



**Company:** Emfuleni Voerkrale  
**Investor:** IDF Managers  
**Year of investment:** 2013  
**Investor shareholding:** 30%  
**Sector:** Agriculture and Food  
**Type of investment:** Early stage  
**Turnover:** R29.1 million (2016)  
**EBITDA:** R2.5 million (2016)  
**Employees:** 22 (2016)



## INVESTMENT IMPACT HIGHLIGHTS

- Establishment of one of the largest black-owned feedlots in South Africa
- Strategic direction to grow the business through margin-enhancing cost efficiencies and vertical integration
- Retention of all workers employed by the previous farm owner

## COMPANY DESCRIPTION

Emfuleni Voerkrale operates a 40-hectare sheep feedlot, situated on a 200-hectare farm close to Frankfort in the Free State province. The company buys lambs when they weigh around 30kg and feeds them until they reach 50kg, before selling the animals to abattoirs. It takes the lambs about 60 days to reach the required weight. Additional revenue is generated by shearing the sheep for wool. Emfuleni's average stock level is currently at 4 000 sheep, a figure it wants to increase to 8 000 in the near future.

Emfuleni was founded in 2013 by entrepreneurs Mochele Noge, Rosemary Noge and a partner (who has since been bought out). Although the previous owner of the farm also operated a feedlot, he sold his animals upon exiting the business, which meant management had to start from scratch. Turnover has roughly doubled each year since, and in the 2016 financial year, the business posted its first profit.



## THE COMPANY AS AN INVESTMENT OPPORTUNITY

In 2013, IDF Managers acquired a 15% stake in Emfuleni, funding the acquisition of land and providing the initial working capital. Through further investments, IDF's shareholding has since increased to 30%. With a meaningful stake, IDF plays an active role in the business and will soon appoint a director to the board.

There is significant potential for Emfuleni to improve its financial performance, including: holding a greater number of animals; implementing margin-enhancing cost efficiencies; and pursuing vertical integration, which prompted the recent acquisition of an abattoir.

IDF is well positioned to facilitate talks to expand Emfuleni's footprint on the continent when the time comes. This will be through the Alitheia Identity Fund, established as a joint venture between IDF Capital and Nigeria's Alitheia Capital, which may be a funding vehicle for Emfuleni's cross-border ambitions.

## THE IMPACT OF THE PRIVATE EQUITY PARTNERSHIP

### Vertical integration

IDF supported vertical integration from the start, an approach that allows Emfuleni to capture a greater share of the value chain. To this end, the business recently acquired an abattoir, located 37km from the farm. Following extensive research, management established that most of the successful feedlots in South Africa have their own abattoirs. Not only will the abattoir process Emfuleni's own stock, but it will service other farmers in the region. In addition, management is considering moving further along the value chain by establishing butcheries.

### Employment opportunities

Emfuleni employs about two dozen workers from the surrounding area. When it first acquired the land and had no revenues, IDF's support made it possible to retain all of the workers employed by the previous owner, which also ensured that staff know-how remained within the company. It is anticipated that greater sales volumes and vertical integration would create significant additional job opportunities.

### Supporting black-owned commercial farming

The portfolio company has established itself as one of the largest black-owned commercial feedlots in South Africa, and the only one with an accompanying abattoir. Given the low participation of black people in commercial agriculture, part of IDF's investment motivation was to support the transformation of the sector.



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*"We have benefitted from IDF's professionalism and forward-thinking approach from the moment the firm stepped in and agreed to back us. IDF provides important strategic and business support to Emfuleni." – Mochele Noge, CEO: Emfuleni Voerkrale*

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Rosemary and Mochele Noge.

### Implementing modern technology

The industry's thin margins and the fact that Emfuleni is a price taker means it is imperative that the business is run as cost-efficiently as possible. In December 2015, IDF backed Emfuleni to acquire a state-of-the-art electronic scale to weigh the animals. The sheep now have radio frequency ID tags linked to the machine and data is sent to a computer via Bluetooth technology. This allows management to easily access and analyse data on each animal – including date of purchase, weight and growth progress – which has enabled faster and more efficient decision-making. As part of its continued investment to grow the company and improve productivity, Emfuleni recently also purchased a new Hino truck. 