always reflect on the attributes that make us successful, but I never really thought about the most important one. When RDCP was nothing more than an idea, and I had never even bought a car, let alone a business, two individuals (my wife and my father) showed me the highest levels of faith and trust. Not just with their words, but also with their capital, all of their capital in fact. This is what empowered me to take RDCP forward with the greatest levels of confidence. It also meant that I did not take any of this lightly. John Meriwether of LTCM might be willing to lose billions of third party LP capital, but I was not willing to lose even one penny of the capital that my wife and father trusted me with. This is what drove us to be so focused on doing more with less, and established the early tenets of our value investing approach.

## Future Plans

Our vision is to grow RDCP Group's assets under management (AUM) to \$1 billion by 2025. We have compounded the \$3.5 million we started with to \$300 million. We will now continue this journey to \$1 billion.

What is also very important to me is what the business looks like when we reach the \$1 billion milestone and what we prove to the market by achieving this. The following characteristics are what make our journey to \$1 billion so unique:

1. RDCP Group will have no additional shareholders besides me and Iryna.
2. Besides the \$3.5 million of initial capital, no further equity capital will be raised.
3. We will build a \$1 billion portfolio with an investment team of just two (me and Iryna).

No one in recent history has built a \$300 million, let alone a \$1 billion business or investment portfolio in this way. We want to be the first. In a world overcrowded with *investment managers*, we want to be the only genuine *investor*.

Finally, if I look at the very best investors of our time, with several decades worth of track records each: Warren Buffett, Sam Zell, Ray Dalio, George Soros and Jim Simons, there is a clear pattern that emerges. They have all structured their investment vehicles as either a conglomerate (Buffett), a family office (Zell, Soros), or a fund that is not open to further outside capital and has not been for years (Dalio, Simons). Essentially, the argument is that if you truly are an outstanding investor, you should compound your way to increased AUM, not be constantly focused on raising new funds. Makes you think.

For us, it is not building a billion dollar business that is important. It is the people we must become in order to build a billion dollar business that is important.

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We are still in the early chapters of the RDCP journey. We make mistakes, learn from them quickly and turn those mistakes into lessons and principles. Most importantly, we are grateful that we get to do what we love every single day, and that we are able to share our work with the world.

Respectfully,

Sameer Rizvi  
Founder & CEO  
27<sup>th</sup> December 2021



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# 2022 ANNUAL LETTER

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Long-Term Investors Providing Permanent Capital

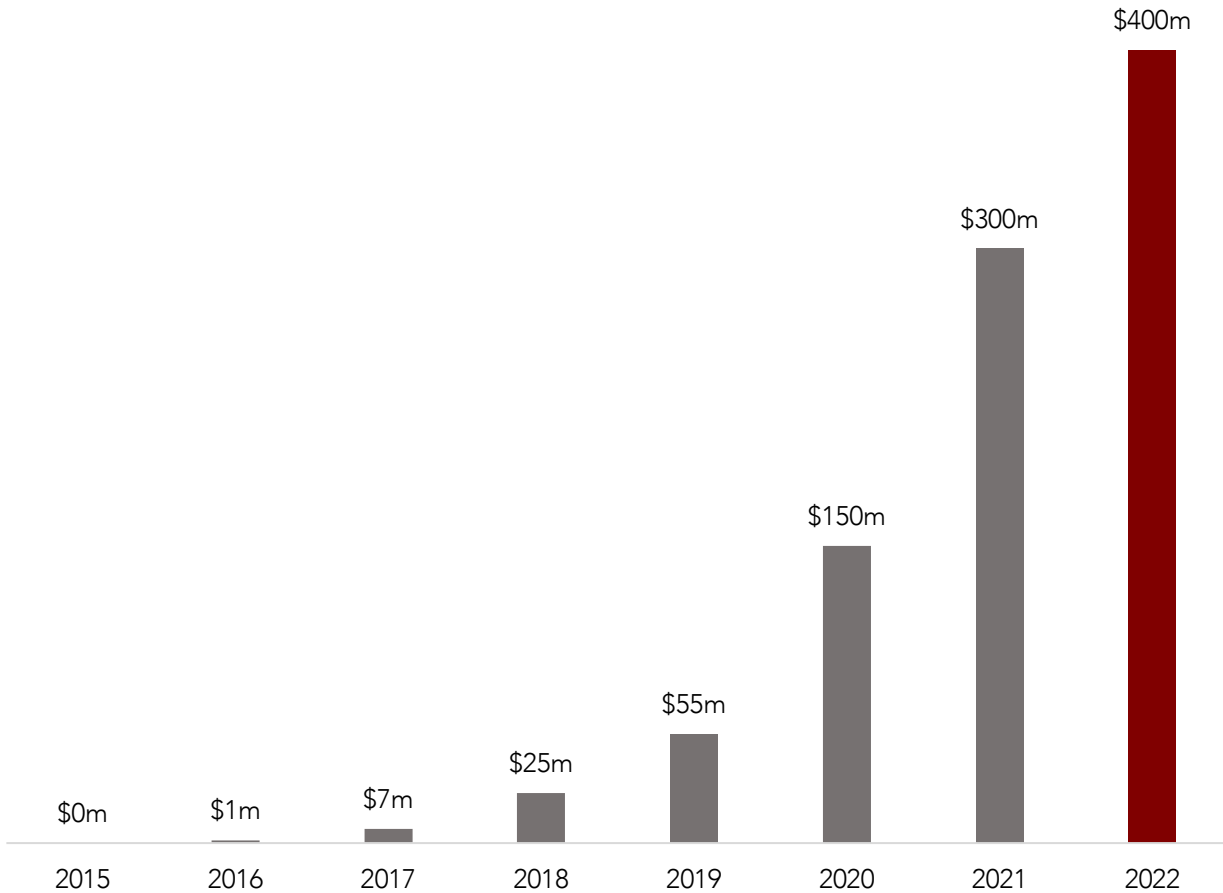
An aerial photograph of London at sunset. The sun is low on the horizon, casting a golden glow over the city. The River Thames flows through the center, with several prominent skyscrapers, including the Shard and the Gherkin, illuminated. The city extends to the horizon under a hazy sky.

7-12 Tavistock Square, London WC1H 9LT

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[RDCPGROUP.COM](http://RDCPGROUP.COM)

### RDCP's Growth in Enterprise Value (EV)



In 2022, we have grown our enterprise value by 25% to \$400m, by making a number of meaningful acquisitions, but also because three of our portfolio companies (Ancient House Printing Group, SOS Wholesale and Worcester Electrical Distributors) have grown their respective valuations.

### RDCP's Performance vs. the S&P 500 and FTSE 100

	S&P 500	FTSE 100	RDCP Group
Annual Return 2015 – 2022	8.5%	0.7%	103.3%
Total Return 2015 – 2022	84.5%	5.5%	20030.5%

This is the end of our seventh year in business and we are pleased to still maintain a triple digit internal rate of return (IRR). However, as our capital base continues to increase, our average IRR is slowly starting to drop. We expect to grow at high double digit returns once our assets under management (AUM) surpass the \$1 billion mark.

## **To the Stakeholders of RDCP Group:**

2022 has been a year with numerous unexpected challenges (and thus opportunities). At the outset of 2022, the world was still caught up in the Covid-19 pandemic mania, but then Russia's unfounded invasion of Ukraine rather quickly shifted focus almost entirely away from the supposed virus and onto a war taking place in the middle of Europe. Without downplaying the atrocities associated with the war in Ukraine, and this does hit close to home because my co-founder and wife Iryna Dubylovska is of Ukrainian origin, the impact the war has had and continues to have economically on global markets is unprecedented.

Obviously, we have experienced a 13-year long bull cycle, which meant a market correction was well overdue. This particularly applied to the over-valued technology sector and to the pure-gamble sectors of cryptocurrencies and blockchain. Both in private and in public, I have been voicing my concerns about these sectors for a couple of years, so it does feel good to see my thesis play out in the markets.

Many, like me, assumed that the pandemic and the associated loose monetary policies of global Central Banks (i.e. brainless printing of money to prop up the economy) would be what causes the bull cycle bubble to burst. Although this certainly has been a major contributing factor, the specific catalyst very much is the unexpectedly high degree of inflation, primarily caused by Russia's invasion of Ukraine.

Today, this means the UK economy, European economy and most global economies are facing the following challenges:

1. Increased and unexpected levels of inflation, impacting virtually every sector.
2. Rising rates environment, meaning end of "cheap money."
3. Cost of living crisis and closely linked energy crisis.
4. Global supply-chain issues due to political friction between the East and the West.
5. Drop in GDP growth rates because of all of the above.

Due to all these reasons, we are experiencing a perfect storm for investors. Just three years in the last hundred, 1931, 1969 and now 2022, have posted negative returns in both fixed income and equity markets. This is highly unusual. As expected, lenders across the board have tightened their credit policies.

We grew RDCP Group from \$0 to \$400m in seven years, with at least six of these years being a bull market with easy access to cheap money. Even during the 2020-21 pure pandemic years, lenders were putting lots of money out the door, off the back of government loan guarantee schemes such as CBILS and RLS. 2022 was the first year where the lending market decided to take a "breather." Today, certain teams within certain banks are underwriting debt, but incredibly selectively, choosing to exclusively work with investors with a clean track record.

Our business, just like most investment firms or private equity firms, is reliant on debt financing to get acquisitions over the line. Working with lenders means there's a blue-chip financial institution with even more capital at stake that due diligences the companies that we buy. We

like having this filter. It helps dramatically reduce risk. Naturally, we often do transactions that are deemed too “high risk” for lenders and thus we fund them purely out of RDCP cash, but for the vast majority, we like the comfort of working with third-party debt.

This year, many lenders revised their credit policies. They were initially getting used to no longer have government guarantees. Then Russia’s invasion of Ukraine caused nervousness across all markets and signalled recessionary warnings. Finally, back-to-back rate hikes meant lending for many high-street banks came to a halt. Nevertheless, RDCP is a trusted investment firm that invests its own balance sheet capital, meaning we have significantly more skin-in-the-game than any private equity fund manager. As of December 2022, we have successfully made 23 investments, consolidated into 8 companies, with a 0% loss ratio, resulting in a perfectly clean track record. This demonstrates to lenders that we know how to manage risk and when to avoid catching falling knives (i.e. Chilango). This is how we acquired several brilliant British businesses this year.

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## Portfolio Overview: 2022 Acquisitions

Over the past seven years, RDCP has made 23 investments that have been consolidated into 8 companies, employing a total of 2,300 of staff members. Below I detail the businesses we have acquired in 2022.

### 1. Worcester Electrical Distributors



Month Acquired: Sept 22  
Leadership: Paul Clunn  
Sector: Distribution

Headcount: 75  
Revenue: £24m  
EBITDA: £2.5m

Worcester Electrical Distributors is one of the UK’s largest wholesalers of electrical items, with 6 branches, 18,000 product lines and a diversified customer base of over 1,600 customers. Specifically, the business stocks many market leading brands of motor control gear and industrial automation products, including ABB, Finder, Omron, Moeller, Telemecanique and Weidmuller. Worcester Electrical also stocks quality brands such as MK, BG and Fitzgerald for the electrical contracting sector.

We acquired 100% of the business in September of this year from sell-side advisors Dains Accountants. The same firm that we bought SOS Wholesale from in December 2021.

Paul Clunn, a highly experienced leader and specialist in the electrical products sector, joined the business as Managing Director shortly after completion. Paul has over 25 years of experience working in the electrical products sector, in senior leadership roles at blue-chip companies such as City Electrical Factors (CEF), Rexel, Eland Cables and Cleveland Cable Company. Paul has a master’s degree in law, and he spent five years with the Royal Navy.

Worcester Electrical was one of our more important acquisitions of 2022 and will act as a platform business to execute a buy-and-build strategy with. We are excited to be backing Paul

Clunn and his senior management team, including Michelle Troth and Sue Ricketts, on this growth journey in a new sector for RDCP.

## 2. Avon Combined Electrical Solutions (ACES)



Month Acquired: Dec 22  
Leadership: Steve Sage  
Sector: Construction

Headcount: 40  
Revenue: £15m  
EBITDA: £1.5m

Avon Combined Electrical Solutions (ACES) is a Bristol-based mechanical and electrical engineering firm. We acquired a 90% stake in the business in December 2022. ACES is a bolt-on acquisition for RDCP Infrastructure.

The business has been trading for more than 30 years and is led by a management team with managing director and co-founder Steve Sage at the helm. Steve will retain a 10% stake in business.

There are numerous revenue synergies to explore with other RDCP Infrastructure subsidiary businesses such as Macair and Killingley.

## 3. Alma Rail



Month Acquired: Dec 22  
Leadership: Richard Walker  
Sector: Construction

Headcount: 15  
Revenue: £m  
EBITDA: £1m

Alma Rail is a Chesterfield-based railway track engineering firm. We acquired a 90% stake in the business in December 2022. Alma Rail is also a bolt-on acquisition for RDCP Infrastructure.

Alma Rail was founded in 2009 and is a specialist railway contractor offering on-site track engineering, maintenance, refurbishment, and civil construction services across the UK. Clients include the likes of VolkerRail, Arriva TrainCare and Breedon Group.

