



Houlihan Lokey

# Language Services and Technology

Market Update

Q2 2023

# ABOUT OUR FIRM



**Houlihan  
Lokey**

Houlihan Lokey is a leading global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and financial and valuation advisory.

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

We invite you to learn more about how our bankers can serve your needs:

Learn More About  
Corporate Finance

Learn More About  
Financial Restructuring

Learn More About  
Financial and Valuation Advisory

Learn More About  
Our Industry Coverage

## Key Facts and Figures



**36**

LOCATIONS  
WORLDWIDE

**~2,000**

TOTAL FINANCIAL  
PROFESSIONALS

**326**

MANAGING  
DIRECTORS<sup>(1,2)</sup>

**2,000+**

CLIENTS SERVED  
ANNUALLY

**\$6.5B**

MARKET  
CAPITALIZATION<sup>(3)</sup>

**\$1.8B**

REVENUE<sup>(4)</sup>

## Our Ranking by Service

### Corporate Finance

#### 2022 M&A Advisory Rankings Global Transactions Under \$1 Billion

	Advisor	Deals
1	Houlihan Lokey	381
2	Rothschild & Co	369
3	JP Morgan	217
4	Lazard	206
5	Goldman Sachs & Co	203

Source: Refinitiv. Excludes accounting firms and brokers.

**No. 1** Global M&A Advisor for  
Transactions Under \$1 Billion

**Leading** Capital Markets Advisor

### Financial Restructuring

#### 2022 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	58
2	PJT Partners Inc	30
3	Lazard	29
4	Rothschild & Co	25
5	Moelis & Co	21

Source: Refinitiv.

**No. 1** Global Restructuring Advisor

**1,500+** Transactions Completed Valued  
at More Than \$3.0 Trillion Collectively

### Financial and Valuation Advisory

#### 1998 to 2022 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	1,232
2	JP Morgan	1,030
3	Duff & Phelps, A Kroll Business	938
4	Morgan Stanley	725
5	BofA Securities Inc	710

Source: Refinitiv. Announced or completed transactions.

**No. 1** Global M&A Fairness Opinion  
Advisor Over the Past 25 Years

**1,000+** Annual Valuation Engagements

## Fully Integrated Financial Sponsors Coverage

**26**

Senior officers dedicated to  
the sponsor community in the  
Americas and Europe

**1,000+**

Sponsors covered, providing  
market insights and  
knowledge of buyer behavior

**700+**

Companies sold to financial  
sponsors over the past five years

## Houlihan Lokey Is a Global Firm

### Americas

Atlanta	Houston	San Francisco
Baltimore	Los Angeles	São Paulo
Boston	Miami	Washington, D.C.
Chicago	Minneapolis	
Dallas	New York	

### Europe and Middle East

Amsterdam	Madrid	Stockholm
Antwerp	Manchester	Tel Aviv
Dubai	Milan	Zurich
Frankfurt	Munich	
London	Paris	

### Asia-Pacific

Beijing	Mumbai	Sydney
Fukuoka	Nagoya	Tokyo
Gurugram	Shanghai	
Hong Kong	Singapore	
SAR		

(1) As of June 30, 2023. (2) Excludes corporate MDs. (3) As of July 2023. (4) LTM ended June 30, 2023.

# ABOUT OUR BUSINESS SERVICES INDUSTRY GROUP

Houlihan Lokey's Business Services Group combines extensive industry relationships with substantial experience to offer a broad array of M&A, corporate finance, restructuring, and financial and valuation advisory services to the business services industry.

Based on number of transactions and according to data provided by Refinitiv, Houlihan Lokey was ranked the No. 1 investment bank for all global business services M&A transactions in 2022.\*

*\*Excludes accounting firms and brokers.*

## 2022 M&A Advisory Rankings All Global Business Services Transactions

Advisor	Deals
1 Houlihan Lokey	69
2 Rothschild & Co	50
3 Lincoln International	37
4 Goldman Sachs & Co	34
5 GCG	26

Source: Refinitiv. Excludes accounting firms and brokers.

Learn More About Our  
Business Services Industry Coverage

## Key Facts and Figures

**130+**

Dedicated Business Services bankers

**69**

Completed business services M&A/  
private placement transactions in CY22

**\$2.9B**

In financing deals in CY22

## Industry Sector Coverage

We cover a broad array of sectors, with bankers dedicated to each of our primary coverage areas.



