

Virgin Media

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O2 and Virgin Media agree merger to pile pressure on BT

Mobile operator O2 and broadband giant Virgin Media have agreed terms for a merger to create a £31bn competitor to BT.

Talks between the pair were confirmed earlier this week and on Friday the pair's parent companies indicated a deal had been reached on a 50-50 merger.

O2, which is owned by Spanish group Telefonica, is the UK's largest phone company with 23mln mobile users while Virgin, part of the Liberty Global group, has six million cable and broadband customers.

Combining with Liberty Global's Virgin Media will enable the enlarged operator to offer a full range of services to customers or a converged offering, or so-called quad-play, of broadband, mobile, entertainment and telephony.

Jose Maria Alvarez-Pallete of Telefónica was quoted as saying: "Combining O2's number one mobile business with Virgin Media's superfast broadband network and entertainment services will be a game-changer in the UK, at a time when demand for connectivity has never been greater or more critical."

Telefónica has been considering options for O2 since 2016, when European antitrust regulators blocked a £10bn takeover by Three UK.

Analysts at Deutsche Bank said the deal should meet limited obstacles by the regulator.

"The transaction would resolve both companies' long-term strategies for fixed-mobile convergence and provide an increased customer base for Virgin Media to cross-sell its broadband and TV services, potentially ahead of a push by Virgin Media into fixed retail and infrastructure deployment in the 50% of the UK which is not covered by Virgin Media's network today," they said in a note to clients.

One potential wrinkle is an already agreed deal between Liberty Global and Vodafone PLC (LON:VOD), which was due to host all of Virgin Media's customers on its network from the end of 2021, though the analysts suggested Virgin Media would move on O2's network.

Share Information

Code: VMED

Listing: NASDAQ

Sector: Media

Website: www.virginmedia.com

Company Synopsis:

Virgin Media is a provider of entertainment and communications services in the United Kingdom, offering quad-play broadband Internet, television, mobile telephony and fixed line telephony services.

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