Co-founder Richard Walker continues in his role as Managing Director, and still retains a stake in the business.

Alma Rail was seeking a strategic partner that would allow the business to bid on larger contracts with various government bodies, such as TfL and Network Rail. Hence, there will be many organic growth opportunities for the business, along with revenue synergies with other civil engineering businesses within RDCP Infrastructure.

## 4. Deep End Pools



Month Acquired: Dec 22  
Leadership: Paul Woodhead  
Sector: Construction

Headcount: 20  
Revenue: £5m  
EBITDA: £1m

Deep End Pools is one of the UK's most prestigious swimming pool developers and service companies. We acquired a 75% stake in the business in December 2022. Deep End Pools is another bolt-on acquisition for RDCP Infrastructure. One of our medium-term plans for RDCP Infrastructure is to break into home-builder space, and having portfolio companies like Deep Pools helps solidify that plan.

Based in Buckinghamshire, Deep End Pools was established in 1999 and since then has grown to become an award-winning operator known for their leading design capabilities and high service levels. Clients receive the complete leisure package from initial translation of ideas to design, through to specification, construction, finish, commissioning, handover, and beyond with a portfolio on ongoing service, maintenance, and refurbishment services. The business is run by Paul Woodhead and Robert Coombs who will remain Joint Managing Directors and material shareholders.

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### Exited Businesses

RDCP is not an exit-focused investment firm. We believe that outsized returns and significant wealth creation only occurs by holding investments long-term, allowing the companies' cashflows to deleverage any debts, and reinvesting profits into more businesses.

However, we will exit an investment if we no longer believe in the long-term viability of the business, due to current market conditions or idiosyncratic risk that is endemic to that specific business.

We exited Chilango for this reason. Chilango is a Mexican restaurant chain and brand with 12 sites. We acquired the business in August 2020 and exited in May 2022, selling to a listed competitor called Tortilla, delivering a 3x return in under two years, equating to a 75% IRR for RDCP.

This transaction was a testament to RDCP's ability to successfully turnaround distressed businesses. When we acquired Chilango in August 2020, the business and the sector were facing significant headwinds. However, the board that RDCP put together, which included Wagamama COO Nigel Sherwood, worked to stabilise the business, agree good deals with landlords and manage the supply chain.

We also pushed Chilango to take advantage of the growing delivery market and a large part of the brand's success has come from a strategic push towards delivery kitchens, which allowed the business to grow quickly and stay profitable even during national lockdowns.

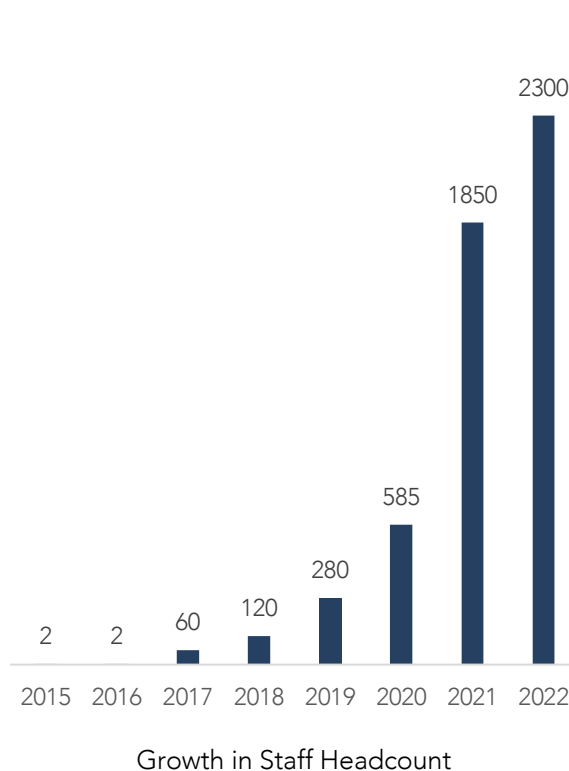
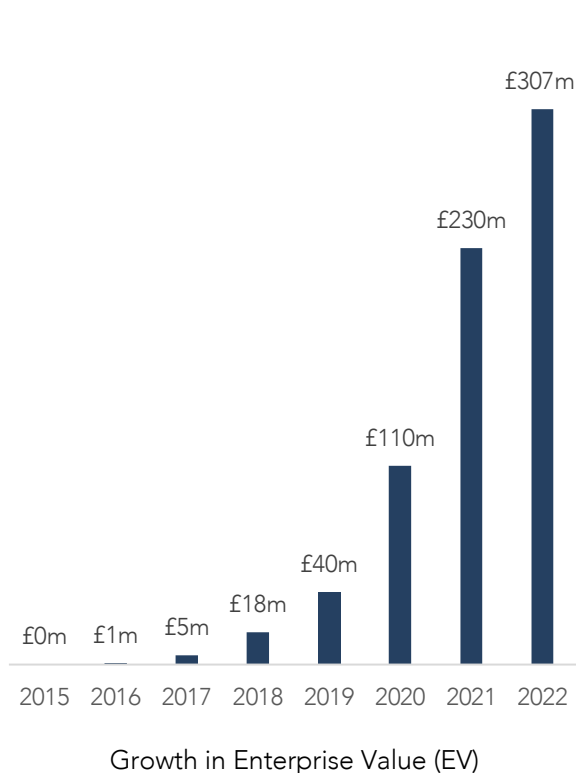
However, we couldn't see a path to long-term profitability. It is common knowledge that making profits in the restaurants businesses is almost impossible. Even large players like Tortilla hardly turn a profit. This was troubling us as investment committee because even our closest competitor, Tortilla, which was about seven times the size of Chilango, could hardly make any money. We estimated that we would need to invest nearly £25m over a five-year period to become the size of Tortilla today. However, this journey seemed pointless if the return on capital was next to nothing, or even negative.

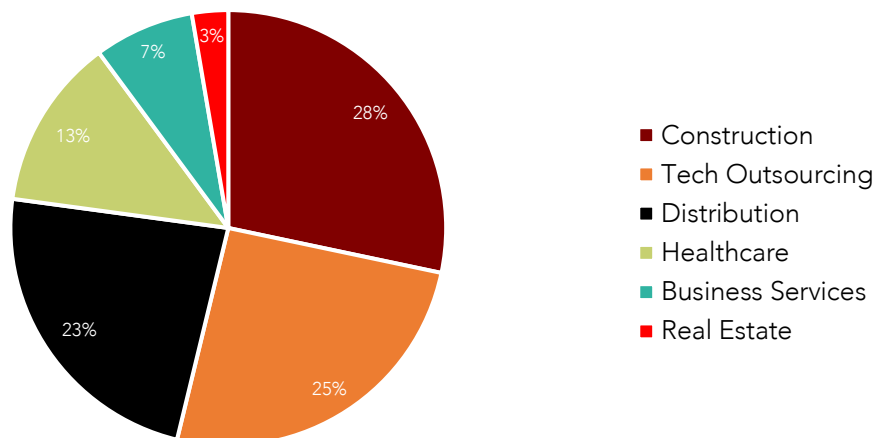
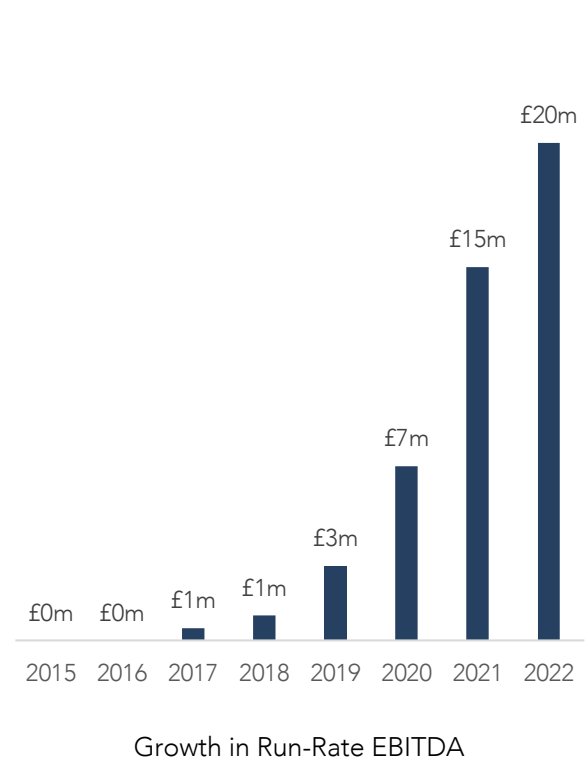
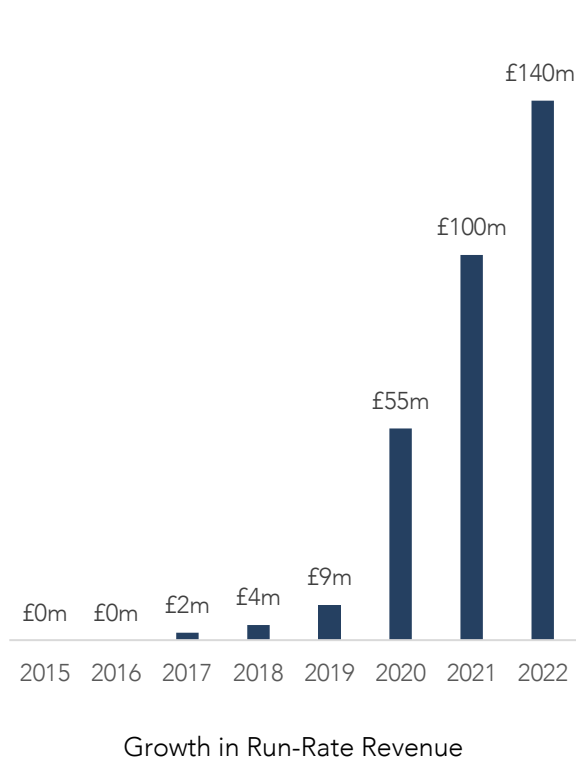
Coupled with the fact that uncontrolled levels of inflation were/are hugely impacting raw material costs, specifically protein costs, and energy costs, meant the Chilango investment was quickly becoming a "falling knife" that we had no intention of wanting to catch.

It is for these reasons we exited Chilango in May 2022.

### RDCP as a Snapshot in 2022

In 2022, three of our businesses grew their valuations, we acquired five new portfolio companies and we exited Chilango. This is what the RDCP portfolio looks like today.





The RDCP portfolio today comprises 8 portfolio companies across 6 sectors, generating a combined £140m in run-rate revenue and £20m in run-rate EBITDA. Although our enterprise value is £307m, our net asset value or equity value is £250m since we have just over £50m of debt on balance sheet across the various portfolio companies.

Another key performance indicator (KPI) we are immensely proud of, besides our annualised growth rate, is our zero percent (0%) loss ratio. Loss ratio is the ratio of lost capital to total invested capital, which in our case means that none of our companies' holding values or exited values are lower than the original purchase price.

## **2023 and Beyond Economic Outlook**

We expect rough waters ahead for the next few years. This means interest rates will take at least two years before reducing again and inflation will take a few years before stabilising. This will continue to have an impact on M&A activity across UK, Europe and North America.

In times like this, my message to all our portfolio companies is to be frugal: achieve more with less. Constraints breed resourcefulness, self-sufficiency, and innovation. I also continue to push all our leaders to focus on profits and cashflow, rather than low-margin revenue or cash-draining capex-heavy growth.

Despite all the challenges, these next few years will present some incredible, once-in-a-decade, acquisition opportunities. For this, we are armed and ready to hunt.

Lenders of all types, high-street banks, challenger banks and private debt funds, will continue to lend, but only to investors and businesses that they trust and deem high quality managers of risk. Hence, we continue to prioritise managing our reputation and track record, as this “social capital” is what allows us to continue doing business with lenders.

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## **Cryptocurrencies and Blockchain**

The recessionary economic environment we find ourselves in does not surprise me. I mean we literally had teenagers becoming overnight millionaires flipping JPEGs of monkeys (called NFTs) on the blockchain, all of whom are now broke, and everyone is still surprised we are in a bear market.

I have always had the opinion that cryptocurrencies are no different to fairy dust. They have no intrinsic value. If you owned 100% of all farmlands in the world, you would be incredibly wealthy. If you owned 100% of all UK equities, you would be incredibly wealthy. But if you own 100% of bitcoin, it is of no value. You may get lucky once or twice if you buy it for  $x$  and sell it for  $2x$ . However, this is no different to going to the casino and betting on black on the roulette table.

