



HOULIHAN LOKEY

Language Services

INDUSTRY UPDATE | SUMMER 2022



Houlihan Lokey Language Services Update

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Language Services Industry Update for summer 2022.

We have included prevalent sector trends, transaction announcements, a public markets overview, and industry insights to help you stay ahead in our dynamic and constantly evolving industry.

We hope you find this update to be informative and that it serves as a valuable resource in staying abreast of the market. If there is additional content you would find useful for future updates, please don't hesitate to call or email us with your suggestions.

We look forward to staying in touch with you.

Regards,



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Industry Subsectors Covered




Translation and Transcription

Interpretation




Localisation and Transcreation

Subtitling and Dubbing



Technology





Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

Market Leader Across Sectors and Geographies

2021 Investment Banking Rankings All Global Transactions		
	Advisor	Deals
1	Houlihan Lokey	549
2	Goldman Sachs & Co	511
3	JP Morgan	508
4	Rothschild & Co	437
5	Morgan Stanley	393

Source: Refinitiv. Excludes accounting firms and brokers.

2021 Investment Banking Rankings All Global Technology Transactions		
	Advisor	Deals
1	Houlihan Lokey	124
2	Goldman Sachs	114
3	JP Morgan	91
4	Morgan Stanley	87
5	William Blair	67

Source: Refinitiv. Excludes accounting firms and brokers.

2021 M&A Advisory Rankings All Global Business Services Transactions		
	Advisor	Deals
1	Houlihan Lokey	80
2	PricewaterhouseCoopers	65
3	KPMG	60
4	K3 Capital Group PLC	45
5	Deloitte	43

Source: Refinitiv.

EXTENDED GLOBAL REACH WITH MORE THAN 1,000 CORPORATE FINANCE BANKERS ACROSS ALL MAJOR MARKETS



Houlihan Lokey Transactions in the Language Technology and Services Sector

<p>DA Languages Translation & Interpreting Services</p> <p>a portfolio company of</p> <p>Foresight FOR A SMARTER FUTURE</p> <p>has been acquired by</p> <p>IK Partners</p> <p>Sellside Advisor*</p>	<p>MultiLing</p> <p>has been acquired by</p> <p>Questel</p> <p>a portfolio company of</p> <p>IK Partners</p> <p>Sellside Advisor</p>	<p>MORNINGSIDE</p> <p>has been acquired by</p> <p>Questel</p> <p>a portfolio company of</p> <p>Investment Partners</p> <p>EURAZEO</p> <p>Sellside Advisor</p>	<p>Phoenix Equity Partners</p> <p>has invested in</p> <p>UNIVERSALLY SPEAKING</p> <p>Buyside Advisor*</p>	<p>languageselect[™] A Full-Service Language Solutions Company</p> <p>has been acquired by</p> <p>ULG</p> <p>a portfolio company of</p> <p>Northern Pacific Group</p> <p>Sellside Advisor</p>	<p>TRANSPERFECT</p> <p>Strategic alternatives analysis for the court-appointed custodian of TransPerfect</p> <p>Financial Advisor</p>
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* Acquired firm transactions.

Tombstones included herein represent transactions closed from 2016 forward.

Overview

The language services market is highly fragmented across a range of service models, each driven by a variety of demand drivers and applications across multiple verticals.

- The industry is worth an estimated \$60 billion with a projected CAGR of 6.2% to 2025 as language and cultural differences remain a key point of friction for companies seeking to scale globally.
- A vast market with robust long-term tail winds and a high level of fragmentation creates a highly attractive market for M&A—the top 100 players only account for approximately 15% market share.

Language Services Segments

Core Service Areas



Translation and Transcription services are typically utilised across most verticals, with the highest value often attributed to regulated industries in which a meaningful proportion of the underlying content must adhere to specific compliance, quality, accuracy, and timing requirements.



Interpretation is most commonly consumed by public sector organisations, including healthcare, local government, and law enforcement, although adoption across the private sector is on the rise.



Localisation and Transcreation are largely provided to the media and marketing sectors with the aim of delivering effective communication of a single message into multiple foreign markets while retaining its intended impact.



