



## EXECUTIVE BRIEFING: HIGH VALUE GAME BREEDING

PREPARED BY GAMEVEST GAME BREEDERS

JULY 2014

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# INTRODUCTION

- **Conservation through high value game breeding - BUZZWORD**
- Impressive horns, fangs, tusks, colour, or body mass - survive longer & breed more prolifically.
- Nature is also uncompromisingly efficient by eliminating the weakest first, through predation.
- Human intervention has turned this natural selection certainty on its head through the practice of trophy hunting.
- Some believe that bans on hunting is a proper solution to conserve, but those take no cognisance of the fact **hunting, as a primary source of utilisation, creates value, and value secures protection.**
  - *“Kenia banned hunting in 1978, and has since paid for its folly by losing 85% of its wildlife.”*
- When wildlife is reduced to its value in meat, it will either be eaten, poached, or simply killed into extinction.
- Dollars earned by governments or tour operators do not reach local communities, and buy animals no protection.
- South African game ranchers embrace value creation through sustainable utilisation.
- We are now reaping the rewards in this vibrant and sustainable industry.
- For tonight, we will focus on the “business” of conservation – the high value game breeding sector.

# PURPOSE AND METHODOLOGY

- The purpose of this meeting is to provide an overview of the high value game breeding industry, its origins, growth, future, and structural aspects.
- The methodology employed involves desk research, as well as a body of evidence assimilated from expert opinions obtained from several breeders, veterinary scientists, academics, and industry leaders.



**MARMITE**

20"

# EXECUTIVE SUMMARY

- The high value game breeding sector - born of the need to **conserve and improve numbers, quality & genetics**.
- Value is underpinned by **relative scarcity**.
- **Horn length, frame & colour variation are markers of quality and value = price through demand and supply.**
- Our breeding strategy – either top quality animals or larger quantities of animals, or a combination of both.
- The market structure is fragmented & characterised by an efficient value chain consisting of **game breeders, capturers, auctioneers, agents, feed producers, veterinarians, hunting outfitters, and game products producers.**
- The sector resonates with **ranchers, investors, authorities** and the **public** alike.
- The sector displays **optimised land use, financial sensibility, developmental soundness, and emotional affinity.**
- Growth is in excess of **20% per annum. Returns** achieved of between **30%** and **60%** for the past decade.
- The need for quality trophies and replenishment stock for game reserves ensure a basis of continues growth.
- The secondary growth emanating from new entrants, expected to escalate over the next 3 to 5 years.
- Risks are manageable. The roots of the sector are healthy and should perpetuate sound growth for decades.

# HIGH VALUE GAME BREEDING DEFINED

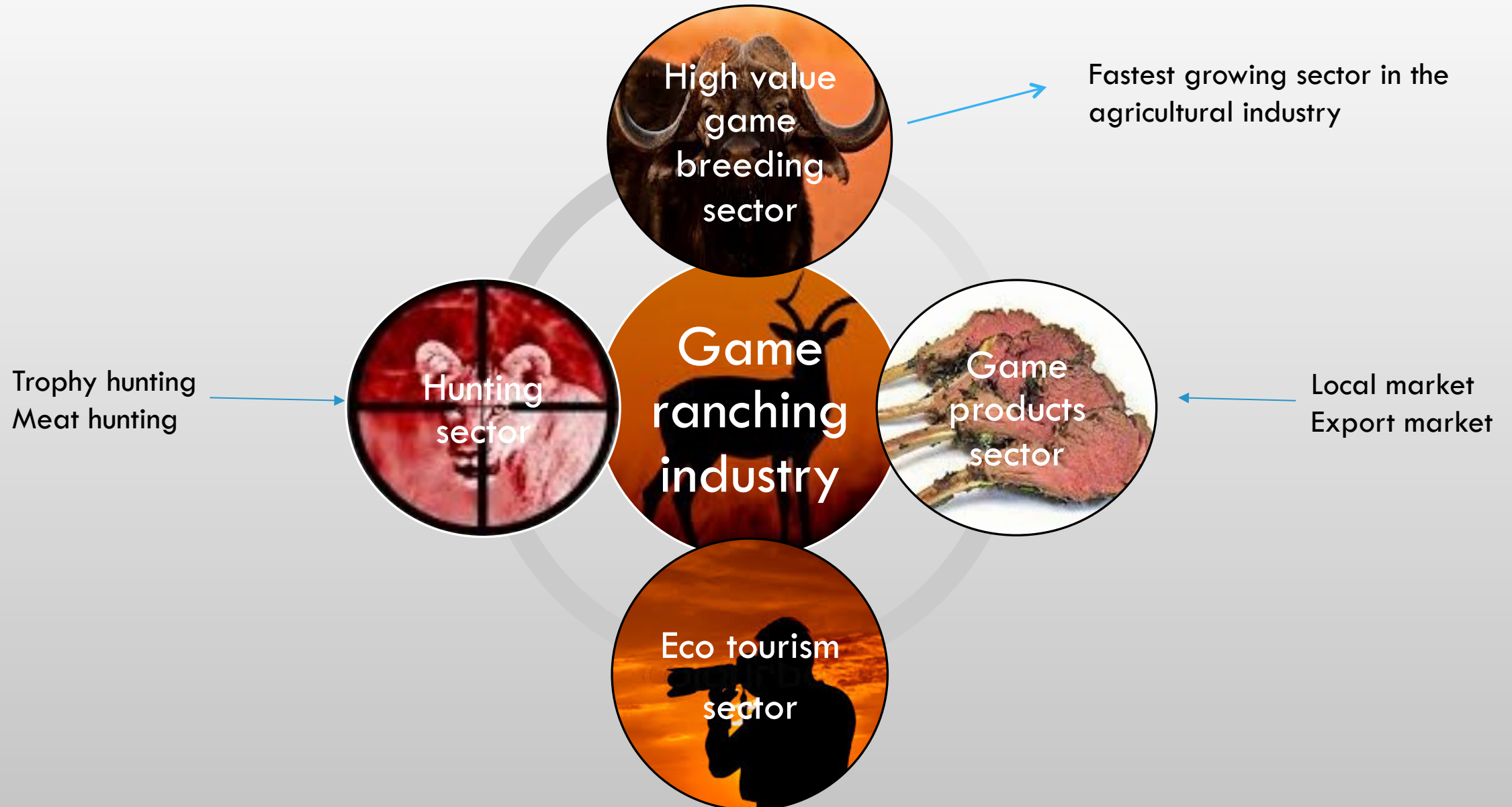
- High value game breeding is the business of controlled propagation of rare and valuable species of game for the purpose of improving the numbers, genetic value and market value of stud herds, and eventually wild roaming animals.



