Client Spotlight – RDCP Care

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Sameer Rizvi, Founder and CEO, RDCP Care

News about the care home and nursing home sector is often dominated by stories about owners wanting to sell and get out. But there are investors who are keen to move into the market – and have the capital behind them to acquire these businesses. Backed by London-based private equity firm RD Capital Partners, RDCP Care is one such investor.

RDCP Care may not be a household name yet but has ambitions to become one of the largest operators in the country. The driver behind this is the demographics of the nation, with an increasing percentage of the population who will be requiring nursing and dementia care over the coming years, according to founder and chief executive of RDCP Care, Sameer Rizvi.

“Currently 12.2m of the population are over 65 – 18 per cent of the overall population of the UK. By 2027, this figure will rise to 14.7m – a 20 per cent increase. The opportunity to be a sizeable operator has never been more compelling.” he says.

The company recently tripled its number of nursing homes when it acquired four nursing homes in the Birmingham area. It now has 254 beds and employs 280 members of staff. The portfolio is valued at around £30m with revenue of £9m.

And despite the challenges the sector faces, Mr Rizvi believes there are real opportunities. “The sector has seen a decline in the non-corporate father-son or husband-wife style of businesses. It is becoming increasingly difficult for these businesses to grow and stay profitable,” he says. Similarly many of the institutional investors – private equity and real estate funds – who came into the market right after the last financial crisis are now at the end of their fund cycle and are contractually required to exit. There are also those who acquired large care home groups pre-financial crisis, overpaid and borrowed substantially, he suggests, and their debt is now looking unsustainable. If we couple this with Brexit uncertainty, there are numerous opportunities to acquire profitable, attractive healthcare groups at bargain prices.

While care and nursing homes may not have the glamour of many other investment sectors, he believes there is an opportunity for those who can combine financial discipline with the ability to manage care quality well. “At the moment the sector is filled with either healthcare professionals who don’t understand their balance sheets or institutional investors who have got over-excited and overpaid,” he says. His company’s approach has been to look for purpose built or converted care and nursing homes at reasonable prices, and to ensure a good working environment for staff. All six of the company’s homes currently have “good” ratings with the Care Quality Commission or the Welsh equivalent.

And unlike some players in the sector he is not tempted by the top end of the market, which is dominated by private payers. Creating these sorts of five-star hotel-style homes is extremely costly and may not produce a sustainable long-term revenue model that will survive business cycles, he points out. “It costs so much money to build these that breakeven is often some years down the line. And you have to persuade people to pay £1500 to £2000 a week.”

“I look at the numbers and it is just so hard to make it work – and they are the opposite of recession proof. People can always move to a cheaper alternative.”

Instead he is aiming for the middle market with homes which attract some self-payers but will also be affordable for those whose costs are paid by the state. Homes offering nursing and specialist dementia care will always be in demand, he reasons. “We still see a decent amount of stock on the market.” A number of the company’s homes also offer potential for expansion to increase the number of beds.

So far the business has been centred around the West Midlands where homes have been reasonably priced. “Our plan is to continue to expand – we are looking both in the Midlands and in the South. We want eventually to have around 2000 beds which would be a sizeable percentage of the UK market.”

Having that number of beds would offer economies of scale for the company whilst giving it more clout in negotiations with government and local authorities, he adds. After that the company may look at other countries in Europe, many of which have the same demographic issues as the UK.

Throughout the company’s growth, Hempsons has been a key advisor. “The primary person we have worked with at Hempsons is Faisal Dhalla. He has been the single most important advisor since we started,” he says. “I can ask him about any legal queries or commercial issues – he has been our “go to” person for the last four years. He’s always working and is super quick – if there is ever a delay in a deal, we rest assured it’s never down to Hempsons!”

During the company’s growth over the last couple of years, the advice provided by Hempsons has broadened. Initially Mr Rizvi and senior partner Iryna Dubylovska – both of whom previously worked as investment bankers at the Royal Bank of Scotland – were able to fund purchases themselves and they needed help with the mechanics of the purchase and due diligence work. As the company looks to grow from 254 beds to 2000 beds, there is now a need to bring in institutional capital from outside. Hempsons will continue to advise on this aspect of growth.

If you are thinking about buying or selling a business within the social care sector and would like help with the legal issues please contact:

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