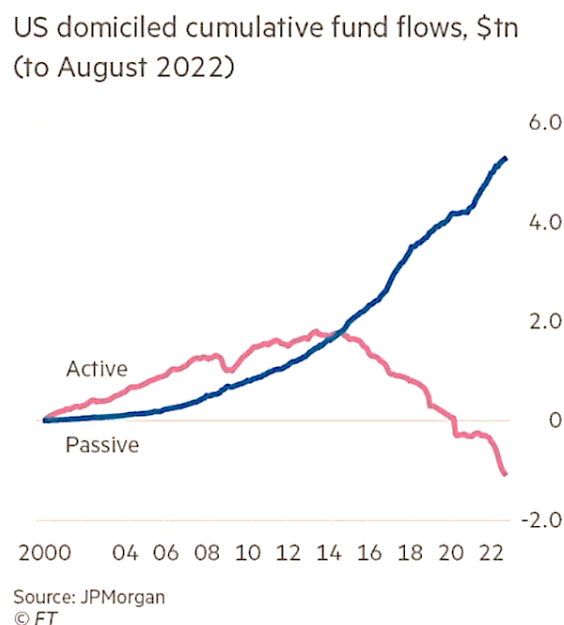
Most rational investors should have seen past this noise. However, the reason cryptocurrencies gained so much popularity is because we are living in a period of weak men. The saying goes: “Hard times create strong men, strong men create good times, good times create weak men, and weak men create hard times.” We are living in a period of weak men that want to get “rich” without doing any of the work. This “asset class” supposedly offered that. However, with collapses like FTX and criminal prosecution of the proprietors, namely Sam Bankman-Fried, it is evident that cryptocurrencies for institutional investing purposes always was and continues to be a joke of grand proportions.

## RDCP vs Private Equity

I have always maintained the opinion that too much institutional capital has gone and continues to go towards private equity fund managers. Unlike RDCP, where we have total skin in the game since we invest firm capital, private equity fund managers are not really investors, but are actually advisors, advising LP capital and thus are purely interested in their fees.

For example, when you think of Warren Buffett and Berkshire Hathaway, you immediately think about his impressive long-term returns and his famous investments, many of which are still a part of his portfolio today. However, when you think about Steve Schwarzman and Blackstone, it's less about his investment decision making, and more about his ability to raise mega-funds.

Over the last decade or so, most private equity fund returns have failed to beat the market. Understandably, an increasing number of institutional investors are choosing to allocate more capital towards passive strategy ETFs. This chart below demonstrates this.



Another trend that has emerged, which is equally as troubling, is something a Danish pension fund called ATP discovered. ATP are arguing that private equity may have become a 'pyramid scheme.' There is a tendency for private equity funds to sell companies to themselves (i.e. other funds within the same firm) and to peers.

According to FT, Mikkel Svenstrup, chief investment officer at ATP, said he was concerned because last year more than 80 per cent of the sales of portfolio companies by the private equity funds that ATP has invested in were either to another buyout group or were "continuation fund" deals, where a private equity group passes it between two different funds that it controls.

"We're a big fund investor, we have hundreds of funds and thousands of portfolio companies," he said. "This is not good business, right? This is the start of, potentially, I'm saying

'potentially', a pyramid scheme. Everybody's selling to each other . . . Banks are lending against it. These are the concerns I've been sharing."

ATP is a major investor in private equity funds. It has \$119bn under management and has committed money to 147 buyout funds, according to PitchBook data.

Svenstrup's comments, made at the IPEM private equity conference in Cannes, are similar to those made by Amundi Asset Management's chief investment officer Vincent Mortier. Mortier said some parts of the private equity industry "look like a pyramid scheme in a way". Svenstrup said the "exponential growth" of the private equity industry in recent years, as investors have poured cash into its funds, would stop "at some point", adding that this was "just a question of time". "It's not that I think the private equity market is going to drop off a cliff," Svenstrup said. "We're just going to be looking [at] potentially low returns and high costs."

ATP is cutting down on the number of private equity groups it commits money to, he told the conference. "Obviously we've been looking very carefully at . . . who's been tweaking [returns figures by] using bridge financing, leveraged funds . . . all those tricks they do to kind of manipulate their IRR," he said.

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## **Future of the UK**

The United Kingdom (UK) is experiencing a lost decade of sorts and struggling to find its place in the global competitive landscape. In 2016, when we allowed a democratic vote on Brexit, it was the start of political instability in the UK. In fact, the Brexit referendum will go down in history books as an example of Western democracy gone wrong. This year, the UK has had three prime ministers. If this does not shout political instability, then nothing really will. Finally, in September this year, we also lost Queen Elizabeth II.

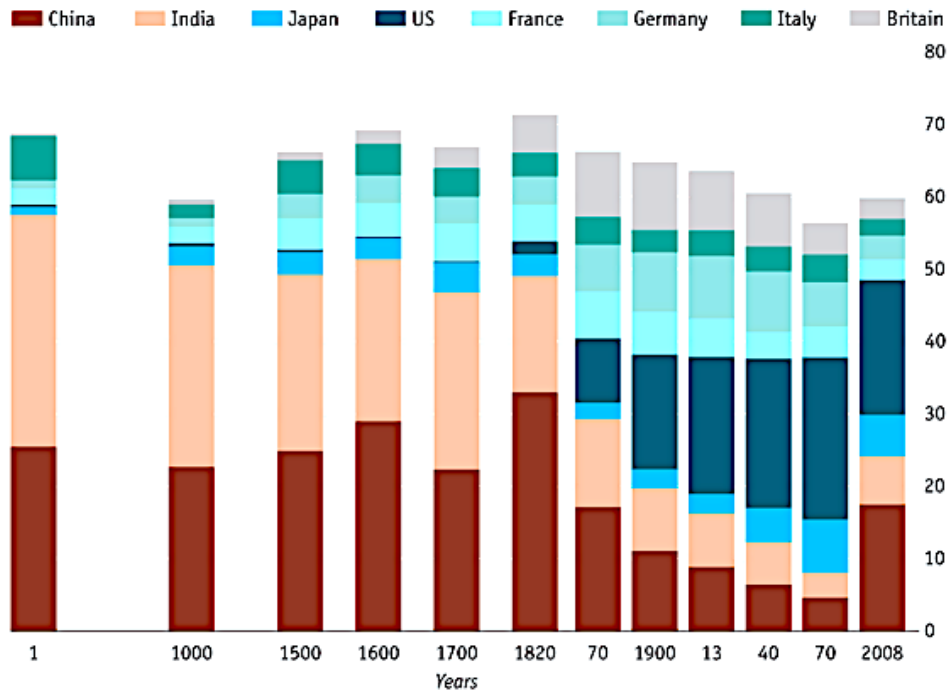
Just like the Roman Empire, the Ottoman Empire and the Mongol Empire, the British Empire was once thought to be impenetrable. The British Empire started losing its power in the 1900s. India, Britain's most valuable and populous possession, achieved independence in 1947 as part of a larger decolonisation movement, in which Britain granted independence to most territories of the empire. The Suez Crisis of 1956 confirmed Britain's decline as a global power, and the transfer of Hong Kong to China in 1997 marked the end of the British Empire.

Subsequently, the United States of America (USA) became the unquestionable leader of the free world. Since the 1870, USA has been the largest economy by far, meaning their reign has run on for over 150 years. However, in recent times, large Eastern economies of China and India have been rapidly growing their share of global GDP. Interestingly, and most people might not know this, but India and China have always been the two largest economies globally. These great nations dominated global trade for several millennia. Hence, this global shift towards Western power is a recent occurrence, i.e. only 200 years old. However, China and India, powered by nationalist leaders Xi Jinping and Narendra Modi respectively, are now fighting hard to gain back the largest share of global GDP.

The chart below from the Economist dates back to the year 1 AD, showing the history of world GDP over the past two millennia.

### A history of world GDP

Percentage of total, 1990 \$ at PPP\*



Sources: Angus Maddison, University of Groningen; *The Economist*

\*Purchasing-power parity

Goldman Sachs recently published their forecasts on which countries they expect to be the largest 15 economies in 2050 and 2075. What is striking is that the UK peaked as the 4<sup>th</sup> largest economy in 2005, dropping to #5 in 2020. But in 2022, India has surpassed the UK's GDP. UK is now out of the top five and never expected to return.

### World's largest economies (measured in USD)

Ranking	1980	2000	2022	2050	2075
1	United States	United States	United States	China	China
2	Japan	Japan	China	United States	India
3	Germany	Germany	Japan	India	United States
4	France	United Kingdom	Germany	Indonesia	Indonesia
5	United Kingdom	France	India	Germany	Nigeria
6	Italy	China	United Kingdom	Japan	Pakistan
7	China	Italy	France	United Kingdom	Egypt
8	Canada	Canada	Canada	Brazil	Brazil
9	Argentina	Mexico	Russia	France	Germany
10	Spain	Brazil	Italy	Russia	United Kingdom
11	Mexico	Spain	Brazil	Mexico	Mexico
12	Netherlands	Korea	Korea	Egypt	Japan
13	India	India	Australia	Saudi Arabia	Russia
14	Saudi Arabia	Netherlands	Mexico	Canada	Philippines
15	Australia	Australia	Spain	Nigeria	France

Source: Goldman Sachs Global Investment Research

The other noteworthy trend is that in 2000, 6 out of the 15 largest economies were emerging market nations. In 2022, 7 out of the 15 are emerging market nations. By 2050, Goldman Sachs expects that 10 out of the 15 largest economies will be emerging market nations, and by 2075, 11 out of the 15 will be emerging market nations. This is an astonishing shift of power.

So, what does this mean for RDCP as an investment firm that is currently exclusively focused on UK investments? Well, the saving grace is that the UK is still expected to remain in the top 10, even in 2075. We started RDCP in the UK. This great nation is our home. I believe that becoming a \$10bn business in the UK is feasible. However, then trying to grow to \$100bn still exclusively focused on the UK will be incredibly challenging. The economy is not large enough. I detail RDCP's vision beyond \$1bn in the final section of this annual letter, and where we plan to invest beyond the UK.

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### **Reasons Behind Our Success**

Each year I think about what is currently driving our success. Sometimes I may repeat a principle or lesson from a previous year, other times, I may introduce a totally new lesson that contradicts a closely held belief from the past.

1. We buy undervalued British businesses. According to Reuters, UK companies are trading at discounts of about 40% to global peers. As detailed in the previous section of this annual letter, the lost decade that the UK is growing through means that equity valuations (both of private companies and publicly-listed equities) are discounted. For example, the chart on the first page of this letter shows that since we set up RDCP in 2015, the S&P 500 index (the largest 500 companies in the US) has grown by 84.5%, whilst the FTSE 100 (largest 100 companies in the UK) has only grown by 5.5%. That is an annual growth rate of just 0.7%.
2. We avoid competition. Legendary investor Sam Zell once said: "Frankly, there's no substitute for limited competition. You can be a genius, but if there's a lot of competition, it won't matter. I've spent my career trying to avoid its destructive consequences. I jokingly tell people that competition is great—for you. Me, I'd rather have a natural monopoly." Just like Sam Zell, we avoid overly competitive acquisitions, and sectors with an overflow of capital that are pushing up asset prices.
3. We are frugal. We achieve more with less. These de-facto constraints that we put on ourselves breed resourcefulness, self-sufficiency, and innovation at RDCP.
4. We prioritise arbitrage opportunities. Our investment model is simple. Buy businesses at big discounts to their underlying intrinsic valuations. We are then just adding acquired EBITDA to RDCP Group, a large diversified conglomerate that commands a high trading multiple. This is where the arbitrage lies.

5. We apply the 80/20 Pareto Principle. 80% of our successes come from 20% of the effort. This framework allows us to prioritise tasks and projects of the highest importance. Another way to say this is: done is better than perfect.
  6. We manage our time like Lionel Messi. Research shows that Messi walks 83% of the time in a football game. Just walks. The other 17% of the time he shows us all what makes him the world's finest footballer. Focus your effort. Do not be busy all the time. Conserve your resources for what really matters.
  7. We have a "heads I win, tails I don't lose much" approach to investing. This means we focus on asymmetric returns, i.e. if we lose, we lose 1x of our invested capital, if we win, we win 5x, 10x or even a 100x. This also means our investments are ring-fenced. The collapse of one business cannot hurt another business or hurt the Group.
  8. We bet heavily when the odds are overwhelmingly in our favour. On average, we make at least one acquisition each year, where the intrinsic value of the target company is around 20% of RDCP's current group enterprise value. These large acquisitions are what drive significant value creation and allow RDCP to grow at high double-digit rates.
  9. We are optimistic. We believe that optimism leads to manifestation, which leads to wins. Since we are optimistic about our growth and about winning deals, our optimism allows us to imagine a near-future where this is growth becomes reality. Eventually, this imagination manifests into reality. Stay optimistic.
  10. We never lose money. Profits and cashflow are what matter the most. The rest is noise. Profits (or EBITDA) are what drive our valuation. Profits are the cake, everything else is just sprinkles. This doesn't mean our portfolio companies never have a loss-making month or quarter or even a year. But what it does mean is that we never lose our invested capital.
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## **Future Plans**

Our vision has always been to grow our enterprise value (or assets under management) to \$1bn in the first 10 years of being in business, by 2025. And we have always wanted to get there by continuing to be fully independent, meaning no third-party equity capital or co-investors involved. We are now just 12 to 24 months away from achieving this goal, about a year ahead of schedule. The question then becomes what happens next. What really is the big zoomed-out 10/20-year vision for RDCP Group?

If you go on the Forbes Billionaires List or Bloomberg Billionaires Index, there are about 2,700 billionaires in the World. If we assume that some are not on the radar of journalists or are more underground, then perhaps the list is more like 3,500 to 4,000 billionaires.

However, only about 180 of these individuals control everything around us. They control all major global infrastructure, they control the largest corporations, and some of them even run nation states like the UAE. They control all money and capital flows. They fund politicians to drive their agendas and world-views. How you think or are programmed to think is largely being driven by these 180 individuals, since they control social media, traditional media, and global politics. These are the 180 most powerful individuals on the planet. And when you get to look behind the curtain and see how their world really works, you realise that it is unfairly set up for them and their progenies to win, and rightfully so.

