HIGH STAKES IN THE BLOODSTOCK GAME

THE TRADE IN TOP STALLIONS IS HOTTING UP AS A NEW WAVE OF INTERNATIONAL BUYERS SHAKE UP THE INDUSTRY

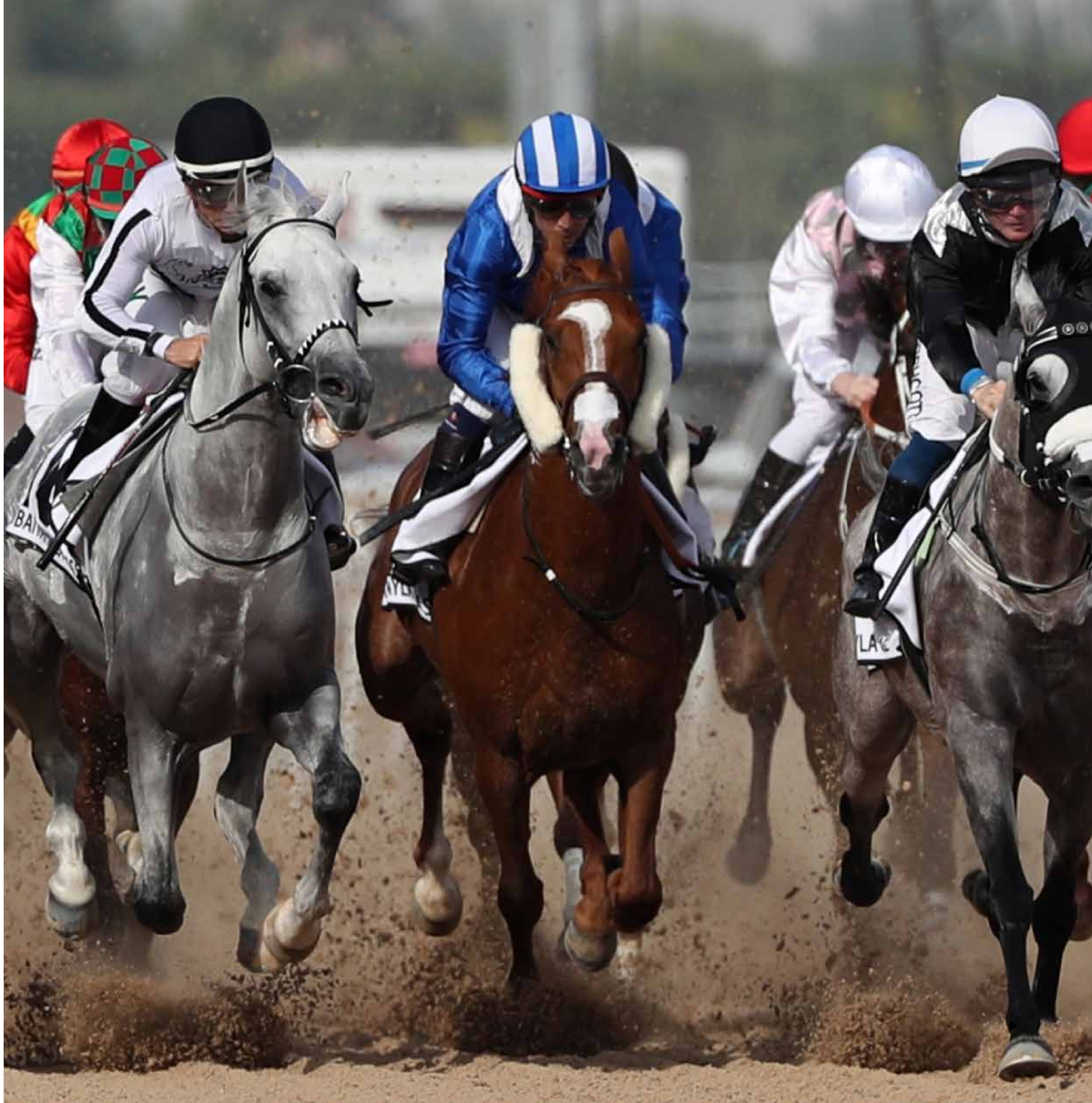
BY ANTONIA CUNDY

n October 10 2018, a young horse was led around the ring at Tattersalls auctioneers in Newmarket, England. At the oldest thoroughbred auction house in the world, a bidding war began over the glossy bay, who was fought over by buyers from England, Kuwait, Japan and Qatar. When the hammer came down at £3.675m — "Beautiful colt, isn't he?" said the auctioneer — it set a record for that year's sales of yearlings worldwide. It also made the yet to be named horse the second most expensive yearling ever bought in Europe.

