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A Match Made in Heaven

By DYAN MACHAN

Barry Diller has found an apt heir in Greg Blatt, a deal-savvy CEO who is leading IAC/InterActiveCorp's transformation.

Greg Blatt is onstage at an investor conference when he is asked to explain **IAC/InterActiveCorp's** business. Using his hands and speaking at warp speed, he finishes the job in three minutes and 43 seconds.

If that seems long, then you never heard Barry Diller, IAC's founder, chairman, and prior CEO, attempt the same. In the days when he ran the company, prior to 2010, IAC was practically inexplicable.

Back in 2005, the New York-based, Internet-focused conglomerate (ticker: IACI) owned Expedia, Home Shopping Network, Ticketmaster and Lending Tree, a hodgepodge of fast-growing businesses that never quite jelled as a whole. Today those assets are gone: Expedia was spun off in 2005, and the others were jettisoned in 2008. Yet, even streamlined, IAC retains 23 operating businesses and more than 150 Web and media-related brands, all of which garner 5.91 billion page views per month. It's a lot to get your arms around, but then, Blatt, 44, has big arms.



Enlarge Image

Brad Trent for Barron's

Blatt, former head of Match.com, has overseen much of IAC's transformation.

could new businesses not yet born or acquired. "That's the nature of it," says Blatt. "We've got two businesses that are enduring. We have a whole bunch of other bets."

Wall Street has bought in, largely because of the company's financial performance. Under Blatt, operating profit margins expanded to 15% in 2011 from 11.6% in 2010. Revenue has grown by more than 20% per quarter since he became CEO in December 2010. In addition, the company has bought back \$941 million of shares.

IAC shares have been among the best performers in the Internet group for the past three years, more than tripling, to a recent \$53. This year they're up 26% besting the broader market's 16% advance. The company boasts a stock-market value of \$4.4 billion, and sells for

Viewed another way, if IAC had started out as a single woman, she would have had 15 major partners, 42 marriages, 15 children, and at least a couple of divorces. In 1986 her name was Silver King Communications, which then became HSN, and later, USA Networks. With more hookups, she became USA Interactive and InterActiveCorp, before settling into IAC/InterActiveCorp, or IAC for short.

Blatt, a lawyer who cut his teeth in mergers and acquisitions, is an apt heir to Diller, 70, who built a legendary and lucrative career by creating and rearranging companies. In nearly two years as CEO, Blatt has completed nine deals of his own, costing \$700 million. He also was closely involved in the company's transformational spinoffs in 2008.

THE WHEELING AND DEALING that defined IAC might well continue, although Blatt predicts that the company's two main businesses—online dating and Internet search—are here to stay. IAC dominates the former through Match.com and 30 other dating sites, and offers search services through Ask.com and dozens of apps. Combined, these businesses accounted for roughly 75% of the company's \$2 billion in revenue in 2011, and the bulk of its \$174 million in earnings.

IAC's two other businesses are "local"—comprising City-Search, HomeAdvisor, and other consumer-services-oriented Websites—and media—including Newsweek/Daily Beast and a new e-publishing venture, Brightline. Some of the businesses in development, such as Vimeo, a video-sharing service, could become future pillars, as

BLATT BEARS A PASSING PHYSICAL resemblance to actor Steve Carell, of *The Office* fame, and can seem like Carell playing a hard-charging Web executive—without the smug incompetence, of course. On stage, he gestures with both hands, and cringes with a half-smile when a questioner turns obsequious. Offstage, he refers to a reporter's interview as water-boarding.

He can be playful, having earned his stripes and the trust of the notoriously demanding Diller, as well as, earlier in his career, Martha Stewart, another world-class perfectionist. Back at IAC's headquarters, he shows off his spaceship-worthy chair, demonstrating how it reclines for sleeping in the office, something he did quite a few times in his fast-rising career.

IAC's office building on Manhattan's 11th Avenue is a Frank Gehry structure that looks like a frosted-glass sailboat seen through a kaleidoscope. Blatt's office is dominated by a large white conference table and flat-screen monitor for teleconferencing, which the CEO uses often. Every IAC business head outside of headquarters makes video appearances on the screen, and sometimes raging debates occur while Blatt's 17-year-old dog Thelma sleeps at his feet. "He honestly wants to be challenged," says Mandy Ginsberg, president of Match.com.

Blatt is in contact with his executives all day long. "There is a fair amount of strategic integration," he says. "It's not just, 'Are you hitting your numbers?'"

In recent years, Blatt has immersed himself in the details of both Match.com and IAC's search units, both big cash generators. At Match, revenue was flat before he jazzed up the site, boldly introducing a reality-based ad campaign made without an agency. He also acquired OKCupid, Yahoo's dating site, Paris-based Meetic, and a minority share in a leading Chinese dating site. Since 2009, IAC's online-dating subscribers have doubled. But there has been no marriage for bachelor Blatt, who claims to have used Match.com himself. "Even Match.com can't work miracles," he says with a laugh.