If we (RDCP) really want to have an impact, whether it be fixing the UK's healthcare system or solving the climate change crisis by powering the planet via solar, we need significant capital and the associated influence that comes with this capital.

With capital, we can have an impact. Without capital, we are insignificant.

These 180 individuals have this kind of capital and influence, and they are all deca-billionaires, which means they are worth a minimum of \$10bn. All of them derive this net worth from the companies they own or nation states they control.

For RDCP to truly have a legacy and become a player of global significance, we need to break into this rarefied group of deca-billionaires. However, it is incredibly difficult (almost impossible) to break into this world. There are several attributes RDCP would need to demonstrate to even have a shot at realising this vision:

1. Invest consistently over at least three decades, generating a minimum annualised return of 30% on growing swathes of capital.
2. Compete with and win against incredibly well-funded large private equity players, sovereign wealth funds and other institutional investors.
3. Show consistency and discipline, downside mitigation and risk management, in the ways we manage our portfolio.
4. Ensure all our portfolio companies perform at their best over long periods of time, growing their revenues and profits, paying down debts and building equity value.
5. Avoid making bad investment decisions, but when mistakes are made, work hard and fast to exit the situation rapidly and with minimal collateral damage.
6. Attract top talent to join RDCP Group and our portfolio companies, allowing for meritocracy of ideas to thrive.
7. Become a global business with a presence not just in the UK, but also in USA and Europe.

This list can go on and on because just so much needs to go right, along with copious amounts of good luck, to break into this rarefied group of 180 deca-billionaires.

In fact, it is the challenging nature of this quest that makes it so worthwhile. This is our vision for the future.

As grand as this vision is, we only make progress by working hard (and smart) consistently over long periods of time, but focusing on the daily, weekly, quarterly and yearly milestones and goals. This is how we grew the business to \$400m, and this is how we will grow to \$1bn and subsequently \$10bn.

Furthermore, the next two years will undoubtedly be challenging as we navigate through a recessionary environment in the UK. Most investors can grow and make money in a bull market, only a handful can continue generating outsized returns in a bear market. I want RDCP to be one of those rare few. As Warren Buffett says, "only when the tide goes out do you discover who has been swimming naked."

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For seven years now, Iryna and I have thoroughly loved our jobs. Daily, we do what we find interesting, working with people we like and trust. Over these seven years, we have successfully made 23 investments that have been consolidated into eight companies. Our cadre of resourceful managers leading our portfolio companies, along with our rational investment principles, mean that RDCP Group is ready for whatever the future brings.

Respectfully,

Sameer Rizvi  
Founder & CEO  
27<sup>th</sup> December 2022



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# 2024 ANNUAL LETTER

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Long-Term Investors Providing Permanent Capital

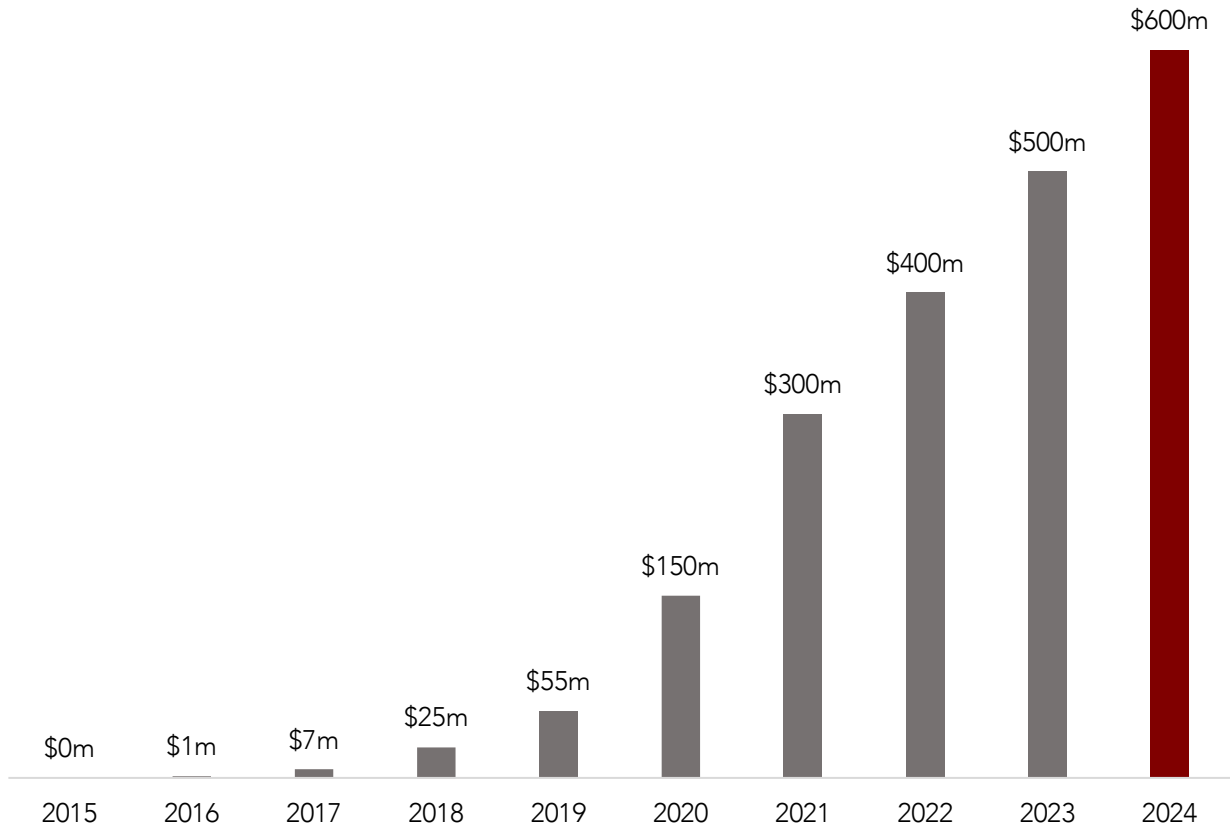


7-12 Tavistock Square, London WC1H 9LT

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[RDCAPITALPARTNERS.COM](http://RDCAPITALPARTNERS.COM)

## RDCP's Growth in Enterprise Value (EV)



In 2024, we grew RDCP's enterprise value ("EV") by 20% from \$500m to \$600m. Despite exiting some non-performing assets which briefly reduced our EV, our highly accretive acquisitions, which include MCS Group, Grayton and Links Electrical, allowed us to closely match the S&P 500's 2024 performance.

## RDCP's Performance vs. the S&P 500 and FTSE 100

	S&P 500	FTSE 100	RDCP
Annual Return 2015 – 2024	12.0%	1.9%	78.6%
Total Return 2015 – 2024	192.9%	19.1%	24008.9%

RDCP continues to experience high double-digit IRR growth. In fact, we forecast that our enterprise value in 2025 will increase at a similar rate as the 20% growth achieved in 2024. As a result, we are confident in being able to maintain an average annual growth rate around the high 70% mark.

## To the Stakeholders of RD Capital Partners (RDCP):

As I write this letter in late-December, I reflect with a strong sense of optimism about 2024. I truly consider this year to be a year of both measured growth and significant turnaround – our ninth year in business. This year, we have proven our resilience both to ourselves as an organisation and to our wider stakeholder base. We have demonstrated that the power of unwavering persistence, and the benefit of continually showing up day after day, week after week, month after month, can yield extraordinary results.

It was this very optimism, resilience and persistence that allowed us to acquire £12.5 million (or \$16 million) of new EBITDA in 2024, via three highly accretive acquisitions.

This year also marked a decisive turning point, as we disposed of some underperforming businesses. This strategic reset has allowed us to refocus our capital allocation and accelerate towards our year-end 2025 goal of increasing RDCP’s group EBITDA to over £30 million.

Today, RDCP is a diversified holding company with 29 investments consolidated into 12 portfolio companies, focused on three core sectors: industrials, healthcare and consumer. Together, these businesses generate an annual combined revenue of £150 million (\$195 million) and EBITDA of £27 million (\$35 million). And most importantly, we remain a wholly independent business with no outside capital.

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## Portfolio Overview: 2024 Acquisitions

Over the past nine years, RDCP has made 29 investments that have been consolidated into 12 companies, employing a total of 1,950 staff members. As RDCP continues to grow, our focus is shifting towards larger businesses with greater scale, stronger management teams, and a substantial “moat” protecting their business models. In 2024, this approach led us to exclusively consider businesses generating at least £1.5 million in EBITDA, with our “sweet spot” centred around the £3 million mark. Looking ahead to 2025, we are tightening our criteria, targeting businesses with a minimum EBITDA of £2 million, with our sweet spot rising to over £4 million.

Below, I detail the businesses we have acquired in 2024.

### 1. MCS Group



Leadership: James Currie & Rob Townsend

Sector: Industrials

Headcount: 67

Revenue: £100m

EBITDA: £5m

In 2024, RD Capital Partners acquired MCS Group, a dynamic and highly regarded infrastructure and construction main contractor group specialising in industrial and commercial projects across the UK. Founded over 20 years ago and headquartered in Warwick, MCS has built a strong reputation for delivering projects on time, within budget, and to the highest safety standards. The business is uniquely positioned with three divisions—Fast Track, Build, and Special

Projects—each tailored to different project scales and complexities, ensuring flexibility and efficiency in meeting client needs.

MCS is recognised for its innovative approach to construction and its exceptional client retention rate of 70%, driven by a commitment to quality and customer satisfaction. Its sector expertise spans storage and distribution, motor retail, self-storage, and general retail, with key clients including Big Yellow, Sytner, and Cadent.

This acquisition is significant for RDCP as it solidifies our entry into the UK main contractor construction sector. We plan to support MCS's growth strategy, including its ambitious goal to scale revenues to £140 million by FY26, through targeted projects and resource expansion. The business operates with minimal debt levels and maintains robust cash reserves, reflecting its prudent financial management.

We are delighted to partner with James Currie and Rob Townsend as incoming Joint CEOs, whose leadership and expertise have been instrumental in MCS's success to date. Together, we will focus on scaling operations, enhancing profitability, and pursuing new opportunities to strengthen MCS's position as a leader in its field.

## 2. Links Electrical



Leadership: Paul Clunn

Sector: Industrials

Headcount: 63

Revenue: £17m

EBITDA: £1.5m

This year, RD Capital Partners, through RDCP Electrical, acquired 100% of the shares in Links Electrical, a leading electrical products distributor with a strong focus on renewable energy solutions, including solar. This acquisition significantly expands RDCP Electrical's presence, growing the business to £40 million in turnover with 17 branches across England and Wales.

Founded in 2000 and headquartered in Newtown, Links Electrical has grown rapidly, driven by a commitment to product diversity, competitive pricing, and exceptional customer service. The business operates across 11 branches and employs 63 staff, covering Wales and Shropshire, with a strategic focus on expanding its renewable energy product offerings, particularly in the solar sector.

The company's financial performance has been robust, with expected revenues in excess of £17 million for the year ending December 2024, supported by strong demand for solar energy solutions. With a dedicated solar warehouse and over 5,000 solar panels in stock, Links Electrical is well-positioned to capture further growth in this sector, building on its 50+ years of combined experience.

This acquisition is part of RDCP's buy-and-build strategy in the electrical distribution sector, which began with the acquisition of Worcester Electrical Distributors in 2022. We are excited to

welcome Darren Lawton to the leadership team and continue working alongside Paul Clunn, who will remain as Group CEO. We are also thankful to Graeme Morgan and David Poyner for entrusting us with their business legacy.

With this acquisition, RDCP Electrical now boasts an expanded network and enhanced capacity to provide innovative electrical solutions across both traditional and renewable energy sectors. We look forward to further developing Links Electrical's market position and exploring new growth opportunities in both the UK and renewable energy markets.

We are grateful to AWEBB and CEO Mark Lambert for their continued support.

### 3. Grayton



Leadership: Carl Meale & Richard Southee

Sector: Industrials

Revenue: £21m

Headcount: 130

EBITDA: £3.2m

Grayton is a leading mechanical engineering services provider specializing in the maintenance, installation, and diagnostics of industrial rotary equipment. Established in 1992, Grayton serves strategic sectors, including steel, cement, chemicals, oil and gas, food, and power.

