

AOL looking to sell or shut down social site Bebo

April 6 2010, By RACHEL METZ , AP Technology Writer

(AP) -- The struggling Internet company AOL Inc. plans to sell or shut down the online community Bebo nearly two years after buying it for \$850 million in an expansion of its social-networking ambitions.

In an e-mail to employees Tuesday, Jon Brod, who runs AOL's startup acquisition and investment unit, AOL Ventures, said [Bebo](#) would need a "significant investment" to remain competitive.

Although Bebo has been in the shadow of rivals such as Facebook, it has been strong in foreign markets, including Britain. AOL wanted to tap that strength abroad to drive traffic to AOL's other free, ad-supported Web sites, especially internationally, while leveraging AOL's instant-messaging communities, AIM and ICQ, to try to grow Bebo in the United States.

But Bebo's audience has instead been slipping in the U.S. According to [comScore](#) Inc., Bebo had 5.1 million U.S. users in February, down from 5.8 million a year earlier and a sliver of the 210 million that [Facebook](#) has.

Brod said AOL will look for potential buyers and plans to finish a strategic evaluation by the end of May.

The \$850 million in cash that AOL paid for San Francisco-based Bebo in May 2008 made it AOL's largest deal since it bought MapQuest for \$1 billion in 2000 (not counting AOL's \$106 billion purchase of Time

Warner in 2001). At the time, AOL was still joined with [Time Warner Inc.](#), but it separated from the media conglomerate late last year.

Since spinning off from Time Warner, AOL has sold one property: affiliate marketing business Buy.at, which it sold in March to Digital Window Ltd. for an undisclosed price. Digital Window runs a network of affiliate marketing sites, which steer customers to e-commerce sites in exchange for a cut of sales.

AOL, a pioneer in the dial-up Internet business during the '90s, has been trying to streamline and concentrate on rebuilding itself as a content and advertising business. It runs dozens of Web sites, including popular tech blog Engadget and [personal finance](#) site WalletPop.

Clayton Moran, an analyst at The Benchmark Co., said the price AOL paid for Bebo was questioned from the start.

"It made a lot of industry watchers scratch their heads," Moran said. "At this point they probably would admit they overpaid for it and now they're just cleaning it up."

He said that if AOL does sell Bebo, it would likely fetch a fraction of its original purchase price.

Shares of New York-based AOL rose 25 cents, or 1 percent, to close Tuesday at \$26.39.

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