BPO Services



Engineering and  
Infrastructure



Environmental  
Services



Equipment-as-a-  
Service



Facility and  
Residential Services



HCM Services



IT Services



Marketing  
Services



Specialty  
Consulting and  
Risk Services



Testing,  
Inspection,  
Certification, and  
Compliance



Training and  
Education



Transportation  
and Logistics

## Featured Business Services Industry Transactions

**VLS**  
ENVIRONMENTAL  
SOLUTIONS  
a portfolio company of  
**ISQUARED CAPITAL**  
has acquired  
**Texas Molecular**  
Deer commitment  
Buy-side Advisor

**Conhagen**  
has been acquired by  
**OVATION**  
Holdings, Inc.  
a portfolio company of  
**WARREN**  
EQUITY PARTNERS  
Sell-side Advisor

**GANNETT FLEMING**  
has received a strategic investment  
from  
**OCEANSOUND**  
PARTNERS  
Sell-side Advisor

**HILL**  
international  
has been acquired by  
**GISI**  
Sell-side Advisor & Fairness Opinion

**ARCHER**  
has been recapitalized  
M&A Advisory & Debt Financing  
Exclusive Sponsor Advisor & Placement Agent

**Odyssey**  
has acquired  
**MAGNA**  
SOCIAL TECHNOLOGY  
a portfolio company of  
**CIVIC**  
PARTNERS  
Buy-side Advisor

**WILLIAMS MARSTON**  
a portfolio company of  
**ALION**  
CAPITAL PARTNERS  
has been acquired by  
**KELSO**  
Sellers' Advisor

**PHENNA GROUP**  
a portfolio company of  
**inflexion**  
has received secondary  
investment from  
**Oakley Capital**  
Sell-side Advisor

**USECOLOGY**  
has been acquired by  
**REPUBLIC**  
SERVICES  
Sell-side Advisor

**CORNELL CAPITAL TORQUEST**  
has acquired  
**S.I.**  
SYSTEMS  
Buy-side Advisor

**OCEAN TOMO**  
a portfolio company of  
**BOWTIE**  
CAPITAL  
has been acquired by  
**JSHELD**  
a portfolio company of  
**KELSO**  
Sellers' Advisor



# LANGUAGE SERVICES AND TECHNOLOGY TEAM



The language services sector operates across Houlihan Lokey’s Business Services and Technology groups, which have earned a reputation for providing superior service and achieving outstanding results in M&A advisory, capital raising, restructuring, and financial and valuation advisory services.

Covering services and technology-driven business models across industry subsectors comprising **translation and transcription, interpretation, localization and transcreation, and subtitling and dubbing**, we understand that an industry driven by innovation and change requires the sophistication of a sector-focused advisor to help advance your vision. We optimize client outcomes by running tailored, competitive processes with a focus on quality execution. We leverage our deep domain knowledge to position our clients’ businesses optimally while integrating our world-class strategic and private equity access to bring the right senior decision-makers to the negotiation table.

## Leadership



**Chin Pandya**  
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**Tom Battersby**  
Director  
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+44 (0) 161 240 6424

## Contact Us

Please reach out to us to schedule a call to discuss this quarter’s market update or to explore how we can serve your business needs.

- Request a Meeting
- Learn More About Us

## BPO Subsector Coverage



- Customer Experience Management (CX)
  - Diversified Business Process Management (BPM)
  - Financing and Accounting Outsourcing
- **Language Services**
  - Legal Process Outsourcing (LPO)
  - Procurement Outsourcing
  - Records and Information Management

## Featured Transactions

has received a minority investment from

Sellside Advisor

a portfolio company of

has been acquired by

Sellside Advisor\*

has been acquired by

a portfolio company of

Sellside Advisor

has invested in

Buyside Advisor\*

Strategic alternatives analysis for the court-appointed custodian of TransPerfect

Financial Advisor

has been acquired by

a portfolio company of

Sellside Advisor

*Tombstones included herein represent transactions closed from 2016 forward.  
\*Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.*

# LANGUAGE SERVICES AND TECHNOLOGY MARKET UPDATE

## Introduction

Q2 2023 has been a highly active period for M&A compared to recent quarters with a high volume of consolidation plays across large strategics and sponsors continuing to invest through their platforms. This has been coupled with VCs and sponsors deploying capital in support of disruptive tech, a theme that is expected to continue as more startups emerge to capitalize on new opportunities derived from developments in AI.