Dubbing and Subtitling, in a language services provider context, relate to those utilised in the translation of audio, largely into the gaming and entertainment industry, whereby the original speech or dialogue is replaced with localised spoken audio or written text.

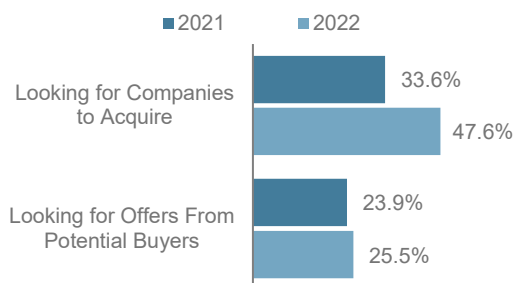
Enabler



Technology has become a prevalent theme across B2B language services, with machine translation (MT) and translation memory (TM) expediting delivery at the cost of commoditising certain subsectors. Other technologies have facilitated increasingly flexible, efficient, and superior remote delivery capabilities that have been particularly stress tested during COVID-19.

A Snapshot of Current Themes in the Sector

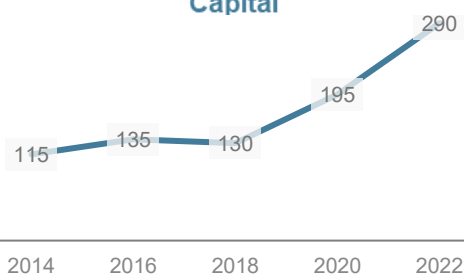
LSPs Increasingly Looking for M&A



Increasing Prevalence of M&A Is Resulting in the Emergence of LSP “Super Agencies”

- The fragmented nature of the industry has created an active M&A environment with a combination of service expansion, access to technology, scale up, and internationalisation.
- Recent data guides to a larger number of suitors in addition to a growing pool of businesses seeking exits.
- A multidiscipline and multivertical “Super Agency” cohort (\$200+ million LSP revenues)⁽¹⁾ is emerging through consolidation.

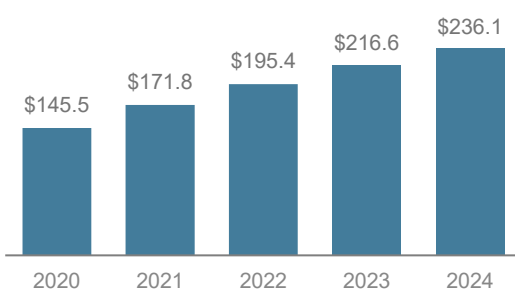
No. of Global Mid-Cap Funds Raising Capital



Increased PE Attention Is Driving Competition and Pricing

- The mid-cap space is significantly congested with funds either in market or due to come to market in the near future.
- Businesses with scalable and defensible technologies, resilient and sustainable value propositions, high revenue visibility, and bolt-on opportunities drive investor appetite.
- Investors are increasingly evaluating the LSP market due to its attractive characteristics; competition for quality assets is driving premium pricing opportunities for shareholders.

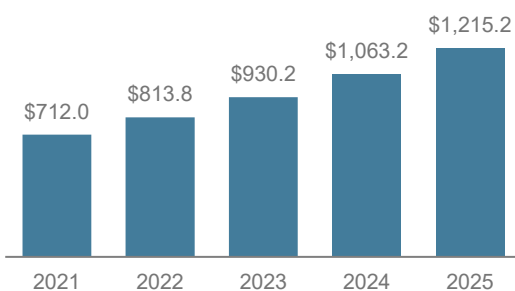
Global OTT Video Revenue (\$bn)



Streaming Volume Continues to Drive Demand for Localisation Talent

- The continued proliferation of streaming content globally is serving up the busiest period yet for localisation players.
- The increasing volume of non-English content is expected to create further talent constraints for into-English projects.
- Firms are revisiting their operational practices, remuneration policies, and technology to navigate the strain.

Global Machine Translation Market (\$m)



LSPs Are Continuing to Embrace Technology

- Proprietary TMS/IMS workflow automation platforms and investment in AI are paramount to client acquisition and retention and creating operating leverage with scale.
- Greater discussions are taking place around how MT and TM strategies are applied, whether purist or with human interaction, across different verticals.
- There has been a proliferation of TI and VRI usage, particularly during the COVID-19 pandemic, with remote delivery largely expected to remain.

