

Transcript of interview with Yann Blandy, President and CEO, Intellecta AB

Marcus Koos – Isbit Games AB (00.08-01.45)

The customer was Björn Borg who came to us with their lead agency Garbergs. The brief was really that they wanted to do something in the gaming area cause they'd heard that games is a really popular media to work with. They didn't really know what to do with it, the only thing they knew was that "First Person Shooter" was a popular genre and they wanted to do something different with that genre. Björn Borg as a company has a motto that says "Take an active stand for love" so that was a perfect perspective for us to do something different. We created a game where you shoot people with love, we created this atmosphere of; there's love everywhere, you can actually use love as an energy to convert people into very loveful persons. So in the game you shoot the clothes off the persons that are very hateful and have a hate aura around them, you shoot off their clothes so they get naked and then with your love glove in the game you actually put Björn Borg clothes on them and they become very happy and wonderful people. Just half a day from when we launched, the most famous person on YouTube, PewDiePie, actually made a video and at that point we knew it was going to be a success really. Björn Borg are super happy of course, this is way over their expectations. I think we have over 14 million YouTube views right now and a total play time, that people have played the game is now 11 years in total play time so it's a lot of brand recognition for Björn Borg.

David Grossman – Intellecta AB

Yann Blandy – Intellecta AB (01.48-05.37)

– *Fun game Yann, have you tried it yourself?*

– Yes, but I keep loosing before I get to the bear.

– *I see. Ok, so games, that was the first of the Intellecta Group and you actually started a game studio this year, why?*

– That's correct, we started Isbit Games. As an industry gaming is bigger than Hollywood. Games have also been a part of River's DNA from the beginning. In addition to that we have noticed how games for marketing are becoming an increasing part of our customers' communication mix. So for us, starting a gaming company was a natural extension.

– *Ok, let's go in to some hard facts then, was closing 2014 as fun as playing games?*

– Well, 2014 is a year during which Intellecta raised its game. Following the acquisition of Blink we've created a platform that allows us to deliver on our strategic agenda and our long-term financial goals. During the year, we as well developed our offering and improved cross selling.

– *We'll come back later to the strategic parts but before 2014 you promised to increase earnings and revenues, have you fulfilled that?*

– Well, if I look at 2014 as a whole we increased our revenue with close to 50% to 393 million SEK. We increased our agency income with close to 68% to 291 million SEK and we increased our EBIT with close to 20 million SEK before one off items.

– *But it's only 1.6 million in profit, are you satisfied with that?*

– Of course I'm not satisfied with that and it is true that it's only 1.6 million but it is significantly better than 2013. Besides I can note that business area Digital has over performed the financial goals that we had communicated.

– *Why is it so important to increase the incomes on the digital side of the business?*

- Well there are two obvious reasons. Number one is that most of the marketing investments are nowadays moving towards digital and number two; the average profit and revenue growth in digital is higher than the industry as a whole.
- *For how long can you have these higher margins on the digital side, I mean you have competitors?*
- As long as we continue developing our offering and as long as we continue recruiting talented individuals, I believe we can maintain that momentum.
- *So, digital is growing, what about the strategic communication area? You didn't show very good earnings on that side this year, why?*
- It's true that 2014 was not a good year for strategy communication in terms of revenue and profit but it all boils down to the strong under performance of one agency. When I look at the other companies, they have actually been on par or slightly better than 2013. Besides we've taken actions and we have completed the restructuring of strategy communication.
- *Ok, that brings us to the targets of those actions. Can you tell us a little bit about your customer base?*
- Today Intellecta serves close to 550 customers in 12 markets globally. Among global brands that we serve we have Nike, Egmont, Pfizer. Among local brands I can think of the city of Copenhagen, or the Swedish election authorities. Among our top 30 customers close to 10 customers are a result of cross collaboration between different agencies and those customers, top 30, have close to 57% of their revenue outside of Sweden while for Intellecta as a whole only one third of our revenues are outside of Sweden.
- *We'll talk more about that later but you mentioned Nike, what have you done for them?*
- Well, Nike is a globally respected brand. Nike has been a customer of River for a number of years now and Nike is also one of the primary reasons as to why we've opened an office in Amsterdam.

Richard Teroni – River (05.38-06.23)

The reason we started in Amsterdam is; we want to be present. As soon as we are at the EHQ, the European head office, we get new business. So this is really, really important for us, it's a big step. We do a lot of stuff for Nike, from online media to building content for the website nike.com to pan-European EVCs and so on. The relationship between River and Nike is as complex as the account, we have 35-40 different stake holders or contact points but the most important thing I would say is the DNA. Nike immediately feels if you don't have it in you, but we do.