Grayton operates from a 4-acre site in North Lincolnshire with advanced fabrication facilities, enabling high-value project work for long-standing blue-chip customers. Recent successes include projects with British Steel, Phillips 66, Ensus, Tarmac, and Cleveland Potash/ICL. Grayton's commitment to sustainability aligns with our own; they are actively involved in Net Zero projects such as:

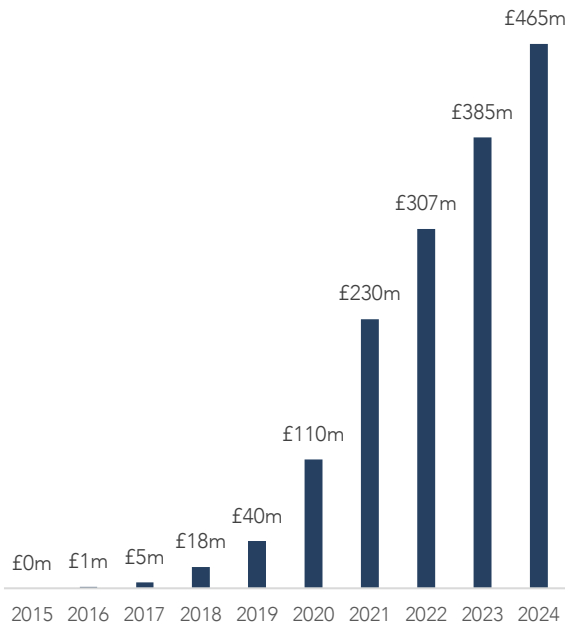
- Lithium-ion battery production (with Phillips 66)
- Carbon capture and storage (with Singleton Birch and Oxford University)
- Bioethanol plant efficiency improvements (with Ensus)

The acquisition of Grayton significantly enhances RDCP's presence in the UK engineering sector and strengthens our capabilities in predictive maintenance and turnkey project solutions. We are confident in Grayton's ability to drive further growth, particularly through their expertise in laser scanning technology and long-term partnering agreements.

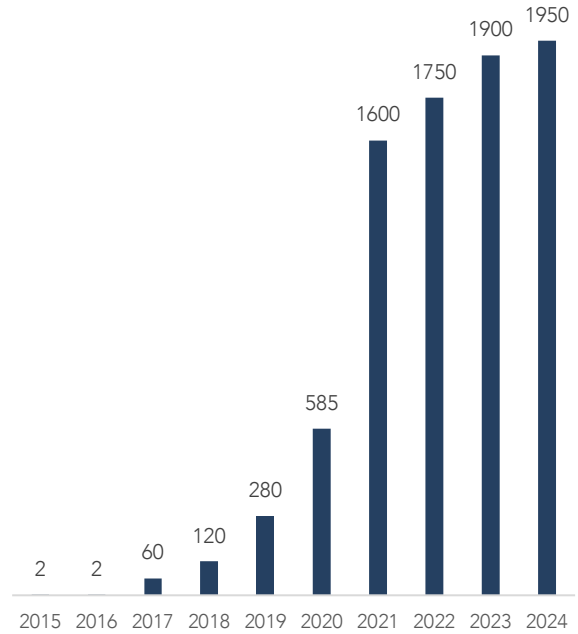
We are thrilled to support Carl Meale and Richard Southee as Joint Managing Directors and fellow shareholders, alongside Richard Marshall and Peter O'Sullivan as Joint Chairmen. Together with the wider Grayton team, we look forward to their continued delivery of exceptional engineering services and their expansion into new regions and industries.

## RDCP as a Snapshot in 2024

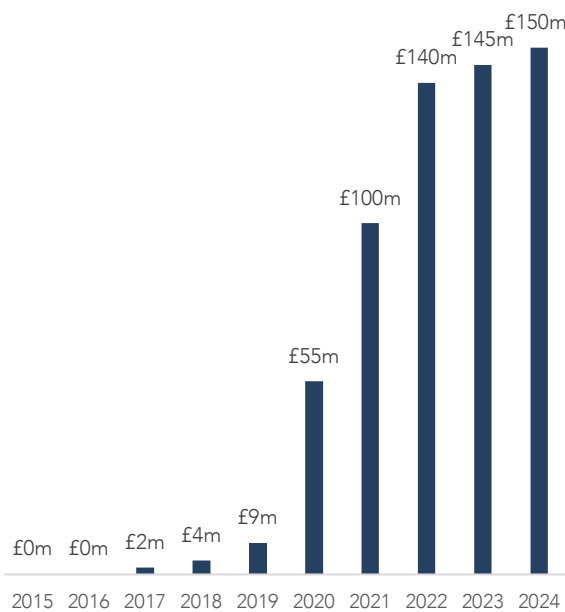
In 2024, we acquired three new companies and exited a few non-performing assets. This is what the RDCP portfolio looks like today.



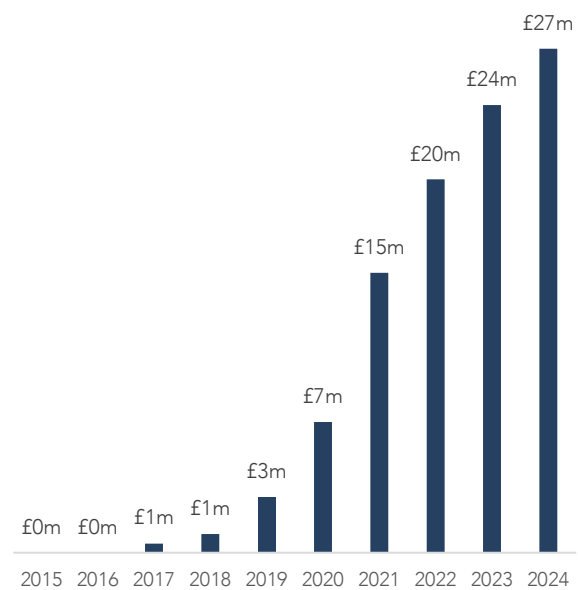
Growth in Enterprise Value (EV)



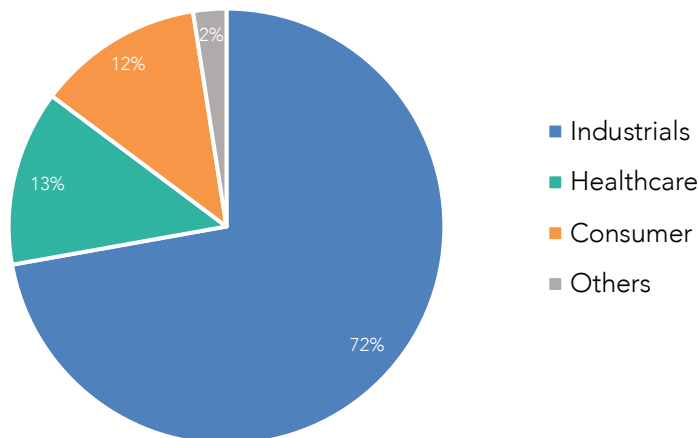
Growth in Staff Headcount



Growth in Run-Rate Revenue



Growth in Run-Rate EBITDA



Sector Diversification

### Portfolio Companies

The RDCP portfolio today comprises 12 portfolio companies across 3 core sectors, generating a combined £150 million (\$195 million) in run-rate revenue and 27 million (\$35 million) in run-rate EBITDA.

Healthcare	Industrials		
<p><b>Healthcare</b></p> <p>Elderly care provider with 8 nursing homes and 310 beds, a top-10 Midlands operator</p>	<p><b>Industrials</b></p> <p>£40m turnover electrical distribution group with 3 businesses, operating across 17 sites</p>	<p><b>Infrastructure</b></p> <p>£110m turnover main-contractor infra business</p>	<p><b>Manufacturing</b></p> <p>Windows design and manufacturing business</p>
	<p><b>Facilities Management</b></p> <p>Swimming pool design and installation group</p>	<p><b>Engineering</b></p> <p>Engineering services for cement and steel sectors</p>	<p><b>ANCIENT HOUSE PRINTING GROUP</b></p> <p>Web and sheet-fed printing manufacturing</p>
<p><b>Consumer</b></p> <p><b>Consumer Staples</b></p> <p>£45m revenue food wholesale business</p>		<p><b>Alma Rail</b></p> <p>www.almarail.co.uk RAILWAY TRACK AND CIVIL ENGINEERING</p> <p>Railway track and rail engineering business</p>	<p><b>i4Plus</b></p> <p>Precision manufacturing group with 2 companies</p>
<p><b>The Soft Drink Company</b></p> <p>£15m revenue soft drinks distribution business</p>	<p><b>Others</b></p> <p><b>Real Estate</b></p> <p>Private real estate portfolio valued at £7m</p>		

## Sector Focus

Our investment strategy remains anchored on three core sectors: industrials, healthcare, and consumer. These sectors offer a robust foundation for growth, whilst also enabling us to navigate various economic cycles.

Currently, 72% of our portfolio is weighted toward industrials, with healthcare at 13% and consumer at 12%. By the end of 2025, we anticipate a more balanced portfolio, with industrials comprising 50% and healthcare and consumer sectors each representing 25%.

- **Industrials:** Our focus on industrials stems from the sector's essential role in the economy. Our investments span manufacturing, infrastructure, engineering, and electrical products distribution, "old economy" sectors characterised by steady demand and enduring growth potential. These businesses provide critical services and products that underpin the UK's economy, making them reliable and resilient even during market fluctuations.
- **Healthcare:** Healthcare has always been a core backbone of the RDCP portfolio. We began our journey in this sector with the incorporation of RDCP Care in 2016 and the subsequent acquisition of Kings Bromley Care Home. This early investment established our firm belief in the sector's strength and stability, particularly in elderly care, which benefits from long-term demographic trends like the ageing population. Healthcare has proven to be recession-proof, offering essential services that remain in demand regardless of economic conditions.
- **Consumer:** Similarly, our investments in the consumer sector, particularly in staples and distribution, focus on essential goods and services that remain in demand regardless of economic conditions. These businesses, including food wholesale and soft drinks distribution, provide reliable returns and are crucial in maintaining everyday life for communities across the regions we serve.

While these three sectors remain our core focus, we pride ourselves on being sector-agnostic investors. This flexibility allows us to seize opportunities wherever they arise. Looking ahead, we plan to introduce a fourth core sector: wholly owned or majority-owned software companies. The software sector offers dynamic growth potential, high-margins, scalability, and significant opportunities for value creation, making it a natural extension of our evolving investment strategy.

## **RDCP – One Corporation**

Since our founding in 2015, we have tirelessly pursued investment opportunities, steadily building a robust and diversified portfolio. Today, we are proud to own 12 distinct companies, each with its own leadership, strategy, and culture. For almost a decade, this decentralised approach has served us well, allowing RDCP to move quickly, remain entrepreneurial, and focus on identifying and capturing growth through new acquisitions. By empowering each subsidiary to run its own affairs, we maintained an agile operating model that could adapt to changing market conditions and seize promising deals with no bureaucracy.

But as we step confidently into 2025 and beyond, it is clear that the time has come for RDCP to evolve. We have reached a critical scale and maturity that calls for a more unified operating framework. No longer do we want to be seen merely as a holding company with a collection of separate businesses. Instead, we will begin acting as a single, integrated corporation, supported by centralised functions that streamline operations and drive efficiencies. Central finance, HR, payroll, and IT will anchor a cohesive internal structure, ensuring that all parts of the organisation benefit from shared best practices, better reporting, and a consistent corporate culture.

Crucially, this transformation brings opportunity for our staff members—opportunity for promotions, increased responsibility, and personal growth. As we harmonise our operations, we are creating pathways for talented individuals across the RDCP portfolio to step into leadership roles, take on new challenges, and contribute to a unified, high-performing organisation.

This transformation is not about changing who we are—it is about enhancing and amplifying what we already do well. By strengthening our corporate backbone and harmonising the way we operate, we can unlock even greater potential within our portfolio. Ultimately, these measures will make RDCP more profitable as a whole, without curtailing our ability to grow via acquisitions. We will continue to identify attractive acquisitions, but now, each new addition will seamlessly integrate into a unified RDCP, creating value that surpasses the sum of its parts.

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## **Corporate Restructures and Disposals**

In 2023 and 2024, I truly came to understand what it means to be a “Wartime CEO,” a term originally coined by venture capitalist Ben Horowitz.

**Pexion:** In December 2022, we acquired a majority stake in a distressed portfolio of engineering businesses known collectively as “Pexion.” Our objective at the time was straightforward: stabilise the business, identify the strongest performers, and ultimately execute a targeted carve-out. With the invaluable guidance of Interpath Advisory, a leading restructuring firm, we successfully completed this carve-out in March 2024.

From the outset, Pexion’s financial position posed significant challenges. The business carried £25 million of debt owed to HSBC through a combination of term loans, invoice financing, and asset financing. In addition, there were £5 million in stretched creditor obligations—comprising £3 million in supply-chain liabilities and £2 million owed to HMRC—and a £10 million

underfunded pension plan. Further complicating matters, certain previous owners were still owed earn-out consideration, and the management team needed to commit at least £2 million in capex to maintain production levels for existing orders. Altogether, over £40 million in debt was being serviced by an EBITDA of just £5 million.

Despite these daunting headwinds, a combination of skilful negotiation, sound advice from Interpath, and a bit of luck enabled us to dispose of the distressed elements, whilst successfully protecting our investment. Our fellow shareholders in Pexion, who were also shareholders in two strong and wholly independent businesses—CC Electronics and Hone-All Precision—graciously allowed us to acquire a majority stake in these entities. This pivotal move ensured that our position remained secure as we navigated the disposal of Pexion’s distressed subsidiaries.

Consolidated under a new holding company, i4Plus Holdings Limited, these businesses are backed by a supportive lender (Cynergy Bank) and led by an experienced management team – factors that position them well for profitable growth.

This experience underscored a pivotal lesson: while we managed the situation as effectively as possible, the effort and complexity of distressed, turnaround investing offers limited upside relative to its demands. Our true strengths lie in acquiring large, profitable businesses from retiring owners who seek a reliable steward to guide their companies into the future. By staying true to our core focus, we can continue to deliver strong, sustainable results for all stakeholders involved.

