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## **Aqui tienes lo de Agut**

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Terra boss faces heat, job may be at risk-sources

By Eric Bovim

MADRID, April 4 (Reuters) - Executive chairman Joaquim Agut is under mounting pressure to turn around Spanish Internet giant Terra Lycos to avoid being forced out of his post in the next few months, sources close to the company say.

The highly publicised management turmoil of recent months and a spate of downgrades in Terra Lycos have drawn fire from top executives at parent company Telefonica, the sources told Reuters.

Spokesmen for Terra Lycos and Telefonica declined to comment. Attempts to reach Agut were unsuccessful.

The sources said a consensus to oust Agut is shaping up within telecoms multinational Telefonica -- 35 percent owner of Terra Lycos -- as his tenure has failed to excite the market since Wall Street darling Bob Davis resigned as CEO in February.

"They (Telefonica) are very unhappy with him...the way the stock has fallen, the way they're losing money...the things he's said in the press," a source close to Terra Lycos said. "There is a general sense he won't be around much longer."

Shares of Terra Lycos on Wednesday sank to a new life low, dropping nearly five percent to 9.02 euros as the global tech selloff showed no sign of abating.

### **MANAGEMENT UPHEAVAL**

If Agut goes, it would be the latest in a series of management upheavals that have diminished once high expectations for Terra Lycos, the product of a blockbuster merger between Spain's Terra Networks and U.S. portal Lycos Inc in October.

In addition to Davis, the head of U.S. operation Ron Sege, Chief Operating Officer Abel Linares and Chief Financial Officer Ted Philip have quit their posts, although Philip stayed as head of acquisitions and Davis remained non-executive vice chairman.

Agut's time at the helm since then has been turbulent.

The latest blow came on Wednesday when Lehman Brothers cut its rating to "market perform" from "buy" and slashed its target price to 12 euros from 36 euros while advising investors to switch to French rival Wanadoo.

Lehman Internet analyst Rufus Grantham questioned Terra Lycos's advertising-dependent business model and said "lingering integration issues cloud the outlook for the rest of this year."

Goldman Sachs also downgraded Terra Lycos last month, saying it was taking a "wait and see approach to the successful integration of the two large and culturally diverse entities." The report questioned "management's ability to pass various executional hurdles."

Davis was widely considered the backbone of Terra Lycos, and his resignation as CEO left the company squarely in the hands of Agut, who many analysts felt lacked the "new economy" savvy to steer the world's third-largest Internet company.

The former General Electric executive "has no allies at Telefonica," said the source close to Terra Lycos. The decisive moment, the sources said, could come with the release of crucial first-quarter results in late April or early May, when Terra Lycos aims to reel in about \$174 million in revenues.

However, amid the softening online advertising market and a skidding U.S. economy -- where Terra Lycos derives over 60 percent of its revenues -- Agut's task will be tough.

In a research note last month Merrill Lynch said it expects Terra Lycos to fall short of its target and produce \$162 million in first-quarter revenues.

"Agut still has some months left at Terra because he has to execute the company's business plan," said a source close to Telefonica. "If he can stave off the EBITDA losses and raise the share price, his job will be more secure, if not..."

Telefonica Chairman Cesar Alierta was quoted in a newspaper interview last month as saying Terra Lycos was on track to break even by the end of the year in terms of earnings before interest, taxation, depreciation and amortisation (EBITDA), a target being closely monitored by analysts.

#### AGUT'S BOARDROOM SHIELD WEARING THIN

The sources say Agut's detractors within Telefonica have faulted his unwillingness to delegate power as a reason there appears to be no floor to Terra Lycos's stock price.

"Clearly the markets have all done badly but there are issues endemic to Terra Lycos that have hurt the stock," said one Madrid-based analyst who declined to be named.

Since the day before Davis resigned on February 1, Terra Lycos stock has halved in value and underperformed the Nasdaq and rival rival Internet company T-Online of Germany by about 20 percent. Davis' resignation did not help Agut's image, as reports of a trans-Atlantic power struggle between him and the American fed his reputation as a headstrong manager.

Telefonica, which holds four of the 14 seats on Terra Lycos' board of directors, could oust "anyone it wishes whenever it likes" given the large influence it wields in the boardroom, one source close to Terra Lycos said.

Such decisions would be subject to a board vote.

Agut may also be more vulnerable following a recent boardroom shakeup at Telefonica which diluted the influence of Catalan savings bank La Caixa. Agut is a leading businessman from the wealthy northeastern Catalonia region, and the sources said La Caixa remained his main backer.

Telefonica Media Chairman Juan Jose Nieto has been mentioned within the senior ranks of Telefonica as a possible successor. Nieto, a 35 year-old former investment banker, joined Telefonica in 1997 and survived the management purges under former chairman Juan Villalonga.

-- Additional reporting by Robert Hetz

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