David Grossman – Intellecta AB

Yann Blandy – Intellecta AB (06.23-09.47)

- *Ok, interesting. You talk a lot about markets, digital transformation, I even heard you call it an earthquake; can you elaborate a little on that?*
- The pace of digital transformation is significant. Think of one of the world's largest taxi companies, UBER, it doesn't own a car. Think of one of the world's largest retailing companies, Ali Baba, it doesn't own a store. Those companies are carving out entirely new markets and taking over existing ones.
- *And where would you say the epicenter of this earthquake is?*
- Well there are really two epicenters, one is geographic – China and the Silicon Valley and the other one is at the crossroads of three types of creativity where creativity is defined as; strong communication concept or creativity is defined as the digital customer journey or creativity is defined as innovation and service designs. Companies who are well positioned in those geographies and at the crossroads of those three creativities will be performing very well down the road.
- *And how does this effect the need and demands of your clients?*

– Well they really expect four things from companies like Intellecta. The first thing they expect is full service, meaning that we should be able to go from strategy to implementation. Then they expect us to be math men i.e. to show return on investment, measurability in everything we do. They also expect us to be madmen, that means that we should show a lot of creativity and innovation in what we deliver and finally they expect us to understand the new four p's of marketing where digital, mobile and social are at the core of everything we do.

– *And how would you say Intellecta Group is positioning itself in this very fast moving landscape?*

– In 2013 we revised our vision, our vision is: we offer our customers and our people the strength of our network combined with the edge of our agencies. In 2014 we did a number of things to live up to that vision; we acquired two companies, we merged two companies, we started two new companies and finally three of our agencies followed their customers to new markets.

– *You talk about acquiring companies and Blink Reaction in the United States was one of those companies, why did you buy that company?*

– Well, Blink was about a 120 employees and 10,5 million dollars in revenues in 2014, brings to the table a number of very strong brands as customers; General Electric, Pfizer, Johnson & Johnson among others. In addition to this, by combining Blink and ProPeople and Bystedt we're actually able to create an entity which is going to be one of the world leaders as far as open source content management system consulting is concerned.

– *And having done all that what is the next step for the Intellecta Group?*

– Well, following the divestment of Infolog in 2013 we said that our transformation would follow five milestones. We've delivered on the first three and we're working very hard to deliver on the remaining two.

– *And the priority for the moment is?*

– It's milestone number four and milestone number four says that we should have close to 500 million SEK in revenues on a run rate basis from the second half of 2015. With the current portfolio of businesses that we have I believe that we can deliver on that milestone. One of the key factors in order to reach those revenues is also increasing cross selling and last year we did a project for the Swedish election authority which is an extremely good example of what cross selling can achieve.

Tomas Bäcklund – Intellecta Corporate (09.49-10.26)

When we received the tender from the election authorities we realized that this was a huge project, it required a wide selection of expertise and competencies. So we looked into the Intellecta Group and found it in Unreel and Intellecta Corporate. And from the election authorities perspective it's very handy to have one point of contact, a dedicated team with all the competencies needed to fulfill the assignment. The target group for this project is everyone above 18 years of age, the general voting public. The election authorities mission is not to encourage people to go voting but to inform them how and where and when.

Mats Karsvall – Unreel (10.27-10.49)

We developed a motion media concept called "Temporary interruption". The idea behind this concept was to take a normal situation and then change the ending to surprise the viewer. All in all we produced three films for the European election and three films for the Swedish elections.

Tomas Bäcklund – Intellecta Corporate (10.49-11.05)

There are two things that I'm really proud of with this and the first one would be that we used an entirely new content for the videos. The second one would be the fact that we used digital channels and social media as a way to communicate to an entirely new target group.

David Grossman – Intellecta AB

Yann Blandy – Intellecta AB (11.06-12.03)

– *So, elections are held every fourth year but you have to do an annual report every year. What are your goals for 2015 then?*

– In terms of revenues for next year we are going to get very close to 500 million SEK. In terms of revenue mix we are going to have close to 60% of our agency income coming from business area digital. We want close to 80% of our revenues to be made of agency incomes and we want close to 50 % of our revenues to come from international markets.

– *But you didn't mention anything about the profitability.*

– Well in terms of EBIT, towards the end of 2015, we would like our EBIT-margin on agency income to be close to 10%.

– *And can you guarantee that?*

– In this day and age there is not much that you can actually guarantee. However, I can guarantee that we will work very hard to deliver on milestone number four and five. And really, 2015 is again about raising our game.