Driven by Curiosity

An Interview with
Joey Levin, Chief Executive Officer, IAC

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EDITORS' NOTE *Appointed to his current position in June 2015, Joey Levin also serves on the Board of Directors of IAC. Prior to this, Levin was the CEO of IAC Search & Applications. He was previously CEO of Mindspark Interactive Network. Prior to his appointment at Mindspark in November 2009, Levin served as Senior Vice President, Mergers & Acquisitions and Finance for IAC, and has held various roles within IAC since joining the company in 2003. Prior to joining IAC, he worked in the Technology Mergers & Acquisitions group for Credit Suisse First Boston (now Credit Suisse) in San Francisco. He graduated from the Jerome Fisher Program in Management & Technology from the University of Pennsylvania, with a B.S. in Economics from the Wharton School and a B.A.S. in Engineering from the School of Engineering and Applied Sciences.*

COMPANY BRIEF *IAC (iac.com) is a leading media and Internet company comprised of widely known consumer brands, such as HomeAdvisor, Vimeo, Dotdash (formerly About.com), Dictionary.com, The Daily Beast, Investopedia, and Match Group's online dating portfolio, which includes Match, Tinder, PlentyOfFish and OkCupid. The company is headquartered in New York City and has offices worldwide.*

Will you discuss the history and heritage of IAC and what has made it consistently perform so well?

IAC has always been driven by curiosity about what is interesting, what is changing, and what is next, and an ability to move quickly to adjust to those things.

People always want to define IAC and define the things we do or the things we don't do, but we're opportunistically building businesses, finding businesses, growing businesses, assembling businesses, and that is what consistently drives us.

We're unique because we have the flexibility to move very quickly. We have the benefit of being a controlled company and that allows for faster and more aggressive decision making, and we have been the big beneficiary of that over time. We have been able to buy companies on five days' notice. This allows us to buy a company we might not have otherwise been able to buy or buy it more cheaply than we otherwise could have.

Because our capital and structure are permanent, any time we buy something, analyze something, or look at something, we view it with the perspective of owning it forever. The idea of owning something forever forces the use of a very different lens when analyzing a business.

If you're just investing in something, you don't need to own it forever – you can get out of it quickly or, if you're in private equity, you have a fixed time horizon so you can make a five-year story.

Anytime the time line is fixed, one can easily optimize for that time line. Because our lens is a forever time line, the only thing we can rely on is the ability for that business to deliver cash flow and grow value meaningfully over time. We can't think about whether we can disrupt the market to the point where someone overextends themselves to take the business out at a premium, or search for a greater fool.

Because we own it forever, we have to ultimately deliver a business that generates cash flow. This doesn't mean we need to do it right away; it just means that we need to believe that the business can support itself over time within our existing means.

Also, after we acquire a business, this scenario forces different decision making. Since there is no way out, we have to fix our problems. We have to make our worst deals into ultimately good deals and create positive cash flows.

We bought Ask Jeeves in 2005 for $1.85 billion. No one talks about Ask Jeeves as a search engine anymore, but at the time, it wasn't as crazy as it sounds right now to believe we could compete with Google. We built a great product and spent a lot of money on marketing it. Ultimately, we could not compete with Google, and we had to shift everything we had in that business and determine how to start getting capital out of it.

Instead of trying to compete with Google, we decided to partner with them in acquiring and monetizing traffic. In doing so, we figured out how to generate a huge amount of cash flow out of that business. At its peak, we had that business generating almost $400 million more in profit annually relative to what it was doing when we bought it.

While the businesses are all different, is there an underlying consistency among them or is it about the individual opportunity?

What we look for in our businesses is one where scale improves the product, not just the price. That is frequently enabled by technology, and we generally have a bias toward consumer-facing businesses because they interest us more and we have more expertise in that.

We look for those where, by being on the platform, the ten-thousandth customer makes the product better for the one-thousandth customer.

For instance, with Match, its product improves the more people use it. With HomeAdvisor, where we're connecting consumers with home service professionals, the more service professionals that are on the platform, the better it is for every customer. The more consumers that are on the platform, the better it is for every service professional on the platform. Therefore, as we keep building up the supply and demand, the product itself gets better.

From a brand perspective, is the focus on the brands for those individual businesses as opposed to IAC?

The individual businesses are the most important brands by far. Each business has its own brand in its category, and in many categories, we have multiple brands.

In a category we believe in, we will acquire multiple brands because that doubles down on the macro bet.