Houlihan Lokey is increasingly being asked for its views on the strategic direction a company should take as management teams develop their own M&A strategies, in addition to how the role of AI is being viewed by corporate and financial investors alike.

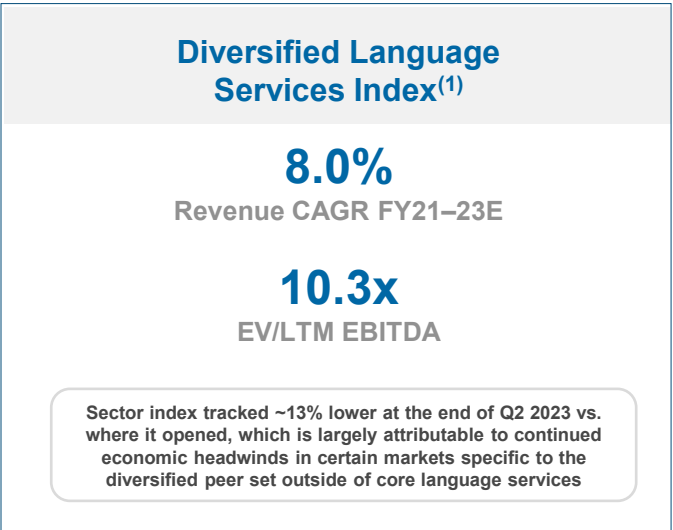
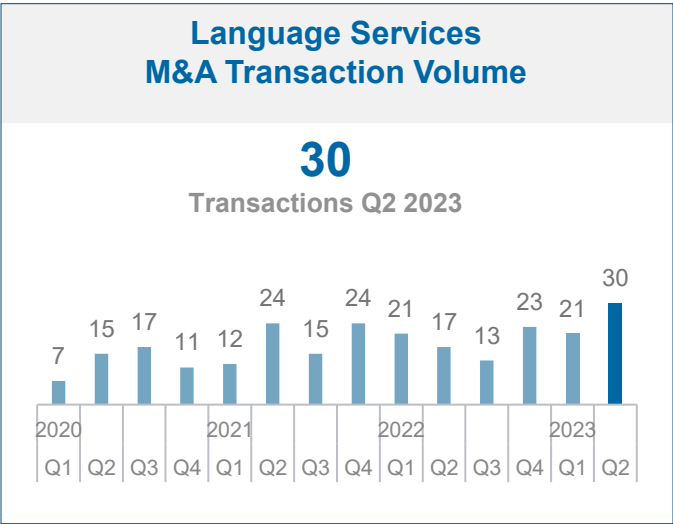
The LSP industry is no stranger to technology, having leveraged MT for years prior to the rise of platforms such as ChatGPT. Naturally, technology brings with it a combination of opportunity and disruption, and companies will be tested by how they reflect this in their future strategies.

The Houlihan Lokey team would be happy to schedule a time to discuss sector observations with you.

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## Quick Facts



Source: S&P Capital IQ. Data as of June 30, 2023.

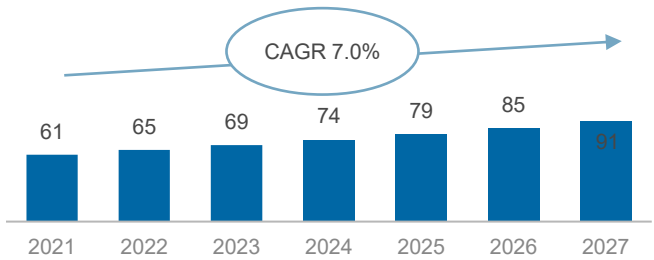
(1) The Houlihan Lokey BPO Language Services Index consists of a diversified set of 10 companies across the BPO language services sector. See page 11 for a complete list.

