

Expertise



"It's not about capital—you can get capital anywhere."

Peter Edwards, retired CEO, Cover-More

Cover-More

GROUP LIMITED

CrescentCapitalPartners

Insurer's success underwritten by private equity.

Travel and medical insurance business Cover-More received a growth boost from a committed private-equity team and industry-savvy CEO Peter Edwards.

Peter Edwards—the recently retired CEO of Cover-More—says that in a long and happy career, the highlight was working with private equity to transform the insurance business.

Edwards joined Cover-More in 2011, two years after private-equity firm Crescent Capital took a majority stake in the business. He had spent 10 years working for Cover-More's major competitor, Mondial Assistance (now Allianz Global Assistance). He had run the local Mondial operation for five years before moving into the regional director's role in the Asia-Pacific region. This combination of industry and geographical expertise made him Crescent Capital's number one pick for the role of CEO.

It was, Edwards says, working with "smart individuals whose interests align with yours and the company's" that made teaming up with Crescent Capital such a rewarding experience. "I was very pleasantly surprised about the value that private equity delivered to the business and to the broader management team," he adds.

To the Crescent Capital team, Edwards stood out for his strong track record of driving change at a major competitor. In addition, "His willingness to be open and debate issues attracted us to him," says Nathaniel Thomson, a partner at the private-equity firm.

Cover-More was established in 1986 to meet the needs of travel agents who wanted to sell insurance to clients. It became a well-established player in the local market, providing insurance for travel agents to on-sell, but it was concentrated around only one major customer—Flight Centre.

In 2009, Crescent Capital saw an opportunity to move Cover-More into international markets—particularly Asia—and broaden its offering into medical insurance.

That opportunity was based on leveraging the well-performing business' offering through better technology. In particular, Crescent could see a potential market in offering a white-label insurance product by partnering with organisations that had large customer networks. Cover-More is now the travel insurance partner for Australia Post, Medibank and Virgin Australia providing them with an insurance offering for their customers.



Who we are

AVCAL is a national association which represents the private equity and venture capital industries covering early stage, expansion and management buyouts. Our members include fund managers, investors and advisors who support the industry.

AVCAL members build better businesses

The investment model used by the private equity and venture capital industries supports the building of stronger businesses that can deliver sustainable increases in enterprise value over the long-term.

AVCAL's core objective

To ensure that the business community and other key stakeholders understand the benefits of the private capital model of business ownership, and the role that it can play in contributing to investment and employment growth across the Australian economy.

With Asia front of mind, Crescent recruited Edwards. For him, after years of working at multinationals, teaming with private equity was an easy decision to make. It was like a breath of fresh air, compared to larger organisations where, he says, “you can get frustrated by bureaucracy”.

From day one with Cover-More, Edwards was charged with developing a broader growth strategy for the business.

Working with the Crescent Capital, team Edwards looked at the customers, staff and technology and built a plan that would take the business and products beyond travel agency distribution. Pulling together both Crescent Capital and Cover-More management for a ‘challenge the plan’ workshop was the first turning point. Parts of it were “thought-provoking and confronting but it looked at the opportunities and legacies with honesty”, Edwards recalls. The result? Crescent gave the go ahead to roll-out the strategic plan.

The big shifts came down to skills in insurance and technology. “It was a case of determining what the business needed to look and perform like in the future and ensuring that we possessed the right skills and technology to deliver against the plan. Our vision for the business was very different from those with whom we competed,” Edwards says.

One innovation that demonstrates the product and technology alignment was the launch of Cover-More’s Impulse platform that integrated the technology platforms of the business partners with Cover-More’s, enabling the tailoring of trip-specific travel insurance offers.

Edwards stresses that what has made a real difference in the business has been the depth of management capability available from Crescent Capital: “It’s not about capital—you can get capital anywhere—it’s about the ability to sit down with commercially capable people who have a genuine alignment with the business and add value through their deep and broad management experience.”

The combination of a strong management team and a private-equity backer that can add “the right layer of management critique and interrogation means that, in the end, what is implemented has been well thought through”, he says.

In particular, what impressed Edwards was how Crescent Capital continually focused on the drivers of the business. “You could give them a 250-page board pack and be ready to have meaningful conversations about any of the content because they were across the detail,” he says. “This breadth

of understanding meant we could undertake a much higher number of business initiatives concurrently and ensure that we kept track of key progress without great risk to the business. This is different to what you find in other environments, where you find yourself spending more time on non-profit generating areas.”

With the right team in place and Crescent ready to invest in the business, Cover-More implemented its international growth strategy. In 2012, the purchase of a business in India and the first international contract (selling Malaysian Airlines travel insurance) set the stage for further expansion overseas. The company has since bought businesses in China and India, and entered the US market. It also listed on the ASX in December 2013, with an enterprise value of \$700 million.

Crescent Capital provided all the support and advice Cover-More needed to get these deals over the line. Thomson says: “In India, it took two years to find the right partner who shared the right values and approach. We genuinely took a partnership approach with the Indian business, where we owned a minority stake that grew to 100 per cent ownership over time.”

This involved Thomson taking monthly trips to India for a year to make sure the business leaders there saw the benefits of being part of Cover-More. “It is necessary to ‘over-invest’ up front in choosing partners as this has to be right from the start, and then in spending time with the businesses early, to create a successful trajectory for growth,” he explains.

The results are plain to see. In 2010, the business was generating \$26 million EBITDA; in 2015, that had doubled to \$52 million. Just as importantly, the business has diversified and Asia now makes up 17 per cent of profits, while the medical insurance market accounts for one-third of profits. The company is now among the top three travel insurance providers in India, where it employs 600 people.

“It is a much more holistic business that is less dependent on any one country or channel,” Edwards says. It’s been a journey for Cover-More but also for Edwards, who left the company in 2016. A new chief executive, Mike Emmett, is now at the helm. Crescent Capital sold down some of its shareholding in 2013, when Cover-More listed.

Cover-More is currently undergoing its next stage of development with Zurich Insurance recently making a bid to acquire Cover-More. This interest from one of the largest insurers in the world demonstrates the strategic value of Cover-More and its leading position in the travel insurance market.

Have a story to tell? Express your interest via
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