

"Expand or Die"

An Italian upstart joins those aiming to become Europe's AOL.

BY TOMAS KELLNER

RENATO SORU IS A MODERN-day Julius Caesar with the business brio of a Steve Case. The empire he's building comprises European Internet portals and telephony networks. Those are crowded markets, but so excited are investors about them that Soru is a wealthy man.

Soru, 43, is the founder and presi-

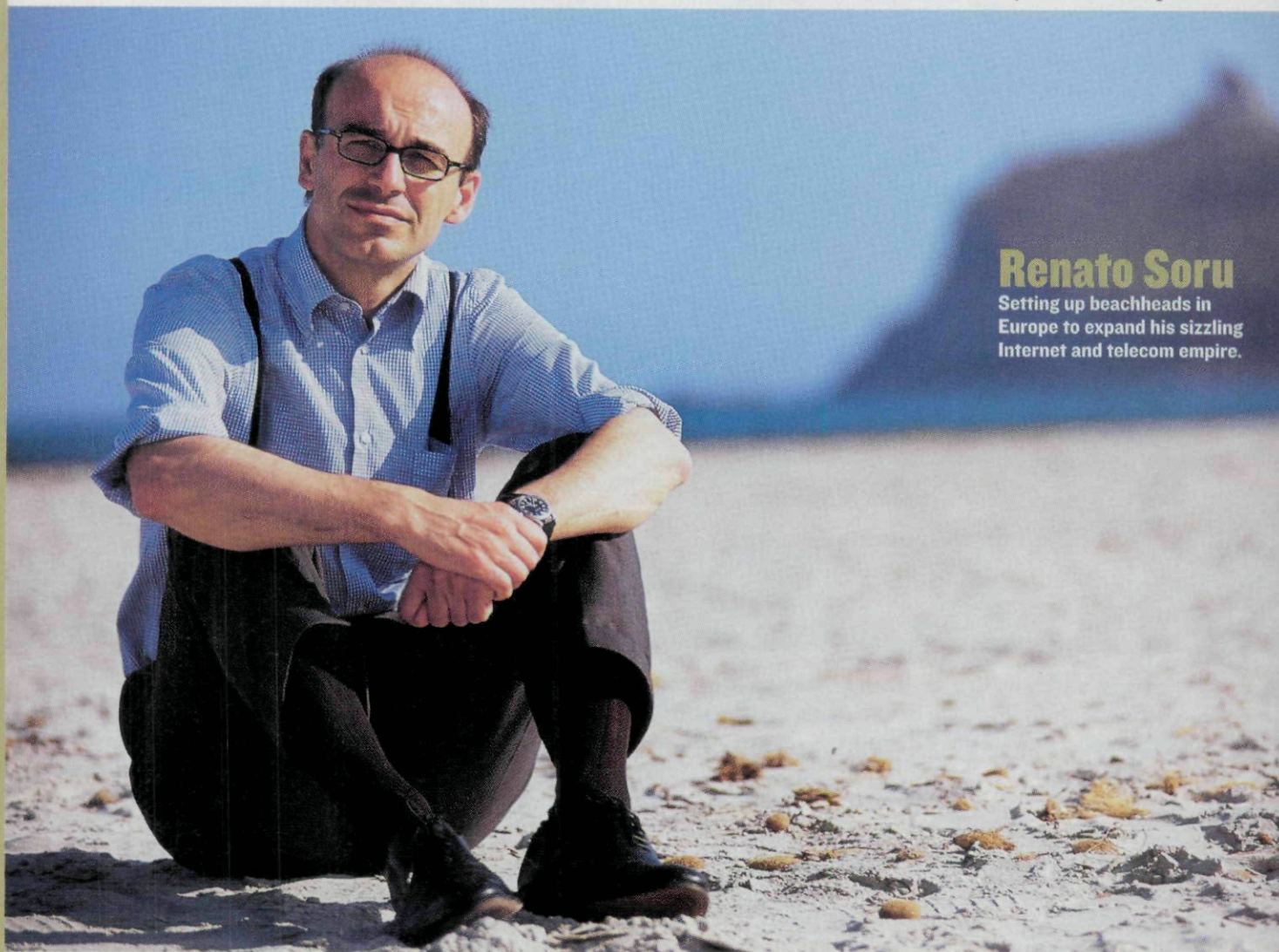
dent of Italy's sizzling new Tiscali SpA. In just two years he's captured one-third of Italian Internet subscribers. Tiscali was the first to offer free Internet access in Italy. And he blanketed the rich north of the country with catchy ads to create a brand.

Based in Cagliari, Sardinia, a jagged Mediterranean isle an hour by plane from Rome, Tiscali is the supernova on Milan's Nuovo Mercato,

Italy's version of Nasdaq. Since it listed there last October Tiscali's market cap had climbed to \$19 billion by March; now it's \$7 billion. That means Soru, who owns 61%, is tied as the fifth-richest man in Italy.

Backed by a 2-million-strong army of Internet subscribers across Europe, Tiscali is massing at the gates of its bigger European competition. That includes Germany's T-Online, Spain's

GUGLIELMO DE MICHELIS



Renato Soru

Setting up beachheads in Europe to expand his sizzling Internet and telecom empire.