- It involves species such as (but not limited to):
  - Buffalo
  - Sable
  - Roan
  - Nyala
  - Black Impala and variants
  - Wildebeest variants
  - Blesbuck variants
  - Springbuck variants
  - Rhino
  - Livingstone Eland
  - Gemsbuck variants



# PERSPECTIVE ON SECTORS OF THE GAME RANCHING INDUSTRY



# ORIGINS AND BACKGROUND

The sector was born from the need to replace, secure and grow numbers and genetic quality of decimated rare species.

- 1800's - game populations decimated by, **government vermin policy, invasive farming** by land hungry settlers, **destruction of habitat**, and **fencing of land**.
- Game was worth its weight in meat only, and game meat was considered part of a poor man's diet.
- 1900's - All game including that on private land, belonged to the state, Government started proclaiming game reserves to stem the tide of destruction.
- 1950's - total game population in SA was estimated to be 55 000 head.
- Policy change to private ownership of game created private value and incentive that sparked growth.
- Focus changed from preservation to sustainable utilisation and value creation = game yield more per hectare.
- 1976 to 90's - move from mere "tolerance" of game towards active ranching of game, to the "preference" for game.
- The sector flourishes today - the best produce on a given piece of land is often the one that occurs there naturally.

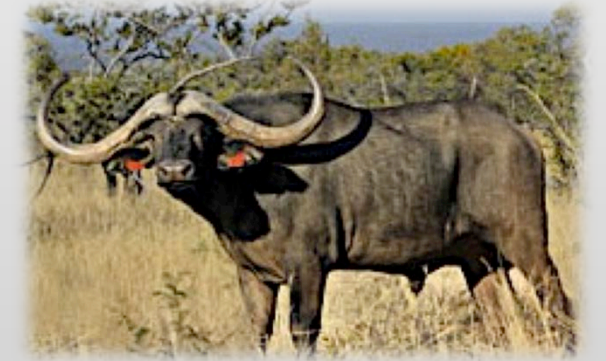


# DRIVERS OF DEMAND FOR THE HIGH VALUE GAME BREEDING SECTOR

- **Rise of tourism industry** highlights the value of game.
- **Growth of the hunting industry** and the increasing demand for high quality trophies.
- **Systematic restriction on hunting** in Botswana, Zimbabwe, Kenia, Tanzania, and Zambia leave SA and Namibia as attractive destinations, with hunting demand growing.
- **Demand for game products** (lean and healthy meat) locally and for export markets.
- **Growing eco-tourism** drives demand for quality game by Private, National and Provincial reserves.
- Anticipated **future demand** from African countries that need to be **repopulated with game**.
- Demand for **new investment opportunities** and new asset classes that are stable and sustainable.
- **Demand for jobs** in an otherwise lacklustre economy.
- The advent of insurance on breeding stock makes risk manageable and increases investors' appetite.

# INDUSTRY STATS

- The industry grew from 55000 head of game in 1950 to over 20 million head of game in 2013.
- There were 12,000 registered commercial game farmers in SA in 2013 compared to only 5,000 game farmers 10 years back.
- There are 16 million head of game privately owned and 4 million in National and Provincial parks.
- 20 million hectares of land is currently utilized for game.
- -- In comparison SA has only 8 million head of cattle.
- The game ranching industry sustains over 100 000 jobs in SA.
- The industry contributes over R 10 Billion a year to the national GDP.
- Game auction turnover grew from R 100 Million in 2009 to over R 1 Billion in 2013.
- The compound annual growth in turnover is 20.3% over 15 years and 78% over the past 4 years.



