AOL finally regains independence from Time Warner

December 10 2009

AOL Chairman and CEO Tim Armstrong, center, applauds during opening bell ceremonies of the New York Stock Exchange Thursday, Dec. 10, 2009. Shares of AOL declined in early trading Thursday as the Internet company made its official split from media giant Time Warner. (AP Photo/Richard Drew)

(AP) -- AOL resumed life as an independent Internet company Thursday as it completed its spinoff from Time Warner Inc. and closed the book on one of the most disastrous business combinations in history.

AOL shares fell 47 cents, or 2 percent, to $23.20 in afternoon trading.

Today's AOL is much different from the company once known as America Online, which got big in the 1990s by selling dial-up Internet access and then used $147 billion of its inflated stock to buy Time

Warner. AOL, which is now worth about $2 billion, is trying to get most of its money from running advertisements on its portfolio of Web sites.

Those sites include the AOL.com home pages, Mapquest and tech blog Engadget. AOL isn't keeping the entertainment site TMZ, which is staying in Time Warner.

When AOL bought Time Warner in 2001, the companies bet that Time Warner's TV and magazine content would complement AOL's Internet business. Instead, broadband Internet connections began to kill off AOL's main source of revenue and drag down the whole company.

The company was once known as AOL Time Warner but dropped AOL from the name in 2003. That was a sign of what was to come: Time Warner announced AOL's spinoff last May after years of trying to integrate the two companies.

In a note to clients, BMO Capital Markets analyst Jeffrey Logsdon called the failed deal "a nine-year adventure akin to a marathon through the mud."

The new AOL has no debt. The company is profitable, though its operating income dropped 50 percent to $134 million in the third quarter from the same period a year earlier. Third-quarter revenue dropped 23 percent from last year to $777 million.

In the past year, AOL hired Tim Armstrong, 38, a former Google advertising executive, as CEO. Armstrong plans to cut up to 2,500 jobs, or more than a third of AOL's employees, on top of thousands of other cuts in recent years. That will leave the company at less than a quarter the size it was at its peak in 2004.

The company plans to fill many of its Web sites with inexpensive material produced by freelancers paid by the post. This week it said it had hired New York Times reporter Saul Hansell to oversee part of that content-generation effort.

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