**Intelling:** We exited our investment in Intelling to Startek in 2024, following seven consecutive quarters of losses. Despite concerted efforts from both RDCP and Investec to turnaround the situation over the course of a year, it became clear that Intelling’s best chance of regaining profitability was by joining a larger, more established business process outsourcing (BPO) organisation. Under this new structure, the business could shed a significant portion of its cost base and move into positive EBITDA territory.

In a somewhat unexpected way, I am grateful for the experience we had with Intelling—just as I am with Pexion. Both journeys have provided invaluable lessons on what not to do. These hard-won insights now form an integral part of RDCP’s core investment, operating and management principles.

One key learning has been a crash course in the art of corporate restructuring. Armed with this knowledge, we have subsequently executed a few restructuring transactions that not only allowed us to recoup our Intelling losses, but also strengthened our organisation’s resilience. In the end, the lessons learned far outweigh the cost, making RDCP a more formidable and disciplined investor for the future.

## Lessons Learned / Reasons Behind Our Success

2023 and 2024 have been the most transformative years for me and for RDCP, offering more learning and growth than all our previous years combined. Below are some of my key learnings and principles:

1. Do not overestimate risk and underestimate opportunity. It is human nature to overestimate risk and underestimate opportunity. Entrepreneurs would be well advised to try and bias against that piece of human nature. The risks are probably not as big as you perceive, and the opportunities may be bigger than you perceive.
2. Practice reality distortion. The concept of “Reality Distortion Field” (RDF), first coined by colleagues of Steve Jobs at Apple, describes his ability to inspire others to pursue seemingly impossible goals by reframing their perception of what is achievable. This mindset, rooted in audacious vision and unshakable conviction, has played a pivotal role in RDCP’s journey. From our early days as a husband-wife team to becoming a diversified holding company with 2,000 employees, this Reality Distortion Field has allowed me, as a founder and CEO, to challenge conventional limitations and instill confidence in our vision.

For RDCP, the Reality Distortion Field is not about blind optimism but disciplined conviction: the belief that with resilience, strategy, and execution, extraordinary outcomes are possible. This philosophy has been the cornerstone of our culture, enabling us to focus not just on what is but on what could be. As we evolve into a unified corporation, this spirit will remain central to our DNA, driving us to redefine limits and inspire those we work with to see new possibilities. Harnessing this mindset will continue to shape RDCP’s success in 2025 and beyond.

3. Invest like you might own the business forever. At RDCP, we adhere to the principle that when you invest, you should do so with the mindset that you might own the business forever. As Warren Buffett famously said, “our favourite holding period is forever.” This long-term perspective is deeply ingrained in our investment philosophy and is one of the key reasons we are able to convince sellers that we are the right stewards for their businesses. By approaching each acquisition with a commitment to preserving and enhancing the legacy of the businesses we acquire, we foster trust and alignment with sellers. They see that RDCP is not interested in short-term gains or quick exits but in building sustainable value over the long run. This philosophy ensures that we not only generate strong returns for RDCP but also uphold the integrity and success of the businesses under our stewardship.
4. Eat the poop. One of the most transformative lessons I have learned in 2023 and 2024 is this: *eat all the poop at once*. When faced with tough decisions, do not delay – address them all in one concentrated effort. Difficult situations never improve with time and postponing them only prolongs the pain and uncertainty. In these past couple of years, we had to confront a series of tough choices at RDCP, all associated with correcting past

investment decision mistakes. The reason we succeeded is because we were ready to face the backlash and criticism, as we tackled everything head-on in a defined period. It was challenging, uncomfortable, and required humility, but it was necessary to move forward. By facing these challenges in a short, defined period, we have cleared the path for growth, stability, and opportunity in 2025 and beyond.

5. Make offence the primary strategy for growth. In the world of business, playing defence—shedding non-performing assets or exiting loss-making positions—is often necessary, but it is not a strategy for growth. At RDCP, we learned that true progress comes not from retreating, but from advancing boldly. While we carefully managed exits from underperforming investments, we simultaneously leaned into an offensive strategy that defined our success: doubling down on meaningful, sizeable, and highly accretive acquisitions. This dual approach ensured that we did not just stabilize; we soared.

By focusing on growth opportunities even during challenging times, we kept our momentum intact and executed on acquisitions that significantly enhanced our enterprise value. This philosophy—pivoting decisively to capitalise on opportunity even while addressing setbacks—is what enabled RDCP to add £12.5 million of new EBITDA in 2024. Offence, not defence, remains the driving force of our strategy as we work towards a £50 million EBITDA business, proving that the only way forward is to attack opportunities with clarity, conviction, and speed.

6. Avoid competition. Competition, as the saying goes, is for losers. Where possible, it is better to avoid competing directly and instead focus on areas with limited competition. From a young age, we are taught to compete—both inside and outside the classroom—and I consider myself a highly competitive person. However, over the years, I have learned that success often lies in investing where competition is limited. This means steering clear of “hot” sectors and focusing on opportunities others may overlook. As Warren Buffett wisely advises, “Be fearful when others are greedy, and be greedy when others are fearful.”
7. Accept the chaos and challenges that come with growth. A critical lesson we have learned at RDCP is that a large, growing conglomerate will always face challenges or complexities. Scale brings complexities, and with them come situations that require solutions and adaptability. Accepting this reality is not a sign of weakness but of maturity. We have come to view these challenges not as obstacles but as inherent aspects of a high-growth conglomerate – opportunities to innovate and refine, rather than issues to avoid.

This mindset, similar to the offence strategy mentioned in the previous lesson, allows us to remain focused on the bigger picture: growth, opportunity, and value creation. By embracing imperfection, we can allocate resources to address complexities effectively without losing momentum or vision.

8. Never invest in a business you cannot understand. We learned this lesson the hard way (like most lessons in life and business). However, this principle could not be more true. While the allure of exciting, fast-growing sectors or complex opportunities can be tempting, it often leads to misjudged risks and missed expectations. Understanding a business thoroughly is not just about knowing what it does; it is about comprehending its nuances, its industry dynamics, and the specific challenges it faces.

Investing without full understanding is akin to navigating in the dark. It increases reliance on external expertise, leaves blind spots in decision-making, and diminishes the ability to respond effectively when things go wrong. At RDCP, this principle underpins every investment decision we make. By focusing only on businesses we understand deeply, we ensure we can add meaningful value, support the management teams effectively, and make informed, strategic decisions. This discipline has become a cornerstone of our investment philosophy, allowing us to avoid unnecessary risks and build a portfolio of resilient, high-performing businesses.

9. Burn certain bridges. Some bridges are beautiful when they burn. There is a unique sense of clarity and calmness that comes when you know there is no going back. At RDCP, we have learned that progress—both as an organization and as individuals—sometimes requires leaving behind old versions of ourselves, versions that no longer serve who we are or who we aim to become.

Burning certain bridges is not about recklessness; it is about intentional evolution. It means decisively moving on from strategies, investments, practices or business relationships that no longer align with our vision and growth trajectory. By letting go of what holds us back, we create space for transformation, innovation, and reinvention. Growth often demands hard choices, and sometimes those choices involve embracing the flames of change to illuminate the path forward.

## **Future Plans**

I am confident that 2025 will be our strongest year yet as we at RDCP work towards creating a £40m EBITDA diversified conglomerate. This vision will be executed through the completion of our live pipeline of sizeable acquisitions of high-quality businesses in our core sectors of industrials, healthcare, and consumer. These strategic additions will continue to feed the compounding machine.

Yet, 2025 will also mark a significant transition for RDCP. For the first time, we will move beyond operating as a holding company with distinct portfolio businesses, towards becoming a fully integrated multinational conglomerate. This transformation will see us create cohesive, interconnected business units that not only operate independently, but also contribute to a unified RDCP. By building an integrated structure, we aim to unlock the full potential of our portfolio companies, enhance operational efficiency, and lay the groundwork for long-term organic growth.

This next phase of our journey reflects our unwavering commitment to evolving as an organization, with the long-term vision of becoming the largest private company in the UK, as well as solidifying RDCP's position as a leader in our sectors. The path ahead is ambitious, but with our clear focus, top-quality team, and a proven ability to execute, I have no doubt we will continue to exceed expectations.

A heartfelt thank you goes to our hardworking staff, all 2,000 of them, and to the various senior management team members, both those running RD Capital Partners and our portfolio companies. Your dedication and relentless effort remain the driving force behind our continued success.

Respectfully,

Sameer Rizvi  
Founder & CEO  
26<sup>th</sup> December 2024



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# 2025 ANNUAL LETTER

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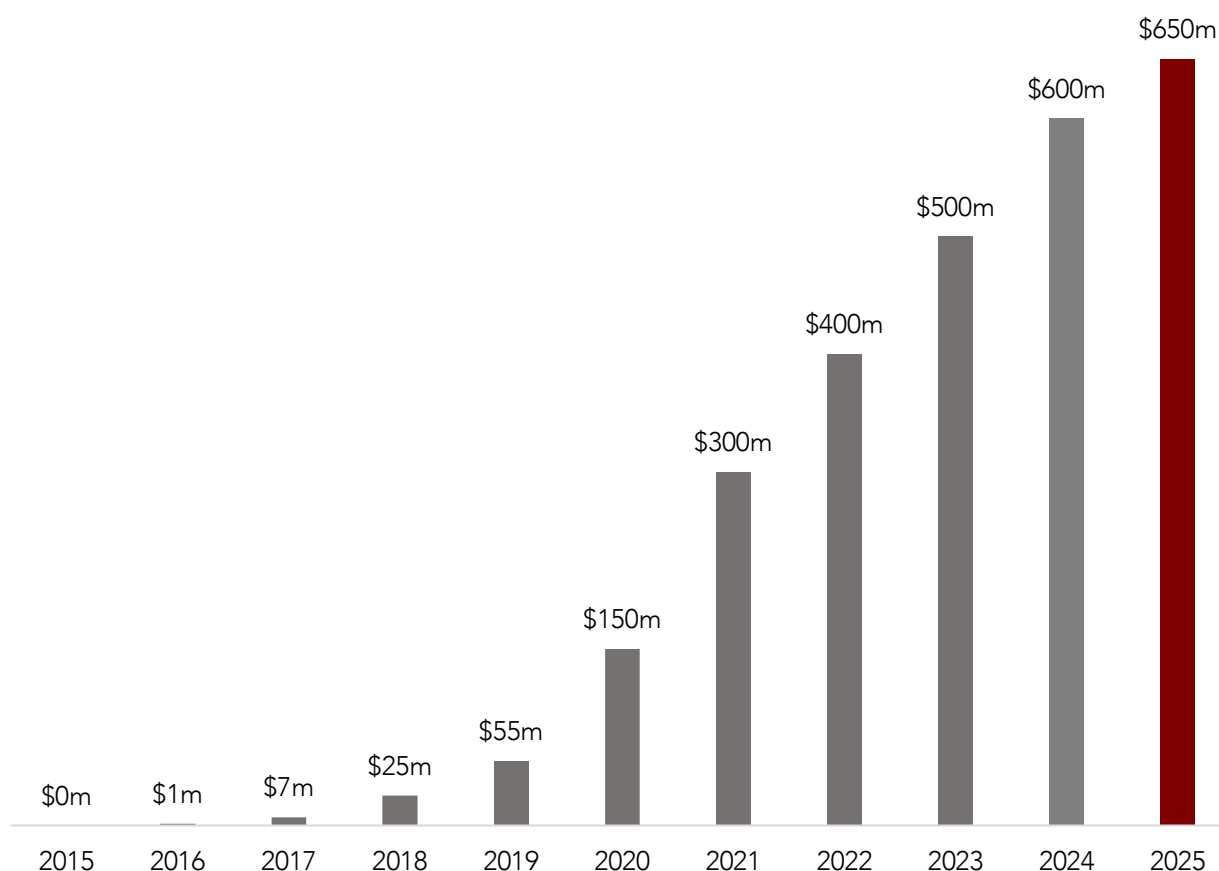
Long-Term Investors Providing Permanent Capital

An aerial photograph of the London skyline at sunset. The sun is low on the horizon, casting a golden glow over the city. The River Thames flows through the center, with several prominent skyscrapers, including the Shard and the Gherkin, illuminated. The city extends far into the distance under a hazy sky.

5 The Crescent, Leatherhead, Greater London KT22 8 DY

[RDCAPITALPARTNERS.COM](http://RDCAPITALPARTNERS.COM)

## RDCP's Growth in Enterprise Value (EV)



In 2025, RDCP increased its enterprise value ("EV") by 8%, from \$600 million to \$650 million. This growth was driven by the acquisition of two highly accretive businesses: Monarch Healthcare, a freehold portfolio of 12 nursing homes, and DJL Petfoods, a pet food ingredients distributor.

## RDCP's Performance vs. the S&P 500 and FTSE 100

	S&P 500	FTSE 100	RDCP
Annual Return 2015 – 2025	12.1%	3.2%	73.9%
Total Return 2015 – 2025	231.5%	38.5%	32400.0%

While EV growth in 2025 was more modest than in prior years, RDCP continues to benefit from strong long-term compounding, delivering a high double-digit internal rate of return of 73.9% over a ten-year investment period. Looking ahead to 2026, we expect steady progress as we focus more specifically on improving efficiencies across the existing portfolio — including integration and cost synergies — with acquisitions playing a secondary role.