While the price tag itself was enough to make eyes widen, to those in the know the sale was much more significant than that. The winning bid for the one-year-old colt, a brother of the unbeaten Too Darn Hot, was submitted by David Redvers, the racing manager of Sheikh bin Abdullah Fahad al Thani, whose Qatar Racing operation is often cited as a figurehead in a new era for European horse racing.

For the past 30 years, flat racing has been dominated by two conglomerates — Coolmore, led by Irishman John Magnier, and Godolphin, founded by Sheikh Mohammed bin Rashid al Maktoum of Dubai, who last year raised the prize money of the Dubai World Cup to $12m, making it the richest horse race in the world.

But Redvers argues that the prize money should only be seen as "an added bonus". The real investment, he believes, is in the thoroughbreds themselves: what the industry calls the "bloodstock". "[The investment] is the value of the stock, because the stock is a very international trading commodity and that is part of the attraction in it," Redvers says.



Last year's Dubai World Cup, now the richest race in the world, with a purse of $12m

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It is the value of Coolmore's bloodstock that has allowed the operation to dominate the market for so long. The success of stallion Sadler's Wells' progeny earned him a nomination fee (the cost of bringing a mare to mate with him) of about £200,000 a time. Sadler's Wells died in 2011, but Coolmore has another super-sire on its books: Sadler's son, Galileo. This horse's fee is private, although multiple sources put the figure at between £500,000 and £600,000. The charge per mare for Godolphin's star stallion, Dubawi, is £250,000.

Given that a stallion could mate with — or "cover" — about 200 mares a year, it is clear that the potential earnings from bloodstock vastly outweigh racing prize money (prize record-holder Arrogate has career earnings of some £13.6m). With titans such as Galileo and Dubawi — whose fee is £75,000 higher than the next contender, Prince Khalid bin Abdullah of Saudi Arabia's Frankel (himself a son of Galileo) — it is also easy to see why Coolmore and Godolphin have dominated the field for the past three decades.

A horse, though, has a life expectancy of about 25 years, and as Galileo and Dubawi head into their twenties, everyone is asking who the next great stallion will be and, more importantly, who will find it.

Ten years ago, it was assumed it would come from Coolmore or Godolphin. These two not only produce most of the high-quality stallions on the market but often buy their own bloodline back as yearlings. (Both rarely give interviews, and declined to when contacted by the FT.) In recent years, however, as the scene at Tattersalls in October showed, the dominance of Coolmore and Godolphin has been challenged. Prince Khalid's stud, Juddmonte Farms, is one rival, along with upstarts from all over the world.

In 2010, Redvers, then head of his own stud farm in Gloucestershire in central England, had just arrived in New Zealand when he received an email from his sister saying that a young sheikh wanted to meet him for lunch in London in three days' time. Redvers flew straight back, and the rest is horse-racing history — from helping Sheikh Fahad buy "a racehorse or two", to a Melbourne Cup winner, which encouraged others in Qatar's ruling Al Thani family to invest in bloodstock and add a new subsidiary, Qatar Racing, to their private investment company Qipco.

The Al Thani family agreed a £50m sponsorship deal in 2015 for the British Champions Series — a record for British horse racing. They also have more than 200 horses around the world, including seven stud stallions. It is estimated by those close to the family that they are responsible for injecting nearly £100m into the bloodstock market in purchases over the past eight years.

The knock-on effects have been huge, says Redvers. The Qataris' sponsorship raised the profile — and prize money — of the sport, while Sheikh Fahad's entrepreneurial approach and the cash he has put into the market have inspired other overseas investors to try their luck in the booming bloodstock scene.

Andrew Bedford, a director of Tattersalls, says the "international quality" is the biggest change he has seen in his time at the auctioneer, citing the influence of Japanese, American and Chinese owners as well as Sheikh Fahad. "When I arrived there in 1985, we might have sold to 30 countries," he says. "Now we sell to more than 60, so we've doubled in 30 years."

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1
Tattersalls' yearling sale in Newmarket, England, October 2018

2
David Redvers with Sheikh Fahad bin Abdullah Al Thani

3
The colt sold for £3.675m at Tattersalls in October 2018

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The increase in international trade also stems from a need to bring in new gene pools — an enormous number of top stallions stem from "sire of sires" Northern Dancer, Sadler's Wells' father (for example, more than 60 per cent of graded stakes winners in Europe in 2013). To avoid dangerous levels of inbreeding, "you need outcrosses in the bloodline", Bedford explains.