(1) Language Service Provider Index.

Sources: Slatior, Prequin, Broadband Communities, Nimdzi, industry research.

Spotlight: Interpretation

An Evolving LSP Segment With Significant Opportunity Ahead

Predominantly a public sector-oriented service, interpretation is increasingly being adopted by the private sector. The most disruptive providers will have full-channel capabilities, supported by technology, to meet the diverse needs of disparate end users.



On-Site
Interpreting



Telephone
Interpreting



Video Remote
Interpreting



Sign Language
and VRS

Regulation

- Regulation is growing to guarantee every citizen equal rights to access information and support from public sector services in their native languages.
- This extends to the hearing impaired, with sign language increasingly likely to be enshrined in such regulations, as is already the case in certain countries.

Professional Procurement

- Traditional practices of handling ad hoc interpretation in-house or through non-LSP professionals are becoming increasingly prohibited as public health organisations and local authorities seek to mitigate the risk of misinterpretation and associated consequences.
- Professional procurement frameworks have gained importance, with vetted lists of private sector providers opening growth opportunities for LSPs.

Channel Mix Optionality

- The COVID-19 pandemic drove rapid deployment and adoption of telephone and video remote interpreting, which had otherwise remained secondary to in-person solutions.
- There will be greater use cases for clients to demand optionality across on-site and remote channels going forward, meaning those LSPs with strong capabilities in each area stand a greater chance of success in securing the most attractive contracts.

Private Sector Adoption

- While interpretation demand has traditionally been dominated by the public sector, backlogs in the health and judicial system have created overflow demand in private sector settings.
- Corporates are increasingly pursuing equal access initiatives, in some cases mandated by industry regulators, to ensure a level playing field for customers considered vulnerable, which extends to those with hearing impairment or who have an alternative native language.

Linguist Network

- Naturally, managing a broad pool of engaged linguists is key to effective service fulfilment, and unlike in translation, the role of AI is much more challenging in replacing real-time human performance in potentially error-sensitive situations or where less common dialects are required.
- However, several companies have emerged with novel solutions leveraging speech recognition technology, although it is too early to assess the potential for this to disrupt current practices.

Case Study: DA Languages

DA Languages Undertakes Secondary Buyout With IK Partners (December 2021)

IK Partners (IK) is pleased to announce that the IK Small Cap III Fund has acquired DA Languages Ltd. (DAL) from Foresight Group (Foresight).



DA Languages Profile

- DAL is one of the fastest-growing language services providers in the UK, offering critical services to organisations communicating with non-English speakers.
- With a network of more than 8,000 mother-tongue interpreters and translators, over 450 languages and dialects are provided, including sign language, enabling better outcomes for all stakeholders.
- Promoting inclusivity and equality is at the heart of DAL's operations, ensuring that language barriers are removed in critical situations, particularly in healthcare and legal settings.
- In the past three years, DAL had strengthened its management team, substantially grown its employee base, and developed a diverse client base of NHS trusts, charities, councils, and corporates while also investing significantly in technology, enabling the provision of proprietary VRI and TI solutions.

IK Partners Profile

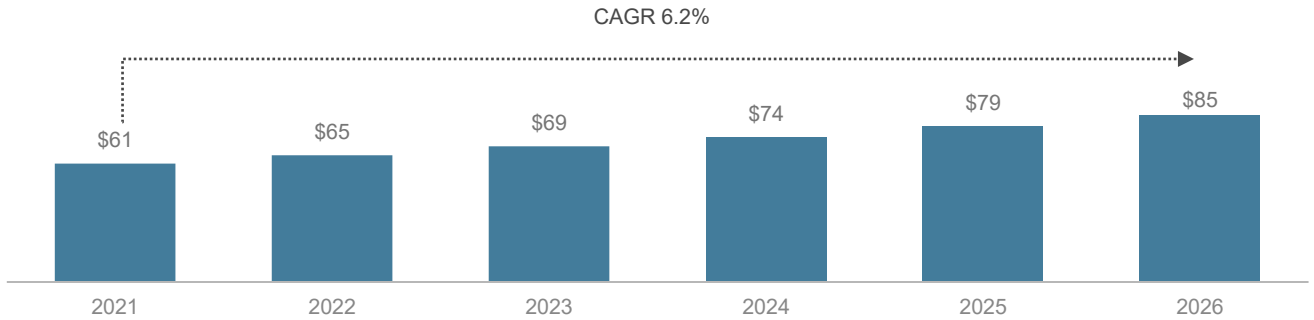
- IK is a European private equity firm focused on investments in France and the UK as well as the Benelux, DACH, and Nordic regions.
- Since 1989, IK has raised more than €14 billion of capital and invested in more than 155 European companies, supporting those with strong underlying potential and partnering with management teams and investors to create robust, well-positioned businesses with excellent long-term prospects.