On the search side, IAC conducted a "strategic rethink" in the past two years. Instead of continuing to compete against **Google** (GOOG), a strategy that had failed, Blatt refocused the team on what it could do—provide a question-and-answer service for distribution on the Web. This led to the acquisition in August of About.com from the **New York Times** (NYT), which added more encyclopedic content. The search and application business grew 46% in the 12 months ended June, although Blatt readily admits that pace isn't sustainable.

SOME OF IAC'S PRACTICES have engendered criticism. The company's Smiley Central and other apps in its Mindspark unit are marketed to young people, and are available only when users download a toolbar. "Users end up with toolbars they didn't want, didn't ask for, and didn't fairly agree to install," says Benjamin Edelman, an associate professor at Harvard Business School who studies online advertising. Blatt doesn't see this as a problem, and considers the toolbar an unobtrusive way to generate advertising dollars, since users can ignore the search function at will. "There are no tricks," he says.

Increasingly, people are getting more content from smartphones and less from desktop online searches. This has huge ramifications for IAC and other players across the digital landscape. Advertising is trickier on hand-held devices, and the engineering required to support applications for myriad devices is costly.

Half of Match.com subscribers, for instance, sign on to the site with a mobile device. But there no longer is a Match.com iPhone app. IAC pulled it because Apple wanted to control Match.com's customer experience. "At the time, they weren't flexible," says Blatt, who adds that he hopes Apple will develop "more dynamic pricing."



Apple received 30% of Match.com revenue generated through an iPhone app, a proportion Blatt calls egregious compared with the 2% to 3% retailers pay to credit-card companies on the Internet. Match.com switched to an HTML5 application—a universal standard for showing Web content developed to work on all operating systems. "We didn't take a hit," says Blatt, as customers found the HTML5 experience virtually indistinguishable from Apple. "HTML5 is the great democratizer."

Blatt grew up in the Boston suburb of Weston, Mass., and describes his father, a retired management consultant and exporter, as a mad genius who has an opinion on

everything, whether people want to hear it or not. His mom was a therapist. He was a relatively unfocused kid. "My initial ambitions were for leisure," he says.

After graduating from Colgate University in 1990 with a degree in literature, Blatt lived in a tent in Telluride, Colo., painted houses, and tended bar. He was a superlative bartender. "If I could be as good at this job as I was at that job, I will do well," he says.

When that life grew stale, he applied to law school, as he loved reading and analyzing, and wrote well. Columbia Law School gave him "athletic training for the brain," he says, but it was nothing compared with his early years as a law associate at the New York firm sleeping on his office floor.

"I hated it," says Blatt, although he thinks everyone should spend two years in a place like Wachtell, "where you are sleep-deprived and drilled in the basics of critical thinking and hard work."

Once you leave, everything else seems easy. "People say I have this incredible worth ethic," Blatt says. "It feels like a dream compared to that."

AT WACHTELL, BLATT REPRESENTED Martha Stewart, who was in the process of separating her magazine from Time Inc. At a meeting, the media giant's senior lawyer, insulted that he had to deal with a first-year associate, refused to speak to him. "I thought it was kind of funny," Blatt says.

Eventually he gained the trust of that lawyer—"we're good buddies," he claims—as well as Martha Stewart, who tapped Blatt as her legal advisor when she took her company, **Martha Stewart Living Omnimedia** (MSO), public.

Blatt was general counsel at the company in 2002, when the ImClone scandal broke; Stewart was accused of benefitting personally from inside information related to the biotech concern. "It was personally awful and professionally fascinating," he says.

In 2004, the same year Stewart went to prison, Blatt learned that a former Wachtell colleague had recommended him for the general counsel's job at IAC. Leaving Stewart was a hard decision, but at age 36, Blatt says he knew he had a bright future and couldn't remain in "a dented business."

Blatt quickly became part of IAC's inner management circle, and Diller would call on him, as a member of the office of the chairman, to oversee various tasks. "Diller openly admits he's not a hands-on manager," Blatt says.

"Like any good combination, our weaknesses and our strengths are fairly opposite," Diller says.

When growth fell off at Match.com in 2009, Diller asked Blatt to move to Dallas and take charge as CEO. After completing the turnaround, he was summoned back to New York and named IAC's chief executive. "It was overwhelmingly clear he'd be a star executive," says Diller.

Even today, people refer to IAC as "Barry Diller's company." Does that bother its CEO? "No, because it is," says Blatt, explaining that Diller not only founded it but controls it with voting stock, and remains intimately involved. "I have an ego, but it's not implicated here," he says.

Blatt and Diller butt heads a lot, but Blatt says there has never been a material situation in which they didn't reach a consensus. "We are both strong-willed and competitive and are trying to get to the same goal," he says.

So far, so good. Blatt knocks on wood and smiles.

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