# STRUCTURE AND COMPOSITION OF THE HIGH VALUE GAME BREEDING SECTOR

- The sector is fragmented with a large number of small breeders.
- The market is characterised by an efficient value chain consisting of game breeders, capturers, auctioneers, agents, feed producers, veterinarians, hunting outfitters, and game products producers.
- Distribution of game ranches - Limpopo Province 50%, Northern Cape 20% and Eastern Cape with 12%.
- Bulk of turnover is generated by big players generating disproportionate prices for superior stock.
- Individual breeders are clustering in consortiums or “study groups” to reap benefits of pooled resources.
- Collaboration brings benefits from a wider gene pool, by collectively acquiring better bulls and rams, rotating bulls and rams, and benefiting from joint genetic research.
- Entry barriers to new entrants are growing as prices soar, which creates more demand.
- Joint ventures amongst new entrants are increasing.

# FUTURE EXPECTATIONS

Growth will continue over the next decades and even accelerate over the next 3 to 5 years due to:

- Entry of new local ranchers already active in the hunting and tourism sectors.
- Redirection of local money towards a unique asset class that duplicates itself every season.
- Imminent mobilisation of public funds through listings.
- Advent of large syndicated entrants and joint ventures.
- Increasing attractiveness to international investors with large amounts of risk funds within regular portfolios.
- Engagement of new species and the invention of new variants that reinvent the sector.
- Future export markets to other African countries whose stocks will be decimated by hunting bans.
- Imminent take - off of the game meat industry following recent passing of enabling legislation.
- Expected export to neighbouring countries after Foot & Mouth Disease (FMD) restrictions have been lifted.
- Natural affinity of people to the land and nature, that gravitates them to this industry.

# POSSIBLE THREATS TO SECTORIAL GROWTH

- Diseases such as Tuberculosis, Brucellosis, Foot and Mouth Disease, Theilaria and more.
- Irresponsible animal activism may turn a sensitised global audience against the sector.
- Government interference, taxation reviews, and transformation priorities may stifle future growth.
- Business interest and pursuit of money is starting to dominate conservation interests.
- Following suit with other African countries on hunting bans.
- Convention on International Trade in Endangered Species (CITES) that enforces a global protectionist view at the expense of protection through sustainable utilisation.

# FINANCIAL EXPOSITION

- High value game breeding increases yields per hectare in comparison to other livestock.
- For landowners, the entry barriers are relatively low, requiring investment only in animals and breeding facilities.
- For Investors, the entry barriers are even lower, requiring investment only in animals.
- Investors realise the sector is outperforming all other asset classes in growth and returns.
- Growth in turnover is 20.3% compounded annually over 15 years.
  - 74% per annum over the past 4 years
- Average selling prices grew by approximately 49% per year over the past five years.
- Return on Investment typically ranges from 30% to 60% depending on species and strategy.



# CONCLUSION

- The High Value Game Breeding Sector is a natural outflow of the need to conserve and improve the numbers and quality of genetic stock in game species.
- The sector resonates with ranchers, investors, authorities and the public alike, since it displays optimised land use, financial sensibility, developmental soundness, and emotional affinity.
- The sector experiences exponential growth and profitability unmatched by any other legal endeavour.
- The need for quality trophies and replenishment stock for game reserves will ensure a minimum basis growth expected to continue in double digits. (Fundamental demand drivers)
- The incremental or secondary growth emanating from new entrants' distorting "hype" and runaway prices, is expected to escalate over the next 3 to 5 years and then may flatten out over the next decade leaving the sector with a more sustainable outlook.
- Although price speculation, environmental activism, Government policy and disease will continue to be threats, the roots of the sector are healthy and will perpetuate sound growth.