# EXECUTIVE SUMMARY

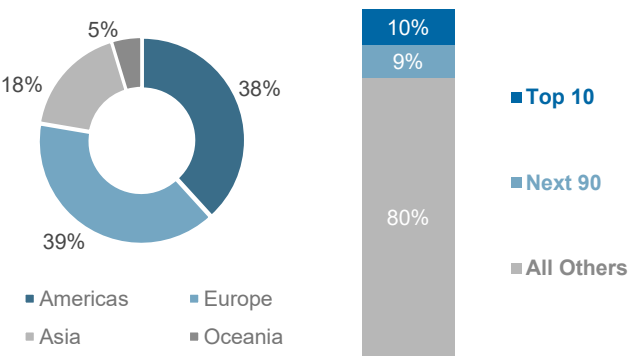
## Market Snapshot

- The industry was worth an estimated \$65 billion in 2022, with a projected CAGR of 7.0% to 2027, as language and cultural differences continue to remain a key point of friction for companies seeking to be globally relevant.
- The top 10 largest LSPs by revenue represented 10% of the market in 2022 with the top 100 representing ~19% market share, a slight increase from ~18% for 2021.
- The market remains vast with a high level of fragmentation, creating a highly attractive market for M&A.

LSP Market Size (\$B)

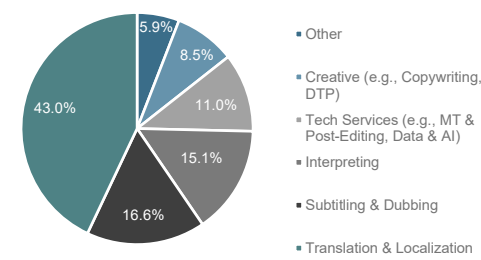


LSP Revenue Breakdown and Fragmentation (2022)

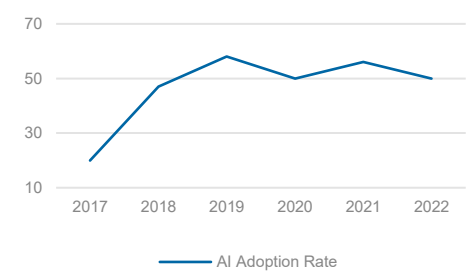


## Prevailing Trends

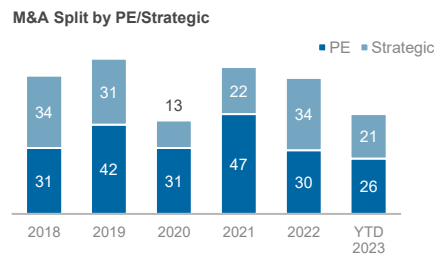
Market Segmentation



AI Adoption Across Organizations



M&A/PE Environment













- A recent Nimdzi segmentation highlighted the breadth of the language service industry across its various applications.
- Core translation and localization accounted for ~43%, with subtitling and dubbing representing ~17%.
- While tech has always been a key component, emerging services pursuant to its increasing adoption (e.g., testing, QA, data and AI services, and MT/post-editing) accounted for more than 10%.
- A recent McKinsey study reported 2.5x greater AI adoption in 2022 than in 2017, although much of this was achieved in 2018–2019.
- While this implied adoption had plateaued, AI's reach into an organization had reportedly doubled, with the average number of capabilities rising from 1.9 in 2018 to 3.8 in 2022, with RPA, computer vision, and NLU being the most prominent.
- While still limited in certain applications, and with smaller businesses reporting slower adoption, companies will continue to be judged on how they respond and plan to ensure AI can be considered a benefit and not a threat.
- Deal activity in the industry is returning in 2023, particularly through the VC segment as emerging tech plays onboard new capital.
- At the middle-market level, strategics and investor-backed strategics continue to capitalize on consolidating a still highly fragmented market.

Sources: Nimdzi, Slator, McKinsey & Company, and PitchBook.

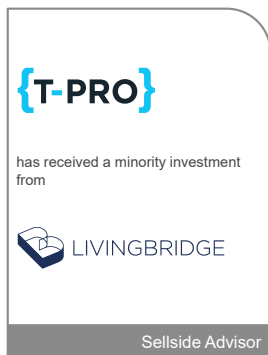
# FEATURED SECTOR NEWS

In a growth industry characterized by regulatory and technology drivers, we highlight just some of the developments and events to have taken place during Q2 2023.

