

AOL to buy Bebo social network

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Time Warner Inc's AOL Internet division said on Thursday it will buy social network Bebo for \$850 million (417 million pounds) in cash, bolstering its consumer Internet offerings even as the media conglomerate mulls splitting off the business.

Bebo, which claims a global membership of about 40 million users, is the top social network in Britain, Ireland and New Zealand, it said. It is No. 3 in the United States behind News Corp's MySpace and Facebook.

"AOL, at its core, is a way for people to connect," AOL President Ron Grant said in a phone interview. "We need to get back to our roots."

The two companies had spent the last six months hashing out the deal, executives said in an interview with Reuters. Grant said Bebo's heavy focus on media and international interest attracted AOL to Bebo.

The purchase comes amid a wholesale transformation of AOL from a dial-up Internet provider to an online advertising powerhouse.

It has spent nearly \$1 billion to create one of the biggest third party display ad units, Platform-A. AOL aims to gird against the prospect of bigger rivals as Microsoft Corp pursues a deal to buy Yahoo Inc and following the closing of Google Inc's purchase of DoubleClick.

AOL said Bebo will help round out its personal communications offerings, now comprised of AOL Instant Messenger and ICQ, two wildly popular services that let users send quick text, video and audio correspondence.

Despite its global popularity AOL has not had much success turning that into a business.

AOL said its advertising system is well positioned to turn social networks into a thriving business despite difficulties its rivals face. Google, which is the search advertising provider for MySpace, expressed difficulties in "monetizing" MySpace's traffic.

Bebo President Joanna Shields will continue to run Bebo and will report to Grant after the transaction closes.

Banc of America Securities LLC and Deutsche Bank Securities Inc. advised AOL. Allen & Co advised Bebo.

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