Individual brands in these categories are critically important. I don't think that one megabrand can serve all of a consumer's needs.

Has it been challenging to build a strong awareness of the firm's value in the financial community?

We have to be consistent. This doesn't mean we are unable to change direction – it means being able to deliver a consistent message. We have started to tell the fundamental story of IAC and tell that repeatedly and consistently. Eventually, people will start telling it back to us.

The good news is, we can be patient on this.

How important is it that the diversity of your customer base is mirrored within your workforce?

Diversity and inclusion are huge for us. If we don't have an employee base that is as diverse as our customer base, then we're not going to understand the needs of our customers.

One of the very central components of IAC is that we challenge each other and ourselves. Everyone is open to being challenged here. We encourage this and there is much more diversity in how people challenge each other if they come from different backgrounds. People who come from the same background think similarly.

We've gotten better at this over time and continue to improve. The last four CEOs we've appointed are women, and probably close to half of the CEOs across the IAC portfolio companies are women. This is an area where we've made a huge amount of progress. Where we still need to make progress is in representing more minorities and people of color, and we're working on that.

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Will you discuss the commitment the company has to corporate responsibility and community engagement?

This is something that our workforce demands, and we see this more so with millennials. As a company, we need to be very conscious of our social responsibility, and each of our businesses approaches that differently.

Another big component of IAC is that all of the businesses operate autonomously. They all have their own unique cultures and carry out their own activities separately. We don't have the same vacation policy across all of IAC and we don't have the same corporate responsibility policy. What matters to HomeAdvisor are issues in Denver and the way that they contribute to that city. Helping new service professionals get business is their approach. Match's approach in Dallas or many other cities is going to be totally different from that.

Each focus will be unique across the IAC businesses, but all of our businesses believe in contributing positively to their communities and will do that forever.

Some more modern brands have fixed a social giving component through their business model, like selling a pair of glasses and giving a pair away, for instance. One can either build this into their brand from scratch or not but, in some cases, it doesn't make sense to add those things on to the brand because it seems forced. We do matching gifts for our employees. Different employees within IAC have different causes that matter to them. We presume that anybody who is giving to something that matters to them has done the work to understand why it's important and why it contributes positively. When people make donations, we match those donations up to $15,000, which is a much higher ceiling than what you'll see at most companies. We also give employees paid time off to volunteer at the charitable organization of their choice.

IAC and its brands are known to be centered around innovation, but is the future more centered on being a disruptor?

We have to disrupt to innovate. Creative disruption is a healthy thing for everybody, even for the incumbents who are being disrupted. It forces them to innovate more.

We have never set out in our business to destroy a certain industry. We set out to positively impact an industry and positively impact the consumer experience, and make things better, easier, faster, and cheaper. If we succeed in that, sometimes the incumbent is disrupted or destroyed or negatively impacted, but what we have done overall is advance the category meaningfully, and that's what innovation is.

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Looking back to 2003 when you joined the company, did you believe you would have spent this much of your career here?

The reason I have stayed around is because of the company itself and how my role within it has changed dramatically over time. The company has had three different names since I've been here.

I used to have a chart in my office with all the brands of IAC and as the company was changing, I would cross a brand off of that poster. I got rid of the poster at some point because I had crossed everything off of it and there was nothing left.

It's not because we're looking to constantly sell assets – in fact, we very rarely sell assets – but as things evolve, things go off on their own. There have been 10 public companies created out of IAC over the past 10 years. Because we're constantly evolving, these things constantly change, so my job and the companies I work with have changed dramatically, as has my individual role. I have worked in three or four different office buildings for IAC.

What has made your partnership with Barry Diller work so well?

It's really two things: trust and transparency. I trust him completely, he trusts me completely, and we have absolute transparency on what we're doing. There's no daylight between information I know and what Barry knows, and that allows us to work seamlessly together. That can only happen with absolute trust. As soon as there is an inkling of that falling apart, the whole thing falls apart, so we take that component seriously.

I have been a big beneficiary of what we believe in at IAC and our philosophy, which is to give people a chance to test things and make mistakes. If they succeed, they get more responsibility and if they don't, they move on.

We don't have a training program or institutional learning. We have people who are passionate about what they do. We give them opportunities and they find their own opportunities. Those people do very well here and the people who are looking for more institutional advancement do better elsewhere.

Barry believes in giving internal people chances, and that has been great for me. ●