Transaction Overview

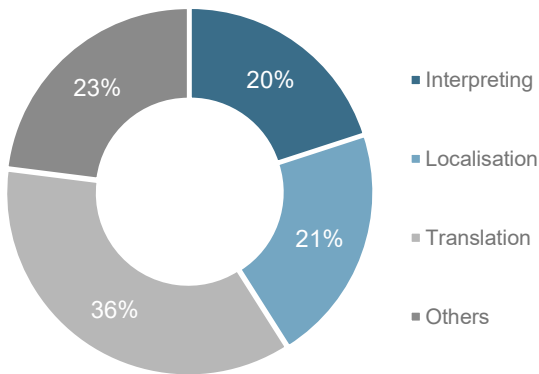
- IK acquired DAL from Foresight, a leading listed infrastructure and private equity investment manager, which invested into DAL from its UK regional investment fund in May 2018.
- This was the outcome of a highly competitive auction involving a focused and tightly controlled group of motivated middle-market private equity and global strategic acquirers competing to enhance transaction deliverability and execution timing.
- IK will work alongside the team to continue scaling DAL both organically and through add-on acquisitions, with a particular focus on investing further in DAL's differentiated technology offering to broaden the client base across the public and private sectors and expand its range of services.

Relevant Language Services Sector Data

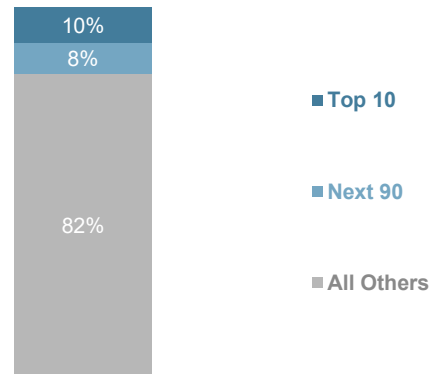
LSP Market Size (\$bn)



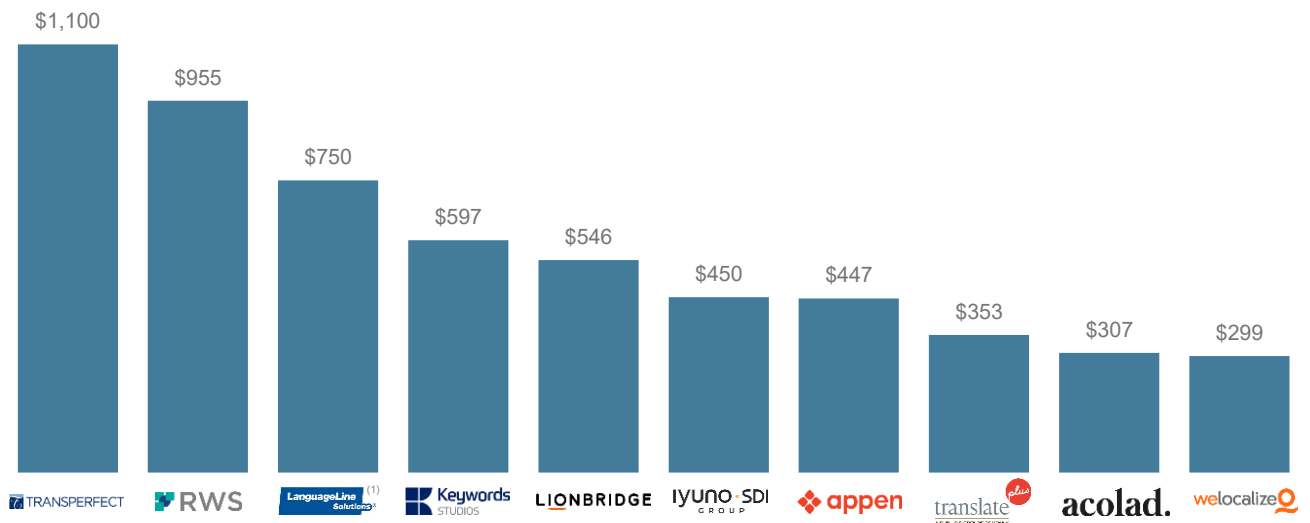
LSP Revenue Breakdown (2021)



