The 67 year old Virgin man ventures into equity

By Nicholas Brown
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The English billionaire and founder of the famous Virgin group, Richard Branson, has this week announced his intention to create a private equity fund by raising £440m for investments in consumer goods. The business tycoon, who is thought to be worth over $5.1 bn, is to manage the fund alongside Metric Capital, a British equity firm, to generate equity through investments for pension funds and among other large investors.

Branson, has years of experience in investment under his belt and sits on the board for the RISE fund. The new fund aims to generate returns of up to 20 per cent for investors by seeking out innovative goods for the consumer market. The founder of Virgin is said to be particularly “attracted” to the consumer market due to the rapid growth figures of his new partner Metric Capital. This move is a significant testament to the sheer size of Branson’s reputation in the industry, but his success is rooted in one business, the Virgin group.

The Virgin brand, instantly recognisable today, was founded over 45 years ago as a small record shop in Notting Hill by Branson and Nik Powell, who coined the name as they considered themselves ‘virgins’ in the industry. The brand grew massively in the 1970s and the entrepreneurs launched a record label that managed the popular punk rock band, the Sex Pistols. Over the 1980s, the conglomerate really started to take shape. Branson launched Virgin Holidays, providing package holidays, and Virgin Airships that providing hot air balloon rides. The firm currently has 60 brands associated with the company, ranging from wine to flights. Many of these brands work on franchise agreements whereby Branson and the Virgin holding group receive a fee for the licensing of the brand.

The Virgin group is estimated to be worth £5.5 bn today due to its 45 year expansion through its growth in different fields. Branson’s recent attraction to consumer goods seems to be rooted in the very early Virgin brands such as Virgin mega-stores which provided goods straight to the market. However, not all of the Virgin group’s ventures have been successful. Virgin cola for example was launched in 1994 to try and tackle the dominance of Pepsi and Coca-Cola yet only amassed a small 0.5 per cent market share in the US. Virgin vodka, Virgin clothing and Virgin lingerie were other brands that flopped when brought to the market.

The most recent troubled Virgin brand is Galactic, which aims to take tourists out into space to observe Earth from above. The project, has been dogged by problems since it was established and even resulted in the death of a pilot during a test flight. Although, not as a complete failure the other brands listed above, the project cast doubt on some of Branson's business decisions and these may cause doubts for investors in his new collaboration with Metric Capital.

It is reported that Branson and the team will be using their £440m fund to invest in the digital consumer industry. According to Price Waterhouse Cooper, the digital consumer goods industry is estimated to be worth over $100bn globally. The new fund will be analysing trends in the industry and will invest in innovation to develop and seek out the latest goods and bring them to market. Trends in recent years that have amassed huge returns for digital firms have included artificial intelligence such as the Google Home (that sold over 7m units in the 4th quarter of 2017) and Amazon Echo.

This new project is unique in the sense that Richard Branson will be heavily involved in the day-to-day running and funding decisions of the partnership. In the past, Branson has been involved in such decisions only as an adviser and this development not only shows how sought after his expertise is in the industry.

City insiders told City-AM how bosses at Metric Capital were extremely keen for Branson's involvement, as raising private equity can be extremely difficult, especially due to the growth of private equity funds due to investors seeking investment opportunity with low interest rates. It will be months, potentially years, before we see any real growth in the fund. However, any new developments will be eagerly anticipated by investors and the markets due to the ability of the fund to innovate new goods.

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