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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 vrbair : Virgin Australia Holdings Ltd | afipp : Affinity Equity Partners Pte Ltd

IN i75 : Airlines | i7501 : Scheduled Passenger Airlines | i81502 : Trusts/Funds/Financial Vehicles |
i8150203 : Private Equity | iairtr : Air Transport | ialtin : Alternative Investments | ifinal : Financial
Services | iinv : Investing/Securities | ilowair : Low Cost Airlines | itsp : Transportation/Shipping

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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