Market Fragmentation (2021)



Top 10 Breakdown by 2021 Revenue (\$m)



Sources: CSA Research, Nimidzi 100 Ranking 2021, company filings.

(1) LanguageLine Solutions is now part of Teleperformance.

Public Comparables

A Broad Peer Group With Diversified Language Services Capabilities and Models...

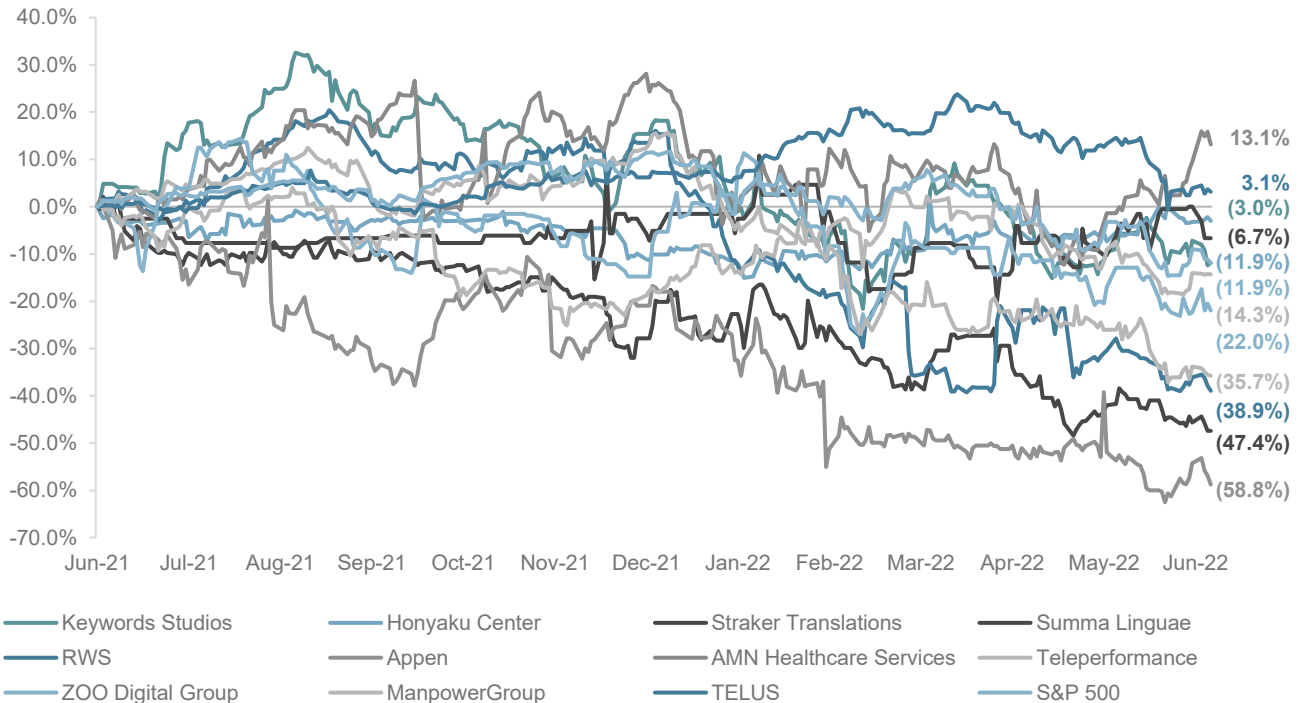
Diversified LSP Publicly Traded Companies