# WHO IS BEHIND GAMEVEST

**GAMEVEST was founded by Phillip Mostert, Freddie Oosterhuis and Morrison Smit.**

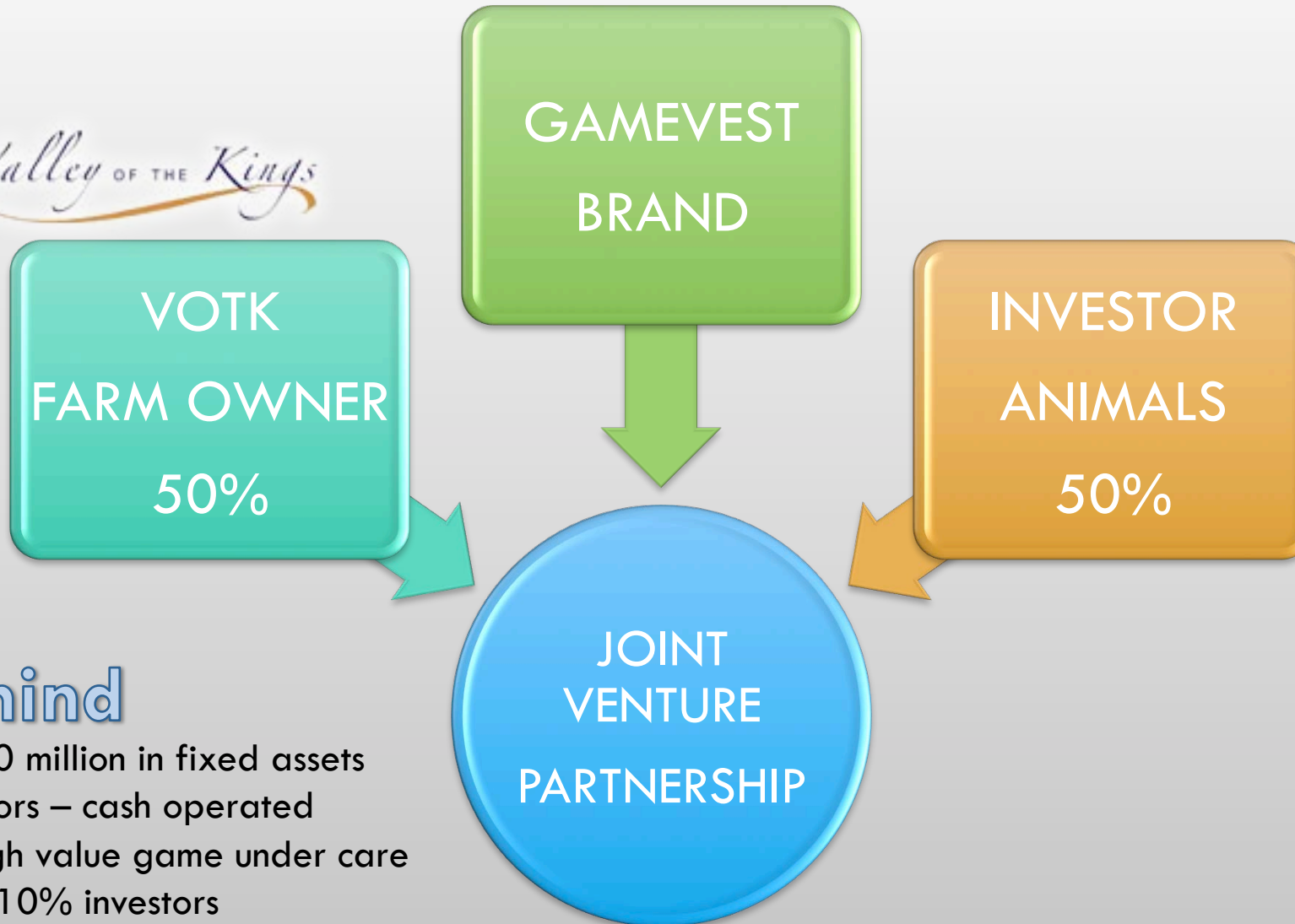
- **Owned by Consortio Capital under its World of Conservation umbrella focused in the Game Ranching industry in all its facets.**
- **A 10 year dream in the making – today a reality.**
- **3 x Game farms**
  - **Thabazimbi 4 000 hectares**
  - **Zeerust 3 000 hectares**
  - **Matlabas 26 800 hectares**
- **R 200 million in high value game**
- **And growing**



# WHAT GAMEVEST OFFER

- Fully registered game farm for breeding purposes comprising 4000 hectares in Thabazimbi
- Fully developed breeding infrastructure comprising 2000 hectares and growing
- Access to 5 star lodge to all our Investors – including game drives on farm and in camps
- Competent and fully trained staff with expertise in game management and breeding
- Daily care-taking and feeding of all animals under strict management protocols
- All equipment, vehicles and tools to run and manage the entire operation
- Laboratory and continuous daily monitoring of all animals in breeding programs
- Veterinarian services by qualified veterinarians
- Quarterly reporting on all animals
- Above average returns on investment (30% to 60%)

# THE GAMEVEST CONCEPT



## Peace of mind

- Land value – R 110 million in fixed assets
- No debt, no creditors – cash operated
- R 200 million in high value game under care
- 90% own funding 10% investors