The wider picture is that increasing numbers of countries around the world are staging horse racing. The profile of buyers at auctions in the UK has become more global "primarily because the world regards English racing as the highest quality racing of any country", says Bedford. "The quality of horses that race in this country is what attracts the buyers here." In 2009, 65 per cent of Tattersalls' turnover — all from thoroughbred sales — came from international buyers; last year, it had risen to 74.7 per cent, and turnover itself had more than doubled.

The bidders at last October's sale are a prime example of the change. While Redvers won the colt for Qatar, it was the competing bids of Japanese trainer Mitsu Nakauchida, Kuwait's Sheikh Abdullah al Malek al Sabah, and other English stud farms that propelled the sales figure into the millions.

Sheikh Abdullah and Nakauchida are not the only international players making themselves known in the hunt for the next great stallion. In January 2017, Zhang Yuesheng, the billionaire owner of Chinese conglomerate YuLong Investments, bought 76 horses from Ireland alone. To bring them back to compete in China — where the racing scene is flourishing after a 60-year ban on the sport was lifted in 2011 — he chartered a private jet.

Also in 2017, Dubai businessman Amer Abdulaziz launched Phoenix Thoroughbreds, a "racing investment fund" that aims to return 8 per cent a year for investors. So far, Abdulaziz has spent more than £25m on bloodstock on behalf of the anonymous individuals who have invested in the fund.

Among other new names fuelling the market's expansion are financier George Soros, whose Soros Fund Management is behind SF Bloodstock, which breeds horses in the US, Australia and Europe. Then there is Teo Ah Khing of the mysterious China Horse Club, which does not disclose the identity of its members, but they pay a joining fee of upwards of $1m, according to an article in The New York Times. Teo has enlisted John Warren, bloodstock adviser to the Queen, to his advisory council.

Before his death in a helicopter crash last October, Vichai Srivaddhanaprabha, the Thai duty-free magnate and owner of Leicester City football club in England, had also been caught by the racing bug. In 2017, he entered the fray by spending £2m on six horses on the eve of Royal Ascot, followed by more than £16m on two-year-olds last year. Nick Rust, chief executive of the British Horseracing Authority, said after the crash that Srivaddhanaprabha's ▶

'Super-sire' Galileo on the way to winning the 2001 Epsom Derby

death was "a tragedy… his enthusiasm for racing was clear and we had only seen the beginnings".

Owning race horses has "become a much more global game", says Redvers of Qatar Racing. Snowballing interest has meant snowballing figures. "As demand worldwide for horses grows, so does the value of the stock," he explains. "You're talking from under £25,000 for a horse that will be raced in the Middle East and lower-tier American racing, to £1m-plus to Hong Kong, Australia, the Emirates and the big American teams, to many multiples of this for top-flight breeding stock." The lifting of equine export bans in the US, plus relaxed betting restrictions in Hong Kong and the increasing ease of transporting horses by air have also contributed to the international boom.

It is a classic example of an industry benefiting from competition; the new players might be threatening the dominance of Coolmore and Godolphin, but they are also making the bloodstock market a more viable investment for everyone. But does the broadening field mean anyone with the right financial backing should give it a go? Not necessarily. "Over the next 20 years it will be a very exciting game. Any new person could come in with a proper plan and serious investment, and be the next big thing," says Redvers. "But you do need to have the right plan and very good resources, or huge wealth and a bottomless appetite to get there."

Even with all the right ingredients, investing in bloodstock means playing the long game. Mares give birth 11-12 months after they conceive, and usually it is not until the foal's third year that its success on the racetrack, which determines future breeding value, is ascertained. The result means it is "an investment if you're willing to put a price on your enjoyment or dreams, rather than what I call a strict investment", Bedford says with a zest that clearly values the former.

For those that cut down the middle, broodmares can provide a more reliable return than joining the scramble for the next sire of sires. Thaddeus Gosden, the son of illustrious British trainer John Gosden, comments that "if you buy a filly with a good pedigree, even if they turn out to be a rubbish racehorse, they'll still be worth something". Their offspring could sell for around £1.5m — a nice profit for a breeder even if the mating cover and interim upkeep cost a few hundred thousand.

That strategy has been adopted by Mandy Pope, whose family owns US retailer Variety Wholesalers. In 2012, she bought broodmare Havre de Grace for $10m, and now has a band of mares that cost more than $50m. Last year, the horses finally began to net some returns, with buyers of her fillies (including Godolphin) paying six or seven figures.

But finding a high-class filly is not going to end the dominance of Coolmore or Godolphin. For that, the race is on to find the next top-class stallion. "If you're clever or lucky enough to be in the position to own one, they are the golden goose," Redvers says. "Once you tap into those blood lines, they are there for ever." ●

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