(\$ in millions, except per-share prices)
As of 30/06/22

Company Name	Stock Price	% of 52-Week High	Equity Value	Total Enterprise Value	LTM					TEV/			
					Revenue	Gross Margin	EBITDA	EBITDA Margin	FCF Conversion ⁽¹⁾	Net Debt	Debt/EBITDA	LTM EBITDA	NFY EBITDA
<i>Language Service Provider (LSP) - Diversified</i>													
Appen Ltd.	3.87	86.3%	477.1	446.1	447.3	23.9%	73.6	16.5%	98.2%	(32.8)	0.2x	6.1x	6.0x
Keywords Studios PLC	26.66	65.2%	2,042.6	2,092.0	582.5	35.0%	95.2	16.3%	76.9%	(77.3)	0.5x	22.0x	16.7x
RWS Holdings PLC	4.18	50.5%	1,628.6	1,641.3	953.5	45.6%	183.2	19.2%	98.6%	13.3	0.7x	9.0x	7.9x
Straker Translations Ltd.	0.70	51.4%	47.6	39.2	38.8	54.3%	(2.9)	(7.4%)	N/M	(9.2)	N/M	NM	21.0x
Honyaku Center Inc.	11.04	94.1%	36.8	8.1	85.1	47.5%	7.0	8.2%	100.0%	(32.1)	N/M	1.2x	NM
Summa Linguae S.A.	4.05	79.1%	36.1	36.4	23.7	52.1%	1.3	5.4%	91.4%	0.2	1.8x	28.2x	NM
ZOO Digital Group PLC	1.25	66.9%	110.3	113.8	70.4	31.4%	3.7	5.3%	(17.9%)	3.2	2.5x	30.7x	15.4x
ManpowerGroup Inc.	76.41	61.7%	4,029.9	4,327.2	20,943.3	16.9%	734.7	3.5%	90.3%	286.6	1.4x	5.9x	5.3x
AMN Healthcare Services, Inc.	109.71	85.0%	4,906.0	5,635.1	4,650.8	32.6%	693.0	14.9%	92.0%	729.1	1.2x	8.1x	7.2x
Teleperformance SE	306.61	72.9%	18,009.3	20,796.2	8,091.7	30.3%	1,315.7	16.3%	79.9%	3,032.0	3.0x	15.8x	11.9x
TELUS Corp.	22.26	82.7%	30,735.5	47,615.9	13,674.4	35.8%	3,849.5	28.2%	30.1%	16,636.5	4.5x	12.4x	9.3x
Median					\$582.5	35.0%	\$95.2	14.9%	90.9%	\$3.2	1.4x	10.7x	9.3x
Mean					\$4,505.6	36.9%	\$632.2	11.5%	74.0%	\$1,868.1	1.8x	13.9x	11.2x

(1) FCF Conversion defined as (EBITDA - capex) / EBITDA. For companies whose LTM capex is unavailable for the most recent quarter, FCF conversion is calculated using LTM figures as of the prior quarter.

...and Therefore Varied 12-Month Indexed Stock Price Performance



Sources: S&P Capital IQ.
Note: All data as of 30 June 2022.