# THE GAMEVEST CONCEPT

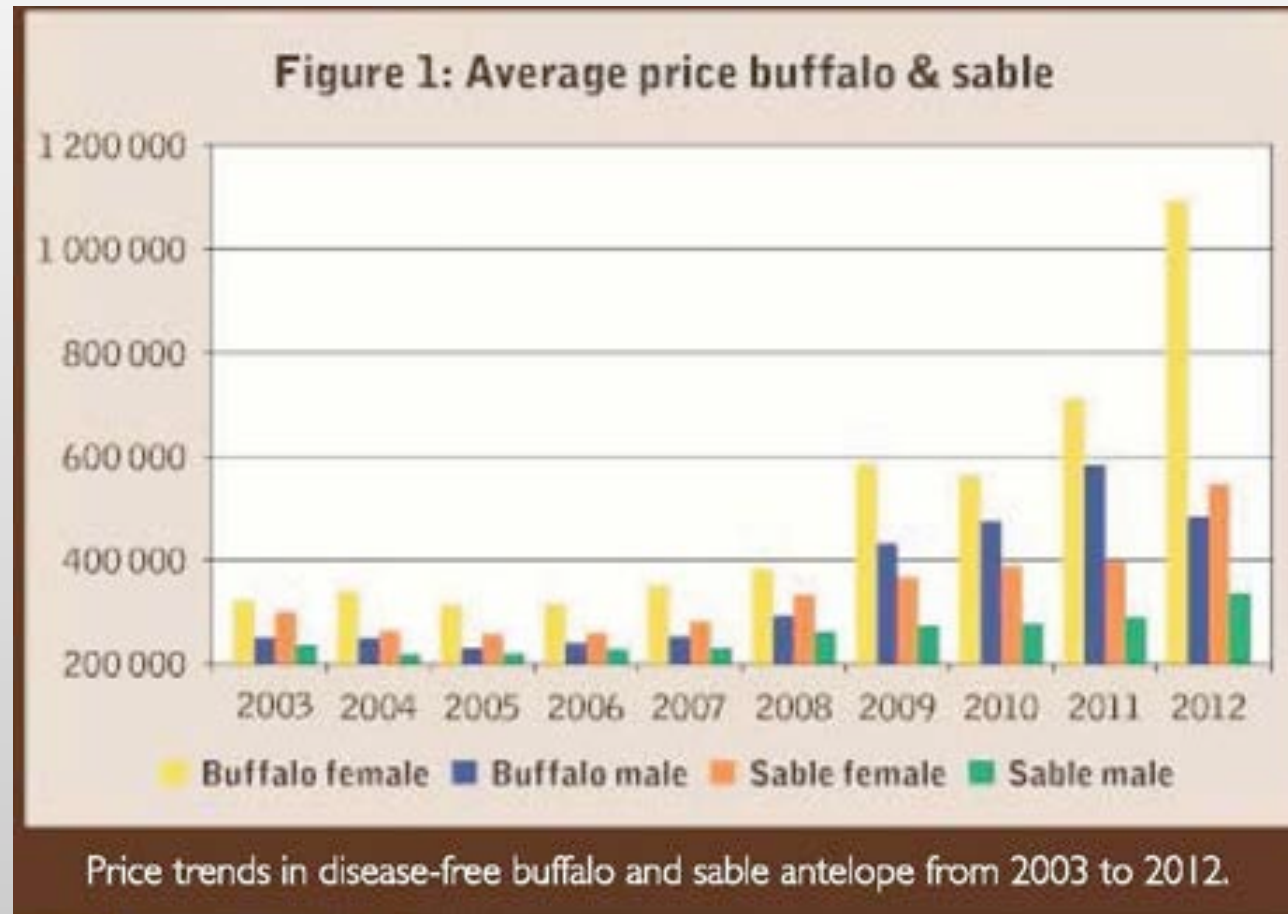
GAMEVEST / LAND OWNER	INVESTOR / BREEDING STOCK OWNER
<ul style="list-style-type: none"> <li>• 50% share in progeny proceeds</li> <li>• Provide land, infrastructure &amp; expertise</li> <li>• Identifies animals to purchase (tagged &amp; chipped)</li> <li>• Charges 10% initiation fee</li> <li>• Carries all costs except specific vet cost per animal</li> <li>• Provide quarterly reports</li> <li>• Build the Gamevest brand ongoing</li> <li>• Stay abreast with latest trends</li> <li>• Exploit ongoing opportunities</li> <li>• Handles all marketing &amp; sales</li> </ul>	<ul style="list-style-type: none"> <li>• 50% share in progeny proceeds</li> <li>• Provide initial breeding stock</li> <li>• Purchase animals from Gamevest / Seller</li> <li>• Carries initiation fee, transport and vet cost to farm</li> <li>• No cost towards infrastructure or maintenance</li> <li>• Receive quarterly reports</li> <li>• Access to our 5 star lodge accommodation</li> <li>• Access to animals in camps by appointment</li> <li>• Enjoy tax advantages</li> <li>• Enjoy financial returns from fast growing industry</li> </ul>

