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Branson wins 30 years of licensing gains

By Andrew Edgecliffe-Johnson,
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Sir Richard Branson will receive at least £255m over the next 30 years for licensing the Virgin brand name to NTL, on top of the £685m worth of cash and shares he will collect from yesterday's sale of Virgin Mobile to the cable operator.

Details of the licensing agreement, which guarantees Sir Richard 0.25 per cent of the combined group's revenues from consumer telephone, television and broadband services, or at least £8.5m a year, came as NTL finalised its long-awaited £962m bid to create a national entertainment and communications company.

Sir Richard initially volunteered to receive a lower price for his 71.2 per cent stake in the mobile operator to overcome the concerns of its independent directors. But a rise in NTL's shares since January has made the mixture of cash and shares he intends to take worth more than the all-cash offer.

NTL is offering Virgin Mobile shareholders three alternatives: 372p a share in cash; an all-share offer currently valued at 389p a share; or 67p a share in cash and the remainder in NTL

shares, currently worth 378p. The offer has been recommended by Virgin Mobile's independent directors.

NTL executives said it would have cost them more to rebrand their own business and the recently acquired Telewest cable assets under another name. "We are paying about £9m a year for access to one of the most admired brands in the UK," said James Mooney, NTL's executive chairman.

Mr Mooney said the group could take up to a year to integrate Virgin Mobile fully but indicated that it would use the brand to help improve NTL and Telewest's reputation for customer service and build up its content businesses.

The combined group would bid against BSKyB, BT and others for Premier League football rights, Mr Mooney said, adding: "Certainly the concept of Virgin Sports would be very exciting for NTL."

Analysts said NTL now faced the challenge of integrating Telewest and Virgin Mobile, while using the Virgin Mobile management team to help tackle its poor reputation with customers.

Stuart Whitwell, joint managing director of Intangible Business, a brand valuation consultancy, said: "NTL needs a good brand [but] they have got pretty awful customer service. How are they going to deliver on this brand promise?"

Sir Richard has agreed to help support NTL's promotional activities and has accepted restrictions on when Virgin Group may sell its stake. The shares may be sold in stages, with a full exit only possible 18 months after completion.

He said: "We're looking forward to shaking up this industry," adding that he intended to be involved in the new company "for decades."

TERMS OF THE DEAL

Shareholders are being offered:

- 372p in cash
- or 0.23245 NTL shares (worth 389p on Monday night)
- or 67p in cash plus 0.18596 NTL shares (worth 378p)

Sir Richard Branson's Virgin Group will receive:

- £123.4m in cash
- 34.3m shares of NTL, or more than 10 per cent of the combined company, worth £562m
- 0.25 per cent of the combined group's consumer revenues a year for 30 years, subject to an annual minimum of £8.5m.