Recent M&A Transactions

Announced Date	Acquirer	Target	Target Description	Target Sector	Transaction Value (\$m)
May-22	Argo Translation	ICDTranslation	Operates as a comprehensive translation agency providing superior multilingual communications to international industries	Translation	N/A
May-22	Dubbing Brothers	Eurotrol	Provider of dubbing services intended for film, television, and streaming studios	Dubbing	N/A
May-22	Pixelogic Media	Juice Media	Provider of dubbing and audio services, with clients including US studios, streaming platforms, and local content distributors	Dubbing	N/A
May-22	Toppan Digital Language	TranslateMedia	Provider of language services and technology including transcreation for global brands, website translation, and multilingual copywriting services	Translation / Interpretation / Localisation	N/A
Apr-22	SeproTec	Technik-Sprachendienst GmbH (tsd)	Provider of language services such as translation, alignment, interpreting, desktop publishing, post-editing for machine translations, transcreation, and voice-overs	Translation / Interpretation / Localisation	N/A
Apr-22	PARC Partners	Transifex	Provider of translation and localisation management platform that offers localisation automation, workflow and progress management, and translation solutions	Translation	N/A
Apr-22	Big Language Solutions	Lawlinguists	Provider of legal language translation services	Translation	N/A
Mar-22	Boostlingo	VoiceBoxer	Provides simultaneous interpretation delivery platform that offers remote simultaneous interpretation solutions for meetings, conferences, and webinars	Interpretation	N/A
Mar-22	Boostlingo	Interpreter Intelligence	Operates as a software company that provides platform for interpreter service delivery and backend business management	Interpretation	N/A
Mar-22	Acolad	Ubiquis	Provider of translation and interpreting services in addition to audio-visual transcription services	Translation	N/A
Mar-22	LanguageWire	Agency Walker Services (AWS)	Operates as a boutique LSP based in France, principally focused on translating technical manuals, marketing brochures, and corporate documents	Translation / Interpretation / Localisation	N/A
Mar-22	Lionbridge Games	mouse-power	Operates as a full-service video games voiceover and localisation studio based in Germany	Dubbing	N/A
Mar-22	ZOO Digital	WhatSub Pro	Provides language services including subtitling, dubbing, quality control, and media services for movies, dramas, documentaries, as well as for video game customers	Dubbing	N/A
Mar-22	Blue Cap AG	Transline Gruppe	Operates as a German translation service provider	Translation	N/A
Mar-22	Verbit	Take Note	Provider of transcription, captioning and note taking services for the market research sector	Transcription	N/A
Feb-22	difuze	SpeakEasyDV	Provider of audio and video description services	Transcription	N/A
Feb-22	3Play Media	Captionmax	Provider of live and recorded captioning, localisation, and audio description services	Transcription	N/A
Jan-22	Apostroph Group	Marco Gehring Communications SA	Operates as a boutique LSP serving Swiss SMEs, retailers, and global conglomerates	Translation	N/A
Jan-22	Straker Translations	IDEST Communication	Operates as a translation agency specialising in the institutional sector and translates into all the official languages of the EU and US	Translation	4.8
Dec-21	Propio Language Services	ARCH Language Network	Operates as a Minnesota-based enterprise language service provider specialising in remote and in-person interpretation	Interpretation	N/A
Dec-21	Propio Language Services	Intelligere	Provider of language solutions, including onsite interpreting, video remote interpreting, telephone interpreting, and document translation services	Translation / Interpretation / Localisation	N/A
Dec-21	t'works	Traductanet	Operates as a linguistic service company specialising in translation, software and website localisation, transcreation, multilingual SEO and content creation	Translation / Interpretation / Localisation	N/A
Dec-21	Unbabel	Lingo24	Operates as an LSP specialising in translating content across multiple formats, from product descriptions and user guides to multilingual websites and software	Translation	N/A
Dec-21	Summa Linguae	Datamundi	Provider of language data for linguistic research institutes and global natural language processing system builders	Translation	N/A
Dec-21	Verbit	Automatic Sync Technologies	Provider of transcription solution and closed captioning services for the education and government sectors	Transcription	N/A
Dec-21	Take 1	Verb8tm	Operates as a Maryland-based transcription and captioning company	Transcription	N/A
Dec-21	IK Partners	DA Languages	Provider of language services specialising in translation and interpreting services	Translation / Interpretation / Localisation	N/A
Nov-21	STAR7	LocalEyes	Operates as an Irish translation and localisation specialist	Translation	28.0
Nov-21	ZOO Digital	ARES Media	Provides Turkish language services including subtitling and dubbing, as well as access and post-production services, for TV shows and movies	Dubbing	N/A
Oct-21	Argos Multilingual	Venga Global	Offers translation, localisation and creative services in over 150 languages	Translation	N/A

Sources: Slator, FactSet, press releases.

Recent M&A Transactions (cont.)

