

AOL unloads social networking site Bebo

June 17 2010, By ANDREW VANACORE , AP Business Writer

(AP) -- AOL Inc. is paring its ambitions in online social networking, selling a website called Bebo that it bought a little more than two years ago for \$850 million when AOL was still part of Time Warner Inc.

Bebo, which launched in 2005, has failed to match the huge popularity of sites like Facebook and Twitter.

It has been strong in foreign markets, though, including Britain. AOL tried to take advantage of that to drive traffic to its other ad-supported Web properties, but the site has been losing ground. Worldwide, it had about 12.6 million users in April, less than half of the 26.9 million it had in the same month a year ago, according to comScore Inc.

In the U.S., Bebo was down to 4.9 million from 10.2 million a year earlier. In the same period, [Facebook](#) has grown to 121.8 million users in the U.S. from 67.5 million.

AOL said in April it planned to shut Bebo or sell it. The company said Wednesday that the buyer is the private investment firm Criterion Capital Partners LLC.

The California firm did not say how much it is paying, but analysts have speculated that the site would fetch just a small fraction of what AOL paid for it.

Gartner Inc. analyst Ray Valdes said AOL probably got at least \$10 million for Bebo.

"They're probably donating the puppy to the shelter, so to speak. Anything less than \$10 million and it's really almost not worth the transaction costs," he said.

In a note AOL CEO Tim Armstrong sent to employees Thursday, he said the deal provides a "meaningful" tax deduction for AOL.

AOL said in a filing with the Securities and Exchange Commission that it expects to log a tax benefit of \$275 million to \$325 million in the April-June quarter. The company also said that it will assess whether it needs to write down the value of its business overall for the quarter.

In April, AOL unloaded another service that it had acquired for more money. It agreed to sell its ICQ instant messaging business for \$187.5 million in cash to Russian Internet investor Digital Sky Technologies Ltd. In 1998, AOL, then known as America Online, paid at least \$287 million to buy Mirabilis Ltd., the Israeli company behind ICQ.

[AOL](#) shares fell 6 cents to \$22.22 in afternoon trading.

In his note to staff, Armstrong said the sale will let [Bebo](#) users continue to use the service.

"Criterion Capital Partners are specialists in facilitating growth plans and turnarounds and are well placed to drive Bebo's effort to strengthen its foothold within the highly competitive [social networking](#) arena," he wrote.

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