Date	Company	Subsectors	Description	Article Link
Jun. 29, 2023	 <b>Milestone Localization</b>	Localization	Milestone Localization announced the release of its report shining a spotlight on the state of freelancing in the language services industry.	<a href="#">Read more</a>
Jun. 28, 2023	 <b>powerling</b>	Localization	Powerling acquired U.S.-based boutique TrueLanguage, expanding its translation services and strengthening its presence in the American market.	<a href="#">Read more</a>
Jun. 23, 2023	 <b>iyuno</b>	Dubbing and Subtitling	Media localization firm Iyuno acquired Ak'la Kara, a dubbing and subtitling company, enhancing its capabilities and global reach in the entertainment industry.	<a href="#">Read more</a>
Jun. 21, 2023	 <b>GLOBO</b>	Interpreting	Globo purchased two Midwest healthcare interpreting companies, consolidating its position in the healthcare language services sector.	<a href="#">Read more</a>
Jun. 8, 2023	 <b>RWS</b>	Translation	RWS reported its H1 2023 results, highlighting the progress made on its plans and investments announced in its medium-term strategy from 2022.	<a href="#">Read more</a>
Jun. 5, 2023	 <b>Federal Communications Commission</b>	Interpreting	FCC has moved to enforce accessibility requirements for conferencing platforms, promoting inclusivity and equal access to connectivity for those with disabilities.	<a href="#">Read more</a>
May 18, 2023	 <b>Sorenson</b>	Interpreting	Sorenson has launched a new product, Sorenson Express, providing deaf shoppers with on-demand access to ASL interpreters as soon as they enter the store.	<a href="#">Read more</a>
May 4, 2023	 <b>ZOO</b>	Localization	Zoo Digital has expanded its operations in EMEA with new facilities in Madrid and Valencia, providing language and media localization services in the region.	<a href="#">Read more</a>
May 3, 2023	 <b>appen</b>	Technology	Appen has partnered with Reka AI to develop customized multi-modal LLM applications, enabling advanced language and machine learning solutions.	<a href="#">Read more</a>
Apr. 21, 2023	 <b>flexword</b>	Translation	Germany's flexword to acquire a local boutique translation agency, further strengthening its position as an LSP in the region.	<a href="#">Read more</a>

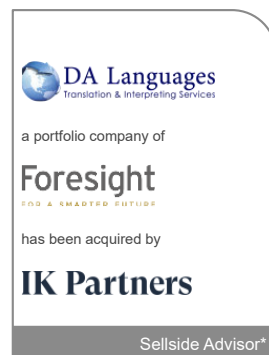
# FEATURED TRANSACTIONS EXECUTED BY HOULIHAN LOKEY'S LANGUAGE SERVICES AND TECHNOLOGY TEAM

## Houlihan Lokey Advises T-Pro



- T-Pro, headquartered in Dublin, is a leading provider of clinical documentation and speech solutions to the healthcare sector. Its proprietary technology provides a comprehensive suite of AI-powered speech recognition, electronic distribution of medical letters, and online clinic and virtual consultation solutions.
- T-Pro has grown rapidly both organically and through the acquisition and is now a market leader in proprietary dictation, speech, and transcription solutions with a reputation as a people-first business.
- Livingbridge acquired a minority stake in T-Pro and both founders are reinvesting into the new structure.
- Houlihan Lokey both originated and acted as the lead advisor on the transaction, providing corporate finance advice to T-Pro.

## Houlihan Lokey Advises DA Languages



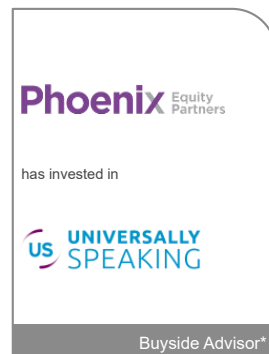
- IK Partners acquired 100% of the share capital of DA Languages (DAL), with Foresight exiting in full. Management and the founder are reinvesting in the business hereafter.
- Headquartered in Manchester, DAL is one of the fastest-growing LSPs in the U.K., providing critical services to organizations communicating with non-English speakers. More than 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.
- Houlihan Lokey acted as the sellside advisor to DAL, a portfolio company of Foresight, on its sale to IK Partners.