## **To the Stakeholders of RD Capital Partners (RDCP):**

This year marks RDCP's ten-year anniversary: a full decade since we first began in the summer of 2015. As I reflect on this milestone, I inevitably return to one of my most regular reference points: Warren Buffett.

I find myself often looking back at Buffett's early years — what he had built by his late 20s and early 30s — and comparing them with my own milestones at the same age. Adjusting his early Buffett Partnership figures into today's dollars gives me a simple reference point for measuring RDCP's progress against Berkshire Hathaway, one of history's greatest compounding machines.

What strikes me most about Buffett's early years is not the glamour of his eventual success, but the scrappy, almost uncomfortable, methods he employed at the outset. For his first 14 years, from age 25 to 39, he focused on building a capital base rather than a legacy. He was a net-current-asset-value (NCAV) investor, a classic "cigar-butt" picker, acquiring businesses trading below liquidation value, often in distressed or neglected situations. This was unglamorous work: working with distressed businesses, challenging entrenched managers, and patiently realising value from operations in decline. Yet this was his necessary tuition — the cost of Buffett's education. Those cigar butts provided the capital, the discipline, and the hard-earned lessons he needed, even though they were never meant to be the endgame.

In many ways, RDCP's first decade mirrors that story. We too have been aggressive, opportunistic, and at times heavily reliant on leverage. We pursued businesses where price came first and quality second. We built a large and diversified portfolio this way — and make no apologies for that. It was our foundation-building decade.

Like Buffett, our early years came with their own tuition. And we have had to pay the price. Not every acquisition went the way we hoped, and not every strategy survived contact with reality. In a small number of cases, the cost of those lessons was not borne by us alone. When businesses fail, the impact is felt by real people — employees whose roles are disrupted, suppliers and counterparties who face uncertainty, and communities that feel the consequences. These outcomes are never taken lightly. They have weighed heavily on us and have directly shaped the more conservative, people-aware and liquidity-focused approach that defines RDCP today.

One of the clearest lessons from our first decade relates to the overuse of leverage in acquisitions. In the early years, we relied more on leverage than we should have, simply because our capital base had not yet been built. It allowed us to grow, but it also created fragility.

RDCP 2.0 is our deliberate pivot away from that model. It means investing with more equity and less debt, and working closely with our existing portfolio companies to accelerate deleveraging and debt repayment, and strengthening liquidity across the group. The objective is clear: to reach a position where we can invest and compound solely from our own permanent capital, with very limited (if any) reliance on external leverage. It also means focusing, as Buffett would say, on wonderful businesses at fair prices, partnering with strong managers, scaling enduring companies, and allowing time and compounding to do their work.

In 2025, and as we move into 2026, we continue to strengthen our corporate and financial governance. As the group has grown, we have learned how essential clear reporting lines, clean accounting boundaries, and robust oversight are to a permanent-capital enterprise. RDCP today is a more disciplined and better-structured organisation than it was a year ago, and indeed at any point in its history.

A decade ago, our focus was on acquiring almost anything we could afford in order to get the compounding machine started. Today, our focus is on deleveraging, building substantial group cash balances, and developing a high-quality investment firm built around high-quality portfolio companies.

We have shifted decisively toward larger businesses with durable economics, strong leadership teams, and long runways for compounding. By studying Berkshire's evolution in real time, we did not need to wait decades to understand the power of a See's-Candies-type business. RDCP Care, RDCP Electrical, DJL Petfoods, TSDC Wholesale and Alma Rail are our own equivalents — wonderful companies with durable moats and outstanding managers. They are not merely assets; they are the backbone of RDCP's second decade.

If our first decade was our cigar-butt era, our next decade will be our See's Candies era.

RDCP has shaped me as much as I have shaped it. I have made mistakes — many born of inexperience, some of ambition — but each one helped form the positive principles that now guide us.

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## Portfolio Overview: 2025 Acquisitions

Over the past 10 years, RDCP has made 31 investments that have been consolidated into 10 companies, employing a total of circa 2,000 staff members.

Below, I detail the businesses we have acquired in 2025.

### 1. Monarch Healthcare



Leadership: Rosie Howell

Sector: Healthcare

Headcount: 500

Revenue: £25m

EBITDA: £6m

In April 2025, RDCP (via RDCP Care) acquired Monarch Healthcare. Monarch is a well-established, high-quality group of freehold residential and nursing care homes located across the Midlands and the North of England, with a long operating history and a strong reputation for delivering consistent, regulatorily compliant care.

Monarch provides residential, nursing, dementia and palliative care, operating from purpose-built and well-maintained freehold properties that are embedded in their local communities. The

group has historically been characterised by stable occupancy, long-standing relationships with local authorities, and a disciplined, care-first operating culture. Importantly, 100% of the homes are rated “Good” by the CQC — a standard that closely aligns with our own philosophy within RDCP Care.

Monarch comprises 12 freehold nursing and residential homes, all of which fit squarely within RDCP’s long-standing investment criteria: asset-backed, operationally resilient, and capable of long-term compounding under stable ownership.

The Monarch acquisition represents a natural extension of RDCP’s journey in the healthcare sector. In fact, when we founded RDCP in 2015, our focus for the first 4-5 years was almost exclusively on the UK healthcare sector. In 2016, we incorporated RDCP Care to go on a buy-and-build journey in the elderly care sector, with a focus on dementia and nursing care. Over the past decade, RDCP Care has executed on five transactions:

- Kings Bromley Care Home (2017)
- St Nicholas House Care Home (2017)
- Dignus Healthcare (2019)
- Coton Care (2023)
- Monarch Healthcare (2025)

Today, RDCP Care is a group of 20 freehold nursing homes with a portfolio value of approximately £100 million, forming one of the core pillars of RDCP’s permanent-capital strategy.

Central to the success of RDCP Care — and to the successful integration of Monarch — is leadership. We continue to fully back Rosie Howell, Managing Director of RDCP Care, whose operational discipline, regulatory focus and people-first approach has been instrumental in building a high-quality platform. Rosie is supported by an exceptional senior team, whose depth of experience and consistency of execution underpin both care quality and financial performance across the group.

Monarch Healthcare strengthens RDCP Care not just in scale, but in substance. It adds depth, geographic density and operational maturity to a platform that has been a cornerstone of RDCP since inception — and it exemplifies the type of essential, asset-backed businesses we seek to own for decades, not years.

## 2. DJL Petfoods



**DJL Petfoods**  
Ingredients Ltd

Leadership: Duncan Lancaster

Sector: Consumer Staples

Headcount: 26

Revenue: £25m

EBITDA: £4m

In July 2025, RDCP acquired DJL Petfoods, the UK's leading one-stop, multi-brand supplier of pet food ingredients and raw materials to premium pet food manufacturers. DJL operates as a critical link in the pet food supply chain, sourcing, accrediting and distributing high-quality, fully traceable ingredients to some of the UK's best-known pet nutrition brands.

The business supplies over 50 GMP+ accredited SKUs, spanning animal proteins, fats, oils and complementary plant-based inputs, enabling manufacturers to produce safe, reliable and high-quality pet food products at scale. Its deep understanding of regulatory requirements, supplier accreditation and logistics makes DJL a trusted partner rather than a transactional distributor.

The business benefits from several structural advantages. DJL is deeply embedded within its customers' operations, reflected in an exceptional year-on-year customer retention rate. Long-standing relationships with both customers and suppliers provide purchasing scale, reliability of supply and attractive pricing that would be difficult for individual manufacturers to replicate independently. This creates meaningful barriers to entry and underpins a resilient, recurring revenue base.

Operationally, DJL runs from three facilities totalling over 40,000 sq. ft., strategically located to serve pet food manufacturers across the UK. The business is supported by a highly experienced team of 26 employees, whose specialist knowledge, operational discipline and customer service culture have been instrumental in DJL's growth over more than two decades in the industry.

DJL exemplifies the type of business we seek to own under RDCP 2.0: asset-light but infrastructure-critical, founder-led, defensively positioned, and capable of compounding steadily without reliance on constant reinvestment. It operates in a growing end-market, benefits from long-term demographic tailwinds in pet ownership and premiumisation, and possesses durable competitive advantages rooted in trust, accreditation and operational execution.

We see significant opportunity ahead for DJL through disciplined expansion of its product range, further embedding with existing customers, and selective growth into adjacent European markets — all while maintaining the service quality and reliability that define the business today. DJL Petfoods strengthens RDCP's portfolio by adding a high-quality, cash-generative platform with long-term compounding potential and aligns closely with our focus on owning essential businesses with enduring relevance.

### 3. STAR Capital Care



Leadership: Fuzail Ahmad

Sector: Healthcare (USA)

Headcount: 360

Revenue: £2m

EBITDA: £0.4m

In October 2025, RDCP made its first investment in the United States through a minority stake in STAR Capital Care, a portfolio of six freehold nursing homes comprising approximately 360 beds across North Carolina, South Carolina, and Connecticut.

STAR Capital Care is a high-quality, asset-backed healthcare business focused on skilled nursing and long-term care. The portfolio benefits from freehold ownership, experienced on-the-ground management, and exposure to a large, fragmented and structurally growing healthcare market. While modest in scale relative to RDCP's UK platforms, the investment represents an important strategic milestone for the group.

STAR Capital Care was founded by a family member of mine. In 2025, an existing family investment was formally incorporated into RDCP, enabling us to take a minority ownership position and bring STAR Capital Care into the RDCP portfolio. The investment represents RDCP's first international platform.

This investment was our first step into what will become a long-term investment strategy into the US: formalising an existing family investment into the RDCP platform, while allowing RDCP to gain direct exposure to the US care market alongside trusted operators with deep local experience.

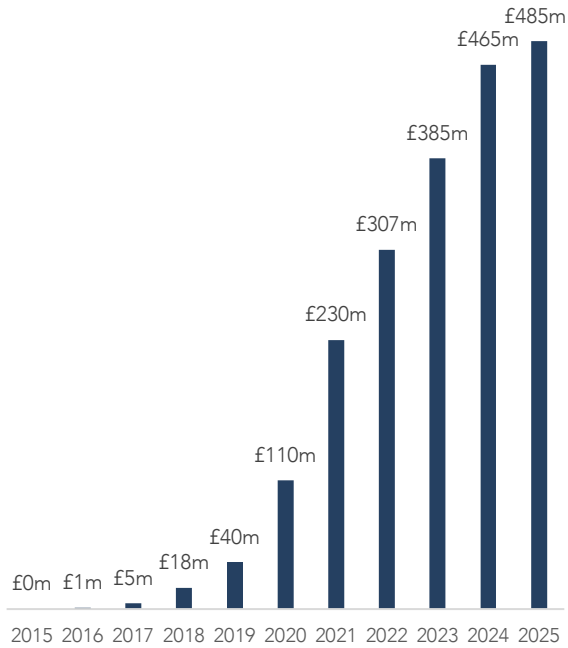
From a strategic perspective, STAR Capital Care serves two purposes. First, it reinforces RDCP's long-standing conviction in healthcare as an essential, defensively positioned sector with strong asset backing. Second, it provides a foothold in the United States — a market we believe offers significant long-term opportunity, but one that requires patience, local knowledge and more sizeable financial capital than we currently have.

We do not expect RDCP to materially expand its US footprint in the immediate term. Our focus in 2026 and likely 2027 remains firmly on strengthening our existing platforms in the UK, deleveraging, and building group liquidity. However, as RDCP's cash balances grow and our permanent-capital base strengthens, we expect to begin allocating capital more meaningfully to the US from 2027–2028 onwards, with healthcare likely to be at the forefront of that expansion.

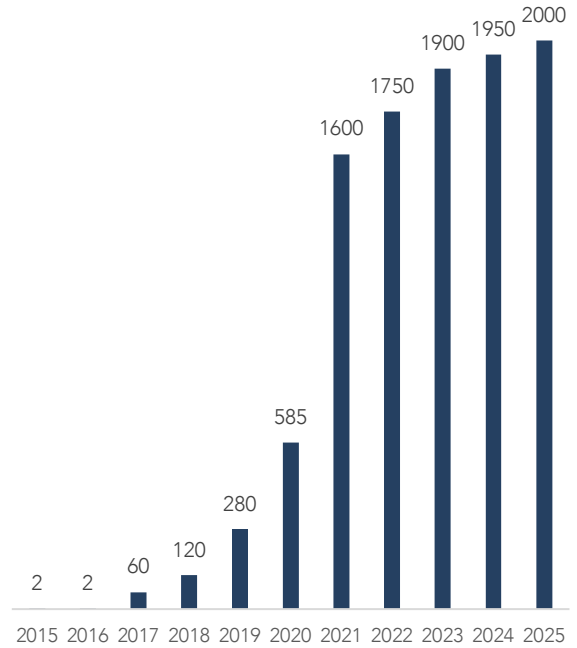
STAR Capital Care represents the beginning of that journey — a small, aligned, and carefully chosen first step into a market we intend to approach with the same long-term mindset that has shaped RDCP from the outset.