# WHO PAYS FOR WHAT

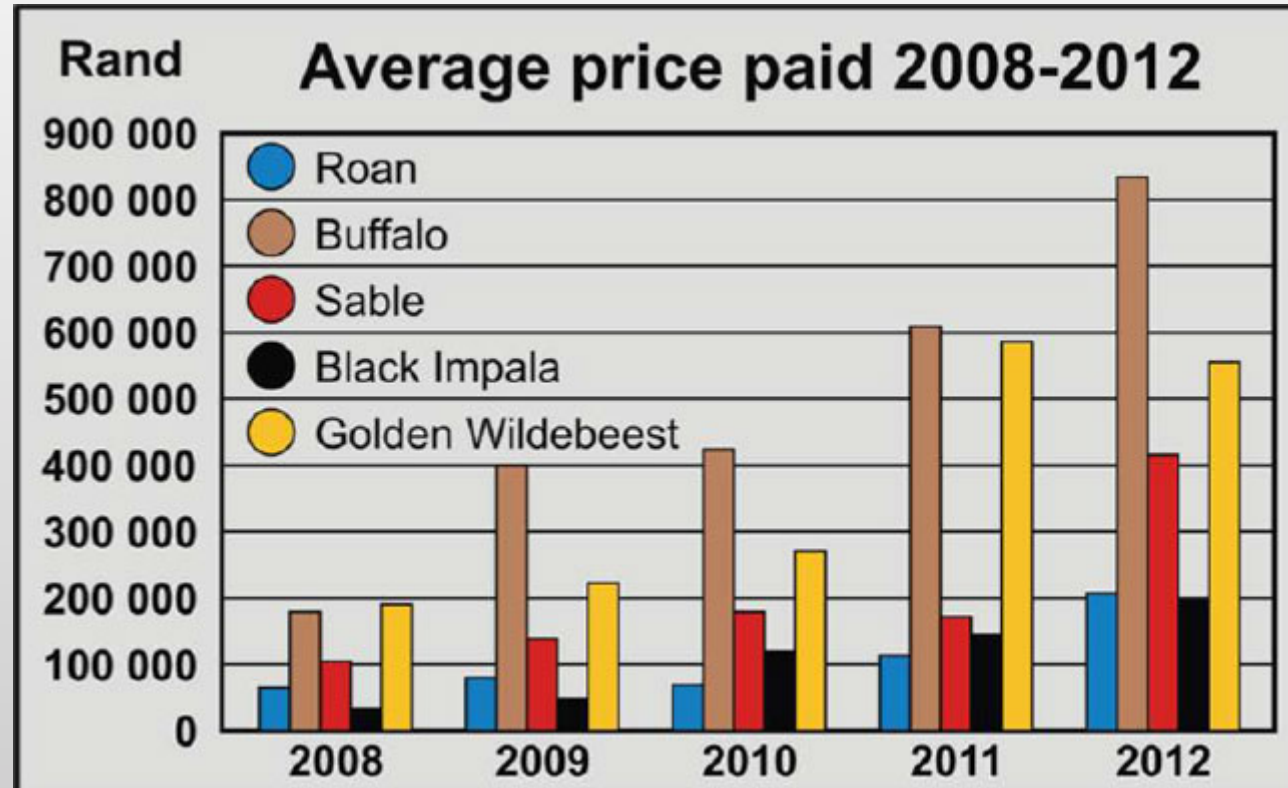
GAMEVEST / LAND OWNER	INVESTOR / BREEDING STOCK OWNER
<ul style="list-style-type: none"> <li>Land, infrastructure, vehicles, equipment, systems, staff, electricity, water and expansion</li> </ul>	<ul style="list-style-type: none"> <li>No cost on land, infrastructure, vehicles, equipment, systems, staff, electricity, water and expansion</li> </ul>
<ul style="list-style-type: none"> <li>All salaries for farm and game management staff</li> </ul>	<ul style="list-style-type: none"> <li>No cost on salaries</li> </ul>
<ul style="list-style-type: none"> <li>All maintenance costs</li> </ul>	<ul style="list-style-type: none"> <li>No maintenance cost</li> </ul>
<ul style="list-style-type: none"> <li>All feeding costs</li> </ul>	<ul style="list-style-type: none"> <li>No feeding cost</li> </ul>
<ul style="list-style-type: none"> <li>All normal and ongoing veterinary cost               <ul style="list-style-type: none"> <li>Specific vet cost on a animal are paid by the JV from first proceeds</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>No normal and ongoing vet and meds cost               <ul style="list-style-type: none"> <li>Specific vet cost on a animal are paid by the JV from first proceeds</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>All day-to-day operational costs</li> </ul>	<ul style="list-style-type: none"> <li>No day-to-day operational costs</li> </ul>
<ul style="list-style-type: none"> <li>Gamevest carries marketing and advertising costs</li> </ul>	<ul style="list-style-type: none"> <li>No advertising or marketing costs</li> </ul>
<ul style="list-style-type: none"> <li>All permit and registration costs</li> </ul>	<ul style="list-style-type: none"> <li>No cost for permits and registrations</li> </ul>
<ul style="list-style-type: none"> <li>Gamevest carries certain costs pertaining to receiving animals and placing them in camps, ie. admin on each animal, dna, blood, pre-meds</li> </ul>	<ul style="list-style-type: none"> <li>10% initiation fee, transport and vet cost to translocate initial breeding herd, in some cases, tags &amp; micro chips</li> </ul>
<ul style="list-style-type: none"> <li>Gamevest pays its own taxes on income received</li> </ul>	<ul style="list-style-type: none"> <li>Investor pay his own taxes on income received</li> </ul>