Announced Date	Acquirer	Target	Target Description	Target Sector	Transaction Value (\$m)
Sep-21	Conversis	Zebra Translations	Operates as a translation agency specialising exclusively in medical and pharmaceutical documentation	Translation	N/A
Sep-21	K1 Investment Management	XTRF	Provider of translation management software for language service providers	Translation	N/A
Sep-21	Nazca Capital	Seprotect	Operates as a Spain-based provider of translation and interpreting services focused on industrial property	Translation / Interpretation / Localisation	70.0
Aug-21	Bridgepoint Development Capital	LanguageWire	Provider of language management ecosystem offering translation, SEO translation, copywriting, proofreading, text editing, and desktop publishing services	Translation	236.2
Aug-21	Toppan Digital Language	GlobalLexicon	Operates as a language and translation services company to the market research, analytics, life sciences, healthcare, and financial services sectors	Translation	N/A
Jul-21	TransPerfect	Semantix	Operates as a Nordic-based provider of translation and interpreting services	Translation	100.0
Jul-21	Questel	MultiLing	Global provider of IP language translation and support services, serving the world's most demanding and sophisticated patent filers in over 200 unique language pairs	Translation	N/A
Jul-21	WCG	VeraSci	Provider of e-clinical software, translation services, as well as endpoints and assessments	Translation	N/A
Jul-21	Welocalize	Next Level Globalization	Provider of expert language services such as translation and localisation services for global life sciences companies	Translation	N/A
Jul-21	Argos Multilingual	Chillstore Technologies	Provider of language quality assurance, multilingual testing, and inclusive localisation solutions	Localisation	N/A
Jul-21	Big Language Solutions	Dora Wirth Languages	Provides language solutions such as translation and localisation, interpretation, audio video and ADA compliance	Translation / Interpretation	N/A
Jul-21	RWS	Horn & Uchida	Provides quality intellectual property translations	Translation	3.2
Jul-21	Lionbridge	Rocket Sound	Provider of voice-over and localisation services for the video games industry	Dubbing	N/A
Jun-21	Zoom	Karlsruhe Information Technology Solutions (kites GmbH)	Provider of real-time speech translation systems	Translation	N/A
Jun-21	TransPerfect	Webcertain	Offers digital marketing for global brands, providing a range of digital and translation services in 44 languages	Translation	N/A
Jun-21	BLEND	GM Voices	Provider of professionally recorded voice prompts and voice-overs for automated technologies	Dubbing	N/A
May-21	Wolfestone Group	Pursuit Translations GmbH	Operates as a professional translation agency providing language services to businesses and organisations across Europe and the US	Translation	N/A
May-21	Verbit	VITAC	Provider of captioning products and services such as audio description, subtitles, transcription, Spanish dubbing, and zoom captioning	Transcription	50.0
May-21	German Translation Network (GETraNet),	Lingua-World	Provides translation and interpreting services for companies, public authorities and private clients	Translation / Interpretation	N/A
May-21	Propio Language Services	Vocalink	Provider of document translation and localisation, as well as in-person interpretation	Translation / Interpretation / Localisation	N/A
Apr-21	Big Language Solutions	Language Link	Provider of language services which include a full suite of translation, interpretation, and localisation solutions	Translation / Interpretation / Localisation	N/A
Apr-21	Traductions Serge Bélair Inc.	Anglocom	Operates as a full-service translation company specialising in high-profile corporate communications for various industries	Translation	N/A
Apr-21	AI-Media	EEG	Provider of closed captioning technology and infrastructure in North America	Transcription	N/A
Mar-21	Iyuno	SDI Media	Media localisation provider offering dubbing, subtitling, and media services to content owners, broadcasters and multi-platform distributors	Dubbing	N/A
Mar-21	Questel	Morningside	IP and language services provider specialising in patent translation, foreign filing solutions, and corporate compliance language services	Translation	N/A
Mar-21	Phoenix Equity Partners	Universally Speaking	An end-to-end services provider for the global gaming market with award-winning quality assurance and localisation capabilities	Localisation	N/A
Feb-21	VSI Group	Vox Mundi	Operates as a dubbing, subtitling, and media localisation studio based in Brazil	Dubbing	N/A
Feb-21	t'works	Lexcelera	Operates as a language services company offering communication, web and digital, multilingual content, multimedia, and support solutions	Translation / Interpretation / Localisation	N/A
Jan-21	Straker	Lingotek	Provider of translation management system, translation connectors, and translation services	Translation	9.6
Jan-21	Deluxe	Sundog Media Toolkit	Provides mastering and versioning services for theatrical, television, and OTT content	Transcription	N/A

Sources: Slatior, FactSet, press releases.

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