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you e-mail from your hotel room.**

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Terra Networks (which just purchased Lycos for \$13 billion) and the Netherlands' World Online. No, Tiscali hasn't posted a profit yet, and revenues last year were just \$30 million. But Soru is bulking up. Between January and March he bought six small telecom and Internet service providers in Germany, France, Switzerland, Belgium and the Czech Republic, using some \$600 million in stock for about 370,000 subscribers.

"You either expand or you'll die," says Soru, sitting in the lounge of the elegant Minerva Hotel in the heart of Rome. "For me it doesn't make sense to be strongest in Italy. I could be bought by someone still bigger from the outside. We're trying to build the European version of AOL."

Soru grew up figuring out what customers wanted. At age 10 he started helping out his father in his small grocery shop in Sanluri, a Sardinian farming village. From there he went to study economics at Bocconi University in Milan. In 1988 he joined a small Milan brokerage as a derivatives trader.

It was there that Soru first saw the power and potential of a computer network—in a Bloomberg terminal. "I was surprised that a guy from Salomon Brothers was going to take on some giant like Reuters," he recalls.

In the early 1990s Soru returned to Sardinia to build shopping centers, but the Internet bug kept gnawing. So in 1995 he approached a Sardinian Internet service provider, Video On Line, with a plan. Using \$200,000 of his own money Soru set up a VOL franchise in the Czech Republic, where he was an office developer. "When I saw the Internet, I thought this was

the shopping center for the world," he says.

Czech enthusiasm for the Internet turned into profits for VOL. In 1998 Soru sold the business to Deutsche Bank for \$10 million to set up shop in Sardinia with a hotshot Internet engineer and his top lieutenant from Prague. He threw in \$2 million. Later that year a partner pitched in another \$2 million for 10%.

His timing was right on. As was his strategy: Soru doesn't hesitate to copy a good idea when he sees one. Though Tiscali began in the wired telephone business in Sardinia, taking on the entrenched Telecom Italia, it soon became clear that the future was in the Internet. Eyeing the success of Freeserve in the U.K., in 1999 he launched Italy's first nationwide free Internet service provider. Subscribers and ad dollars came pouring in. Fixed telephony still accounts for half of Tiscali's revenues, but that figure will decrease this year.

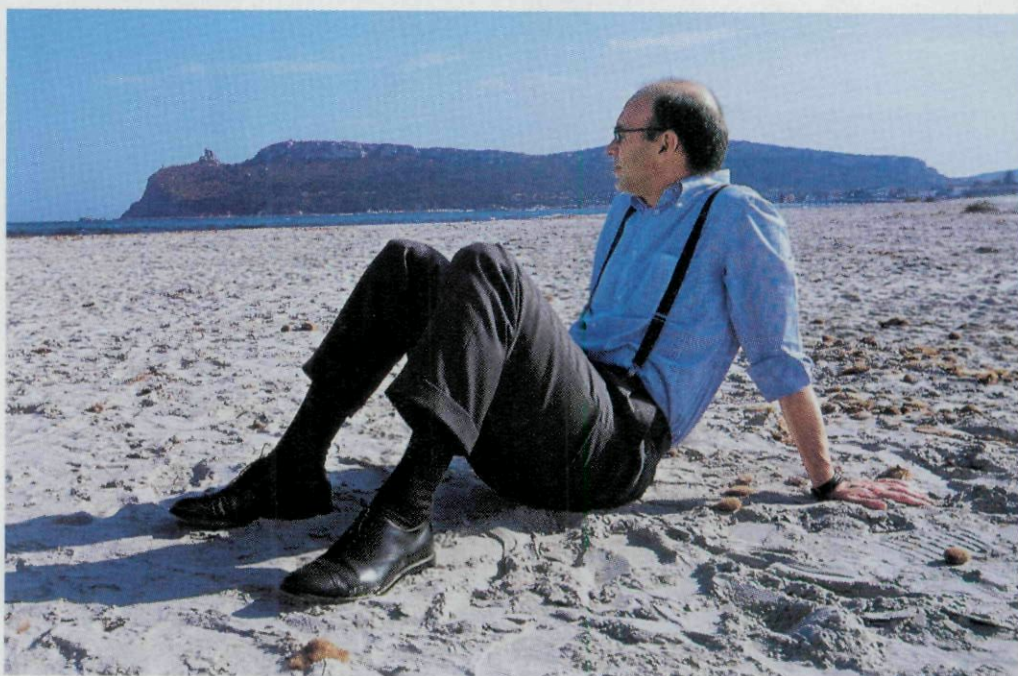
Key to his growth: paying attention to what the customer wants. Italians are wary of spending on credit and averse to listing credit cards online. So in April he launched a phone-card-like prepaid debit shopping card for the Web.

Today his 500 troops are working on a number of e-commerce ventures. They range from a travel site to an online bank and stock trading portal, co-developed with large Italian bank San Paolo IMI. And Soru is planning to bid this summer for a universal mobile telecommunication license in Italy. He

hopes to add broadband wireless access to his network and bring his Internet business to his mobile phones. Not a bad plan for a country where 40% of the population owns a cell phone.

It won't be easy for Tiscali to become a European-style AOL, but Soru has some basis for self-confidence. He can remind himself of the odds once faced by a man named Michael Bloomberg.

"Being strongest in Italy doesn't make sense. We're building the European version of AOL."



GUGLIELMO DEMICHELIS

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