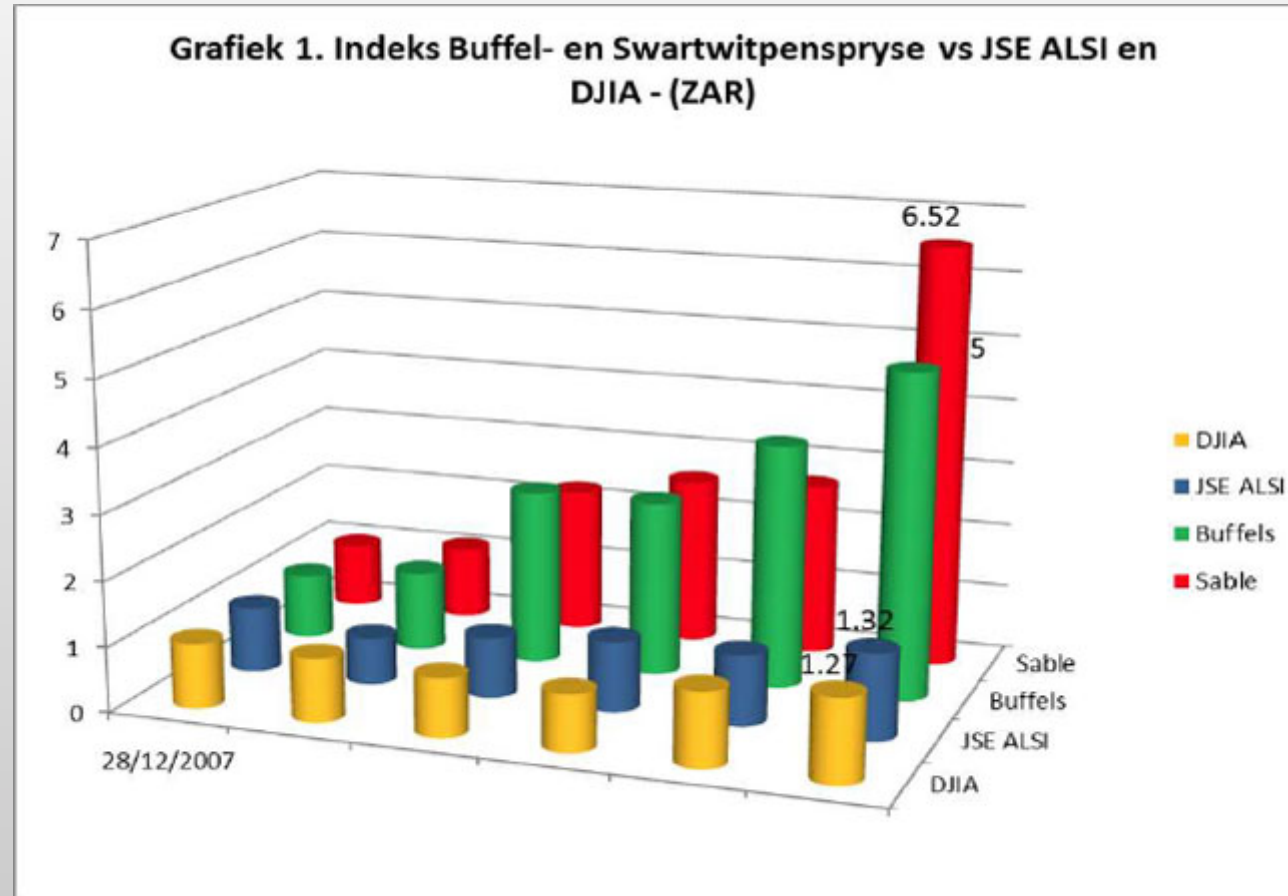
# TYPICAL GROWTH GRAPH



# AVERAGE PRICES PAID 2008 - 2012



# BREEDING OUTPERFORMS JSE



# RECENT GAMEVEST PURCHASES

**Since April 2014 this year Gamevest purchased:**

- 1 x White Saddleback Blesbuck and 3 x Yellow Blesbuck Rams
- 4 x White Blesbuck ewes pregnant from a Saddleback Ram x 4 ewes pregnant from Yellow rams
- 70 x White and Brown Blesbuck ewes for our Saddle and Yellow Blesbuck projects
- 128 x Nyala ewes and 10 x Nyala bulls
- 20 x Split Impala ewes and 1 x Black Ram
- 2 x top Golden WB Bulls, 4 x Golden WB cows and 8 x split BWB cows pregnant by Golden bulls
- 1 x 46" X Zambian Sable bull and 3 x 30" plus X Zambian Sable cows pregnant from 50" bulls
- **In total 249 new arrivals on-route to Gamevest**
- **We have a total of 563 breeding animals currently in camps under Gamevest care:**
  - **This includes Rhino, Buffalo, Zambian Sable, Matetsi & X Zambian Sable, Southern Roan, Black Impala, Nyala, Saddleback & Yellow Blesbuck, Bushbuck, Livingston Eland and Golden Wildebeest**

