

SE Business
HD **Virgin's majority stake in Velocity to remain**
BY Jamie Freed - The reporter travelled to Melbourne as a guest of Virgin
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Aviation

Virgin Australia Holdings will maintain a majority stake in its Velocity loyalty business even if part-owner Affinity Equity Partners chooses to exit its 35 per cent stake via a float or trade sale three years from now, says Velocity chief executive Neil Thompson.

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Virgin last week revealed to new bondholders that the private equity could choose to exit three years after the \$336 million purchase closed last month, although Virgin would have the first right of refusal in certain circumstances and the right to participate in Affinity's exit mechanisms.

Mr Thompson said it was too early to say whether a float or trade sale of part of Velocity was likely.

"It is very, very early days to say what might or might not happen," he told Fairfax Media on Monday after Velocity unveiled a new partnership with petrol retailer BP.

Mr Thompson exited the Velocity board in the wake of the Affinity deal but Virgin chief executive chairman John Borghetti is the chairman. The other members include Virgin chief financial officer Sankar Narayan, Sydney-based Affinity partner Brett Sutton and Hong Kong-based Affinity chairman Kok Yew Tang.

Rival Qantas Airways in August announced it would keep full control of its frequent-flyer program after investigating a potential float of a minority stake. But Virgin believes having a partner could help it grow its program from 4.5 million members to 7 million by 2017. Qantas has 10.3 million members of its loyalty program, which is much older than Velocity.

The new partnership with BP will allow Velocity members to earn points when buying petrol and retail items at the oil company's 1400 service stations across Australia. It will be Virgin's first points-earning partnership for everyday spending, along the lines of the deal Qantas has with retailer Woolworths, although Velocity members can also earn points on purchases through linked credit cards.

Details of how Velocity members will earn points with BP will be announced before the program begins in the first quarter of next year. Mr Thompson said options included basing it on dollars spent or on the number of litres of petrol purchased.

Mr Thompson said Velocity would continue to unveil new partnerships to make the program more attractive. It will also consider raising debt financing to help it further invest in technology, marketing and more employees.

He said the Velocity website would also continue to add features, such as being able to redeem points through bookings from all of the program's airline partners.

CO afipp : Affinity Equity Partners Pte Ltd

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Private Equity | ialtin : Alternative Investments | iinv : Investing/Securities

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