## Houlihan Lokey Advises Morningside



- Morningside specializes in patent translation and foreign filing solutions as well as legal, life sciences, and corporate compliance language services. Morningside has more than 4,000 clients in 55 countries, including many Global 500 companies, law firms, and regulatory bodies.
- Questel is a true end-to-end IP solutions provider to more than 15,000 clients and 1 million users across 30 countries. It offers a comprehensive software suite for searching, analyzing, and managing inventions and IP assets.
- The acquisition is part of Questel's strategy to act as a one-stop shop for all of its clients' IP needs.
- Houlihan Lokey served as the exclusive financial advisor to Morningside on its sale to Questel.

## Houlihan Lokey Advises Phoenix Equity Partners

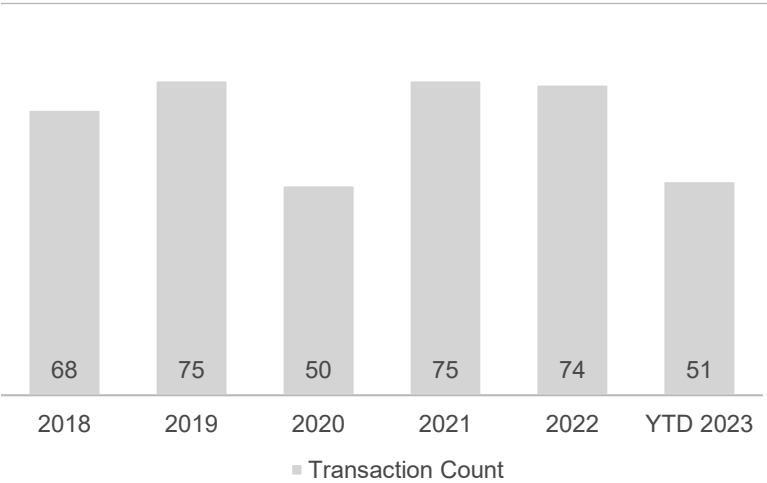


- Universally Speaking was founded in 2004 and is headquartered in Bedford, U.K. The company provides its clients with quality assurance, playtesting, audio, and localization services, using cutting-edge technology and automated workflow systems to ensure a secure, seamless service.
- Phoenix Equity Partners' experience working with entrepreneurial businesses will help Universally Speaking enter into its next stage of development. The games sector continues to thrive, and the team is well placed to capitalize on the increased demand for quality outsourced services. Financial terms were not disclosed.
- Houlihan Lokey acted as the exclusive financial advisor to Phoenix Equity Partners on the acquisition of Universally Speaking.



# LANGUAGE SERVICES AND TECHNOLOGY M&A HIGHLIGHTS




















## Deal Volume



## Key Takeaways

- Q2 2023 was one of the most active periods for M&A when compared to recent quarters, with a deal count reaching 30.
- Activity was largely driven by strategics capitalizing on the ongoing consolidation opportunity present across all areas of the LSP ecosystem.
- Private equity and venture capital continue to be active in the sector, primarily seeking to establish consolidation platforms of their own in addition to supporting disruptive technology plays.