## RECENT GAMEVEST PURCHASES



**CORTEZ**

**28" @ 24 MONTHS**  
**R 3,4 million plus Vat**

PRIME GENETICS AUCTION



**TOPDECK**

**R 7,8 million plus Vat**

KRIKWOOD AUCTION



# RECENT GAMEVEST PURCHASES



## ROLEX

**26" @ 18 MONTHS**  
**R 1,3 million plus Vat**

GOLDEN BREEDERS AUCTION



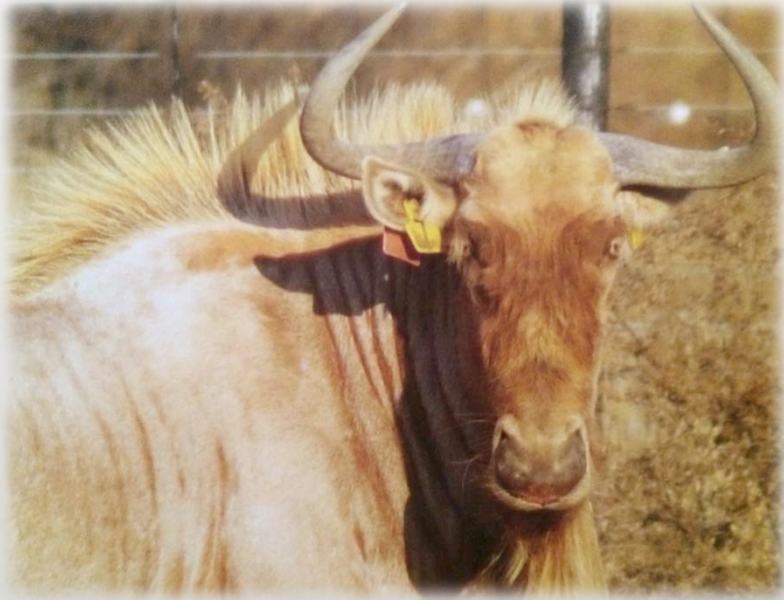
## DOMINO

**46.25" @ 4,8 YEARS**  
**R 2,1 million plus Vat**

PRIME GENETICS AUCTION



## RECENT GAMEVEST PURCHASES



# BLONDIE

**PREGNANT TO ASTERIX 29,25"**

**R 825 000 plus Vat**

GOLDEN BREEDERS AUCTION



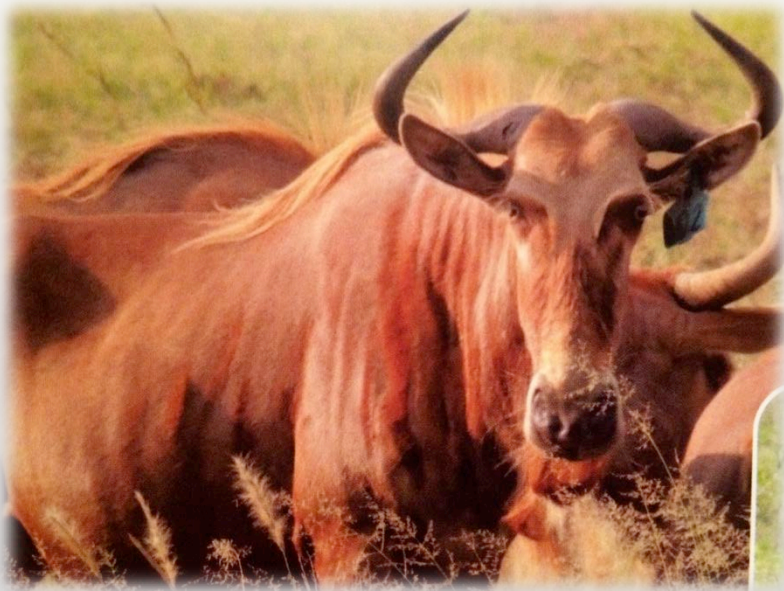
# CLEOPATRA

**PREGNANT TO SPARTAGUS 29"**

**R 700 000 plus Vat**

GOLDEN BREEDERS AUCTION

## RECENT GAMEVEST PURCHASES



# JULIETA

**PREGNANT TO GIANT 30"**

**R 700 000 plus Vat**

PRIME GENETICS AUCTION



# ANABELLE

**PREGNANT TO GIANT 30"**

**R 700 000 plus Vat**

PRIME GENETICS AUCTION

# TYPICAL INVESTMENT MODEL

## SABLE INVESTMENT:

INVESTMENT AMOUNT - R 15,4 MILLION RAND excl Vat

- 10 BREEDING COWS / HEIFERS (10% and costs included)
- 1 BREEDING BULL PROVIDED BY GVGB
- 50/50 SHARE IN PROGENY

1<sup>ST</sup> TWO YEAR'S INVESTMENT GROWTH - 40%

3<sup>RD</sup> YEAR RETURNS - 24%

4<sup>TH</sup> YEAR RETURNS - 26%

5<sup>TH</sup> YEAR RETURNS - 29%

6<sup>TH</sup> YEAR RETURNS - 32%

7<sup>TH</sup> YEAR RETURNS - 35%

### OVER 7 YEARS:

- R 20 MILLION PAID OUT IN RETURNS
- R 21 MILLION GROWTH IN CAPITAL
- IRR 27%

# TYPICAL INVESTMENT MODEL

## BLACK IMPALA INVESTMENT:

INVESTMENT AMOUNT - R 5 MILLION RAND excl Vat

- 10 BLACK IMPALA EWES (10% and costs included)
- 1 BLACK IMPALA RAM
- 50/50 SHARE IN PROGENY

1<sup>ST</sup> TWO YEAR'S INVESTMENT GROWTH - 100%

3<sup>RD</sup> YEAR RETURNS - 49%

4<sup>TH</sup> YEAR RETURNS - 54%

5<sup>TH</sup> YEAR RETURNS - 58%

6<sup>TH</sup> YEAR RETURNS - 62%

7<sup>TH</sup> YEAR RETURNS - 66%

### OVER 7 YEARS:

- R 11 MILLION PAID OUT IN RETURNS
- R 10 MILLION GROWTH IN CAPITAL
- IRR 39%



# TYPICAL INVESTMENT MODEL

## NYALA INVESTMENT:

INVESTMENT AMOUNT	-	R 1 050 000 (R 1 MILLION) excl Vat (10% and costs included)
• 30 EWES		
• 2 RAMS BY GVGB		
• 50/50 SHARE IN PROGENY		(LAMB PERIOD EVERY 8 TO 10 MONTHS)
1 <sup>ST</sup> TWO YEAR'S INVESTMENT GROWTH	-	90%
3 <sup>RD</sup> YEAR RETURNS	-	72%
4 <sup>TH</sup> YEAR RETURNS	-	78%
5 <sup>TH</sup> YEAR RETURNS	-	84%
6 <sup>TH</sup> YEAR RETURNS	-	91%
7 <sup>TH</sup> YEAR RETURNS	-	97%

### OVER 7 YEARS:

- R 3,8 MILLION PAID OUT IN RETURNS
- R 2,6 MILLION GROWTH IN CAPITAL
- IRR 51%