

# Networks



“Private equity allowed us to change the business and invest to drive growth at a rapid pace.”

Nerida Caesar, Group Managing Director Australia & New Zealand, Veda, An Equifax Company



An established but low-growth business was supercharged through a partnership between private equity and a customer-focused CEO.

Nerida Caesar admits she didn't know much about private equity when she got a call in 2010 from Pacific Equity Partners (PEP). The call was the beginning of a courting period, to see if Nerida—mid-way through a successful career in telecommunications—would be up for a challenge.

The challenge was to become the chief executive of Veda Group—the credit information business operating across Australia and New Zealand. While Veda has a long history, beginning in the 1960s as the Credit Reference Association, it was languishing in a period of low growth during the early 2000s.

PEP had taken it off the sharemarket via an \$814 million acquisition and delisting in 2007 (the original delisting had Merrill Lynch Global Private Equity as a 50 per cent owner and PEP subsequently bought out that stake in 2011). Tony Duthie, managing director at PEP recalls that at that point, “the board and the management at Veda were debating the strategy of the business and we could see it was an exceptionally well positioned business with strong underlying demand.” However

he could also see it needed investment and a clear growth strategy.

“Fundraising was a big part of saying that we were a real business.”

Nerida, with a 25-plus-year career at IBM and Telstra, had what PEP knew the business needed: a laser-like focus on the customer. “When she joined, we had a great business in terms of capability, but it wasn't customer-centric. We could see Nerida could bring this customer focus along with a depth in building products and services to create new markets and serve our existing customers.”

For her part, Nerida was intrigued. She could see two big changes on the horizon that could reshape the landscape for a company like Veda.



Building better businesses

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## 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.

The first change was regulatory. Sweeping changes to credit laws had been proposed to create a new regulatory regime, along with a move from negative credit reporting to comprehensive credit reporting.

**“We are in the business of creating insights that can generate revenue.”**

As Nerida explains, negative credit reporting skews an individual's history to unwanted events such as a default. Comprehensive reporting tracks both negative and positive events and gives credit providers much more insight into consumer behaviour, which should lead to better lending decisions.

The second major change was the growth in big data—or as Nerida terms it ‘connected data’. “We can see patterns and trends and use data to solve problems,” she says. For a company like Veda that sits on huge amounts of data, this meant exciting opportunities.

One of the first things Nerida did was get out to talk to Veda's biggest customers—the banks. The feedback, she says, was lacklustre: “We weren't seen as being innovative, they didn't have very high expectations of what we could do for them.” The larger institutions also found the company—which Nerida admits lacked structure and process—unpredictable.

Veda's mid-tier clients—trade credit and professional services firms—were favourable towards the company but also didn't have high expectations.

Meanwhile, Nerida found the business didn't have the level of clarity about its customers or its market that she was used to. “We didn't really know how big the markets were that we were servicing. Nor did we have detailed segment information about our 12,500 customers to be able to offer them the relevant products and services,” she says. It took five weeks to segment the customer base and then restructure the business to reflect the different markets it serviced.

The business now has four major lines: consumer risk & identity; commercial risk & information services; B2C & marketing services; and international, servicing 15 major segments of the market. For business clients, Veda wants to use its data to develop products that can help these enterprises better serve their own customers. “We are in the business of creating insights that can generate revenue,” Nerida says.

“The old Veda could do a credit check and simplistic fraud checking at the application point for a loan or credit, but we needed to refine that,” she says. Now by combining different data points Veda can spot trends at a macro level but also take a view on an individual or a company's health. “With the data we have, we can predict the future risk of default.”

The consumer market has also been a huge growth area for Veda. In advance of the comprehensive credit reporting regime, which came into place in 2014, Veda made its score available to consumers, which Nerida says will ultimately shift the power into the hands of the borrower. “You can talk to your lender and the consumer now has the information that will enable risk-based pricing, which is a big change,” she says. Risk-based pricing allows lenders to offer better deals to customers with the best credit backgrounds—something that until now has only been available in some international markets.

Meanwhile, PEP kept the management team focused on strategy and also gave them the investment mandate to grow the business. “We made significant investments in the core business and adjacent product areas—both organically and through acquisition,” says Duthie.

Nerida and her team have indeed been active on the acquisition trail. Since 2011, Veda has bought eight companies as small bolt-on acquisitions, which have contributed to growth.

PEP was with her every step of the way during these acquisitions. In the early days, Nerida looked at a couple of bigger M&A deals. “The rigour of the conversations that we had with PEP made me realise that biting those acquisitions off could have stretched us too far and taken our eye off the main game of improving the business, so we didn't do it,” she says. “They were both M&As that I knew were at the high end of risk and as I went through the conversations, it crystallised my view.”

The company relisted on the ASX in December 2013, with a market capitalisation of around AUD \$1.8 billion. Nerida also highlights the rigour private equity provided when the company re-listed. For the IPO, PEP listed about one-third of the company and since then it has sold down the remaining two-thirds in two separate tranches.

“Private equity allowed us to change the business and invest to drive growth at a rapid pace,” says Nerida. In fact it grew so well that it quickly attracted a suitor in the shape of NYSE-listed Equifax which bought Veda in early 2016 for AUD \$2.5 billion.