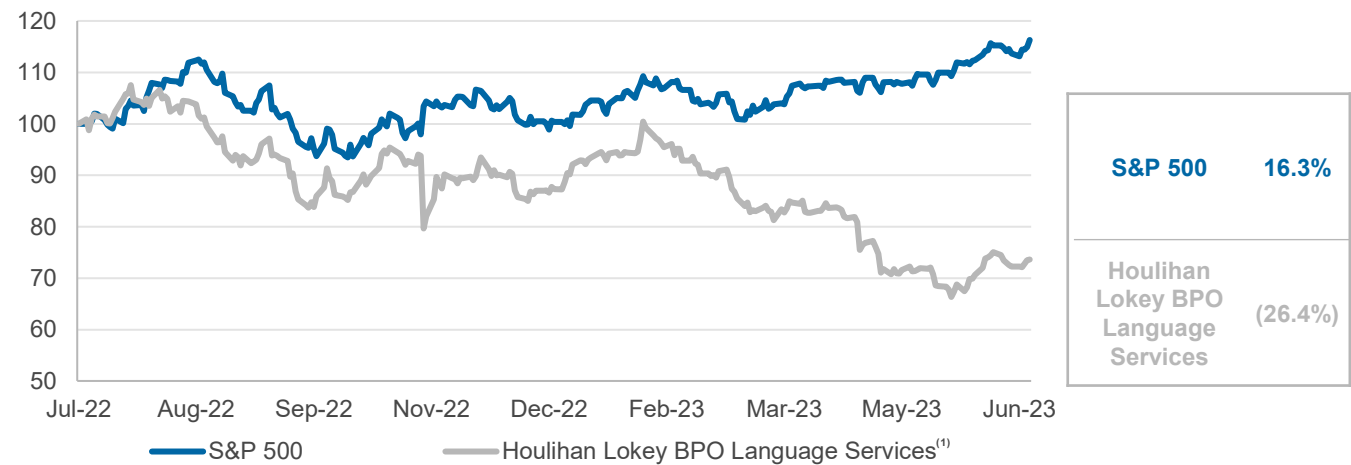
## Notable Transactions to Date

Date	Acquirer/Investor	Target	Subsector
6/28/2023	 powerling	 TrueLanguage	Localization
6/23/2023	 SEQUOIA CAPITAL	 Gladia	Software
6/21/2023	 GLOBO	 allaccess	Interpreting
6/21/2023	 GLOBO	 LUNA Language Services	Interpreting
6/20/2023	 Amplify PARTNERS	 Parrot	Software
6/5/2023	 iyuno	 AK'LA KARA	Localization
6/1/2023	 Unbabel	 bablic	Translation
6/1/2023	 alt	 iE Partners <small>(Human-Powered Transcription Business)</small>	Transcription
5/30/2023	 visual data MEDIA SERVICES	 eva	Localization
5/25/2023	 سنابل للاستثمار SANABIL INVESTMENTS	 LISAN	Software
4/28/2023	 LIVINGBRIDGE	 {T-PRO}	Software
4/21/2023	 flexword	 = exact	Translation
4/17/2023	 GRO CAPITAL	 paligo	Software
4/3/2023	 MAYFAIR EQUITY PARTNERS	 JONCKERS <small>ANY WORD - ANY TIME - ANY PLACE</small>	Translation