## RDCP as a Snapshot in 2025

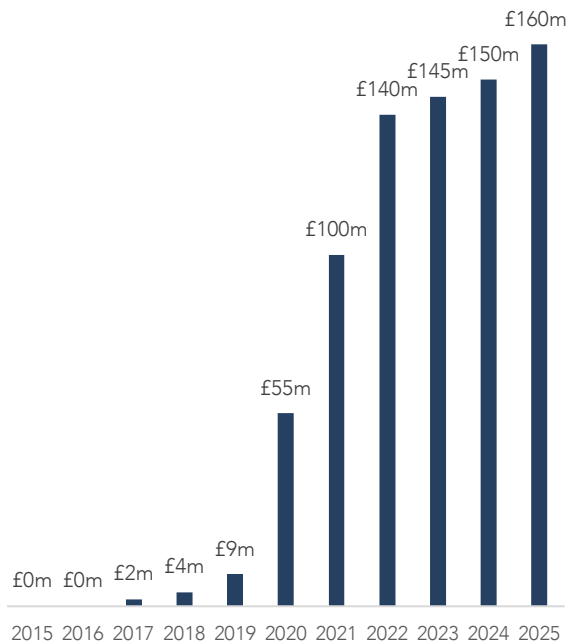
In 2025, we acquired two new companies and exited a few non-performing assets, as well as one opportunistic exit. Below is what the RDCP portfolio looks like today. Please note that some of the historic numbers have been updated to account for discontinued operations or exited investments.



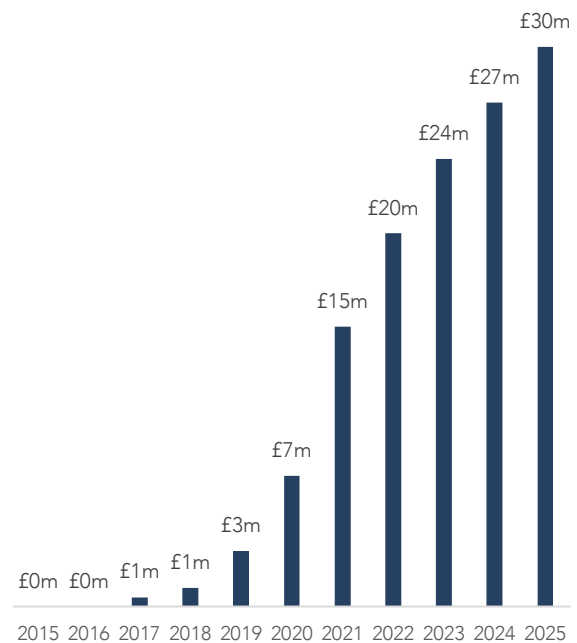
Growth in Enterprise Value (EV)



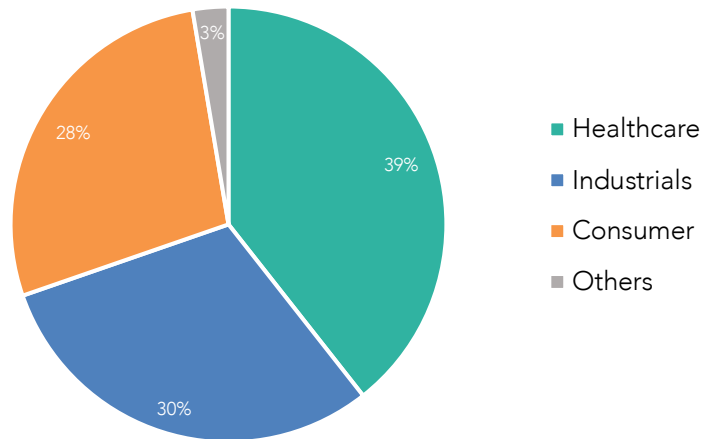
Growth in Staff Headcount



Growth in Run-Rate Revenue










Growth in Run-Rate EBITDA



Sector Diversification

### Portfolio Companies

The RDCP portfolio today comprises 10 portfolio companies across our 3 core sectors, generating a combined £160m (\$220m) in run-rate revenue and £30m (\$41m) in run-rate EBITDA.

Healthcare	Consumer	Industrials	
<p>Healthcare</p>  <p>Elderly care provider w/ 20 nursing homes &amp; 883 beds, a top-10 Midlands operator</p>	<p>Consumer Staples</p>  <p>£30m revenue food and grocery wholesale group</p>	<p>Industrials</p>  <p>£40m revenue electrical distribution group with 3 businesses across 17 sites</p>	<p>Engineering</p>  <p>Railway track and rail engineering business</p>
<p>STAR CAPITAL CARE NETWORK</p> <p>Elderly care provider w/ 6 nursing homes &amp; 360 beds across the US East Coast</p>	<p>DJL Petfoods Ingredients Ltd</p> <p>£25m revenue pet food ingredients manufacturer and supplier</p>	<p>Manufacturing</p>  <p>Windows design and manufacturing business</p>	<p>Facilities Management</p>  <p>Swimming pool design and installation group</p>
<p>Others</p> <p>Real Estate</p>  <p>Private real estate portfolio valued at £7m</p>		<p>i4Plus</p> <p>Precision manufacturing group with 2 companies</p>	



## **RDCP Catalyst Team**

As RD Capital Partners (RDCP) has scaled, it has become increasingly clear that long-term value creation depends not only on the quality of the businesses we own, but on the quality of the infrastructure that supports them. 2025 marked the formal development of the RDCP Catalyst Team — a central group designed to strengthen, support and accelerate performance across the portfolio.

The Catalyst Team is not about centralised control for its own sake, nor about diluting the autonomy of strong management teams. Its purpose is to remove friction, improve visibility and raise standards across finance, governance, reporting, marketing and IT, allowing portfolio company MDs and CEOs to spend more time running their businesses and less time navigating complexity. In practice, this includes a centralised finance and reporting function, improved cashflow forecasting, tighter governance frameworks, better and more consistent decision-making processes, and group-wide marketing and IT capabilities that support growth, visibility and operational resilience.

The concept itself was influenced by discussions with peers who have successfully scaled institutional platforms, including an ex-neighbour and friend of mine who founded KLAR Partners, a well-known European private equity firm. Seeing how disciplined central support functions can materially improve outcomes at scale helped crystallise our thinking around building something similar — but tailored to RDCP's permanent-capital model and long-term ownership mindset.

Importantly, the Catalyst Team reflects a broader evolution from RDCP 1.0 to RDCP 2.0. As the group matures, intuition and founder-led execution must increasingly be supported by systems, data and repeatable processes. The Catalyst Team provides that backbone. It allows us to identify issues earlier, allocate capital more effectively and support management teams with better information and clearer priorities.

Over time, we expect the RDCP Catalyst Team to become a quiet but powerful driver of compounding — improving margins, strengthening controls, enhancing resilience and enabling us to scale without proportionately increasing risk. It is not a visible asset in the way a new acquisition is, but it is one of the most important investments we have made in the durability and long-term performance of the group.

## Lessons Learned / Reasons Behind Our Success

Every year teaches you something. Some years teach you gently. Others teach you forcefully. 2025 was very much the latter. It was a year that tested not just our businesses, but our structures, our judgement, our resilience and our discipline. I am confident that RDCP is a stronger, more mature organisation because of it.

A few lessons stand out:

1. Liquidity is the single greatest asset in any business. In theory, RDCP is significantly larger today than it was a few years ago. But 2025 reinforced a simple truth: paper value does not solve real-world problems — liquidity does. Cash flow pays obligations, funds operations and buys time when circumstances become unpredictable. Time, in turn, creates optionality. This year sharpened our focus on owning businesses that are genuinely cash generative, using conservative leverage, and avoiding structures that appear attractive on entry but restrict the movement of cash when it is needed most. Growth without liquidity is fragile. Going forward, cash generation and access to liquidity will sit at the centre of every capital allocation decision we make.
2. Control is a real asset and drives outcomes. Control is often invisible when things are going well and painfully obvious when they are not. 2025 served as a reminder that control is one of the most valuable assets we own, and one that can quietly erode if not protected deliberately. Control determines how quickly decisions can be made, how disputes are resolved and who ultimately sets direction in moments of pressure. This year reinforced the importance of clear shareholder arrangements, unambiguous governance and properly aligned ownership structures. Preserving control is not about ego or rigidity; it is about ensuring the ability to act decisively, protect value and move forward when conditions are uncertain. Growth without control is not real growth.
3. Settling early allows us to move forward faster. One of the hardest decisions this year was choosing to settle rather than “be right”. Experience teaches an important lesson: winning arguments is expensive, while building businesses is considerably more important and undoubtedly more profitable. Even when you believe you are right, time, energy and focus carry a real opportunity cost. Once it became clear that resolution allowed us to move forward decisively, the choice was obvious. The lesson is not to avoid disputes, that is virtually unrealistic as a business scales, but to resolve them pragmatically, early and with clarity.
4. The best businesses are boring and simple recurring revenue businesses. 2025 reinforced the difference between businesses that quietly compound and those that demand constant intervention. Project-based and lumpy revenue models can appear attractive during periods of growth, but they often introduce volatility, working capital strain and an ongoing dependency on new wins. In contrast, recurring revenue businesses create predictability, resilience and operational leverage. They allow management teams to focus on improvement rather than survival. Going forward, we are increasingly prioritising businesses with

contracted, repeat or highly visible revenue streams, where time and energy are spent compounding value rather than constantly recreating it. RDCP Care is a clear example of this.

5. Anti-fragility is a competitive advantage. Periods of pressure tend to expose weaknesses, distract management and slow decision-making. They also create opportunity. 2025 reinforced that businesses rarely fail because of a single event; they fail because execution deteriorates when conditions become uncomfortable. Resilience allows a business to withstand stress and continue operating. Anti-fragility goes a step further: it allows a business to improve because of the stress. Our experience this year highlighted the importance of staying focused on operations, capital allocation and long-term objectives while navigating short-term noise. By preserving liquidity, maintaining control and avoiding structural fragility, we positioned RDCP to remain decisive when others could not. When built correctly, periods of uncertainty expand optionality — assets become mispriced, competitors retrench and disciplined execution creates long-term value. Anti-fragility is not about seeking volatility; it is about being prepared to benefit from it.
6. What worked at £2m of capital does not work at scale. RDCP 1.0 benefited enormously from speed, hustle and a willingness to move quickly. That approach allowed us to build a large portfolio with very limited starting capital. However, 2025 reinforced that behaviours which are effective at a small scale can become liabilities as complexity and stakes increase. Informality, speed and intuition must eventually give way to structure, process and institutional discipline. Scaling a business is not just about doing more of the same; it requires doing things differently. RDCP 2.0 reflects a deliberate shift from founder-led execution to system-led decision-making, recognising that durability matters more than pace over the long term.
7. Reputation compounds in the same way capital does. Reputation is an intangible asset, but its impact is very real. It influences access to opportunities, the quality of counterparties, lender behaviour and outcomes in moments of dispute. 2025 reinforced that reputation compounds quietly when managed deliberately and erodes quickly when neglected. For a permanent-capital organisation, long-term credibility matters more than short-term wins. Despite some of our historic mistakes, in 2025, we have sharpened our focus on acting with consistency, transparency and fairness, even when doing so is not the easiest path. Over time, reputation behaves like capital — it compounds when invested in properly and becomes a competitive advantage in its own right.
8. Centralised finance functions reduce risk and complexity. As organisations grow, complexity tends to accumulate quietly — more entities, more counterparties, more bespoke arrangements. 2025 reinforced that complexity is not neutral; it increases risk, obscures accountability and slows decision-making, particularly in periods of stress. Centralisation, by contrast, creates clarity and resilience. It improves visibility over cash, control and performance, and allows issues to be identified and addressed earlier. A core focus of RDCP 2.0 is simplifying the group through a centralised finance function, clearer governance and

more standardised operating models — recognising that long-term compounding favours organisations that are easy to understand and easy to run.

9. Leverage changes who is in control. Debt can accelerate growth, but it also transfers control in ways that are often underestimated. Even modest leverage introduces new decision-makers, constraints and priorities that may not align with long-term equity value creation. This year reinforced that leverage is not simply a financial tool; it is a governance decision. While debt played a necessary role in RDCP's early growth, the experience of operating under pressure reaffirmed our preference for falling leverage, simpler capital structures and ultimately debt-free businesses. Growth achieved at the expense of control is rarely worth the trade-off.

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### **Future Plans**

As RDCP enters its second decade, our priorities are clear. We are focused on strengthening what we already own, continuing to deleverage, building liquidity, and supporting our management teams through better systems, governance and long-term alignment. Growth will continue, but it will be disciplined, patient and grounded in quality rather than pace.

If our first decade was about building a foundation, our second will be about permanence. The objective is not maximum activity, but maximum durability — owning high-quality businesses, led by strong people, and allowing time and compounding to do the heavy lifting.

I remain deeply grateful to the teams across RDCP and our portfolio companies. Their resilience, professionalism and commitment — particularly during a demanding year — are what make long-term ownership possible.

We move into 2026 better structured, more focused and more disciplined than at any point in our history. The work ahead is clear, and we approach it with confidence and humility in equal measure.

Respectfully,

Sameer Rizvi  
Founder & CEO  
23<sup>rd</sup> December 2025