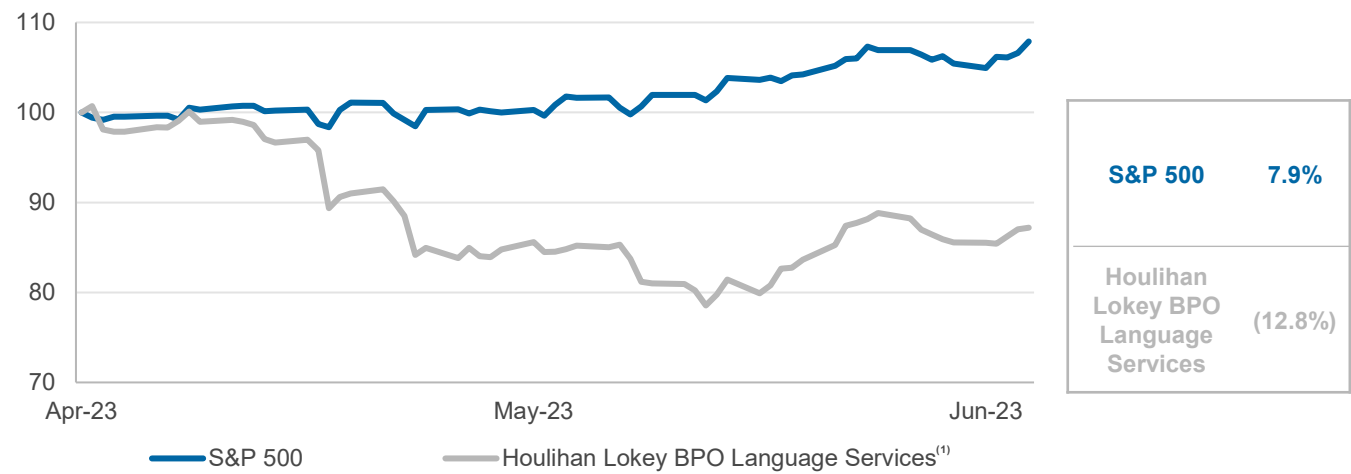
# EQUITY MARKET INDEX PERFORMANCE

- The limited presence of listed pure-play LSPs of scale creates the need for a broader cohort of businesses across the size spectrum, while capturing those offering services tangential to the LSP industry.
- This reduces uniformity across the group and the reliance that can be placed on listed valuations for LSPs.
- Several peer group constituents focus on industries that are facing more challenging conditions and therefore slower decision-making or reduced volumes across the client base, in turn creating downward near-term pressure on their ratings due to weaker investor confidence in companies hitting their earnings estimates.
- Interestingly, for such businesses, it is primarily their operations involving the provision of language services, which is supporting any perceived weakness in their other areas of activity.

## LTM June 2023 Performance



## April–June 2023 Performance



Source: S&P Capital IQ. Data as of June 30, 2023. All share prices rebased to 100.  
(1) The Houlihan Lokey BPO Language Services Index consists of a diversified set of 10 companies across the BPO language services sector. See page 11 for a complete list.

# PUBLIC COMPARABLES

## DIVERSIFIED LANGUAGE SERVICES

### A Broad Peer Group of Publicly Traded Companies of Varying Scale and Language Services Capabilities

		Net Debt/LTM EBITDA	EV/Revenue		EV/EBITDA		P/E		2021–2023E CAGR		EBITDA Margin		Forward P/E
			LTM	2023E	LTM	2023E	LTM	2023E	Revenue	EBITDA	LTM	2023E	2023E
Diversified Language Services	Appen Ltd.	N/M	0.6x	0.7x	17.9x	N/M	N/M	N/M	(15.3%)	N/A	3.4%	N/M	N/M
	Keywords Studios plc	N/M	2.4x	1.9x	13.2x	9.7x	36.5x	17.2x	25.7%	30.5%	18.2%	19.8%	17.2x
	RWS Holdings plc	N/M	1.2x	1.2x	5.6x	5.3x	15.7x	9.4x	0.0%	11.3%	21.6%	22.3%	9.3x
	Straker Translations Ltd.	3.2x	0.6x	0.6x	N/M	14.5x	N/M	N/M	9.8%	N/A	N/M	4.1%	N/M
	Summa Linguae S.A.	0.2x	1.6x	N/A	8.9x	N/A	19.6x	N/A	N/A	N/A	18.3%	N/M	N/A
	ZOO Digital Group plc	N/M	1.6x	1.4x	15.0x	9.8x	20.9x	16.4x	34.0%	78.1%	10.7%	14.5%	18.1x
	ManpowerGroup Inc.	0.3x	0.2x	0.2x	5.5x	8.2x	11.5x	12.5x	(4.6%)	(17.7%)	4.4%	3.0%	12.6x
	AMN Healthcare Services, Inc.	1.3x	1.1x	1.4x	7.3x	8.6x	12.4x	13.1x	(1.0%)	(0.1%)	15.2%	15.7%	13.8x
	Teleperformance SE	1.7x	1.5x	1.3x	7.5x	6.1x	14.5x	10.3x	8.0%	16.4%	19.4%	22.1%	10.0x
	TELUS Corporation	4.8x	3.5x	3.1x	12.1x	8.9x	25.9x	25.0x	8.2%	14.8%	28.9%	35.3%	24.2x
Median		1.5x	1.2x	1.3x	8.2x	8.8x	15.7x	13.1x	8.0%	14.8%	16.7%	17.8%	13.8x
Mean		1.9x	1.3x	1.3x	9.5x	8.9x	18.4x	14.9x	7.2%	19.1%	14.9%	17.1%	15.0x
Overall Median		1.5x	1.3x	1.3x	8.9x	8.8x	17.6x	13.1x	8.0%	14.8%	18.2%	17.8%	13.8x
Overall Mean		1.9x	1.4x	1.3x	10.3x	8.9x	19.6x	14.9x	7.2%	19.1%	15.6%	17.1%	15.0x

Source: S&P Capital IQ. Data as of June 30, 2023.

Revenue growth, EBITDA, and other projections are based on S&P Capital IQ consensus estimate data points as of June 30, 2023.

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