



Ranking of Top 20 Translation Companies

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Financial analysis is the mother of invention. We do not mean cooking the books, but instead figuring out how to assess entities for which there is little direct comparison. Faced with a small pool of language services providers that release financial data, we had a tough time late last year when we analyzed the business fundamentals of two publicly-traded LSPs. That made benchmarking these companies against comparable firms a real chore. On top of that [Bloomberg](#) had pronounced these LSPs to be a computing services and a network products firm, respectively. That wasn't a good start for our relative valuation of LSPs.

LSPs Supply Human-Delivered Services

However, we soon realized that language service providers were just that – service providers. That epiphany led us to compare LSPs to firms in other industries that make their money delivering services performed by carbon-based life forms. That gave us the comparables we needed for valuation.

We called the resulting guide the Human-Delivered Services Company (HSDC) Index. This multi-dimensional comparator lets us evaluate a single LSP performance against a basket of 106 firms spanning 10 industries, with market capitalization in the range of US\$52-590 million. While it is very hard to come up with perfect peers for any company, our research shows that these 106 firms match the language service provider profile well enough for relative valuation purposes. Our HDSC Index includes companies from accounting and finance; advertising, marketing and media; business services consulting; consulting; educational and training software; financial services, legal, and government services; human resources and staffing consulting; IT services; market research and services; and medical practices services companies.

We have now started applying this index to the few publicly-traded LSPs and have taken a first pass at assessing the largest of the privately-held translation agencies. Going forward, we will regularly publish the list of the 20 biggest companies providing language services plus the benchmark average of all 106 companies in the HDSC index. Our chart will include the annual projected revenue plus the

market capitalization of these companies, based on a mix of publicly disclosed information, briefings, interviews with buyers, and back channels. Finally, we extended our analysis beyond what we affectionately call the “localization ghetto” to include a broader array of companies that do indeed offer language services, but that most lists exclude. Some LSPs may never see the business services units of Hewlett Packard or Xerox as rivals in their accounts, and most will never see government specialist Titan, but they are certainly in the market doing larger amounts of business than anyone realizes. In many cases, the accounts that these less visible players win come right out of the pockets of the better known language service providers.

About Them: Information about Largest Providers of Language Services

Our list includes a mix of public companies, specialty units of public companies, and privately-held firms. Many of the private companies are anxious to change their status through some liquidity event – an IPO, merger, or acquisition.

1. [Lionbridge Technologies](#) (LIOX). Lionbridge became the top player this week with its acquisition of [Bowne Global Solutions](#). CEO Rory Cowan claims that the secret to his success is being surrounded by top-notch people. These executives have built a full-service powerhouse that delivers managed services, application and development, translation, localization, testing (via its [VeriTest](#) unit), and e-learning (through its Indian [Mentorix](#) group) to the largest companies in the world. Its recent purchase of the [Logoport](#) translation software shields it from undue exposure to SDL’s acquisition of Trados.
2. [Titan Corporation](#) (TTN). Titan is the stealth player in the language market, owning the biggest translation contract from the U.S. government with this one contract alone representing 12.5 percent of its total revenues. It will soon be absorbed into [L-3 Communications](#) (LLL), an acquisition pending approval by shareholders. Titan’s specialty providing the military with services and goods. Ever since the 9/11 attacks, linguistic services have become a governmental priority – for example, the company may get a call on Wednesday to put five pairs of Farsi-speaking boots on the ground in Turkey by sundown Friday. The company currently provides translation and interpretation services in 18 countries. Due to national security concerns, Titan cannot tell us anything more about its business without, as the saying goes, having to kill us.
3. [SDL International](#) (SDL). In June 2005 SDL became the big story in the language industry with its acquisition of chief tool rival Trados. With a

complete suite of services and technology, a global network of sales and production facilities, and a newfound focus on “global information management,” this company is shooting for the stars. Its unique approach to production with its own offshore operations actually doing the work gives them better control of costs.

4. [STAR AG](#). STAR AG could be called the “quiet guys” in the industry, sitting off in their European corner but playing a key role in the German automotive industry and being a leader in technology use. Like SDL, STAR conflates its technology and services business in its sales channels so the company is usually seen by competitors as a tools provider. What they do not know is that language services represent by far the biggest share of STAR’s revenue mix.
5. [RWS Group](#) (RWS). RWS was established more than forty years ago in London to provide specialist intellectual property translation and information services. Publicly-traded on the London Stock Exchange, RWS also has a dedicated division providing translation, documentation, and localization services to the legal and financial, medical, pharmaceutical, chemical, engineering, and telecom industries. Its U.S. operations became [ENLASO](#) after a management buyout in 2004.
6. [SDI Media Group](#). Do not expect SDI Media to compete for your business. They specialize in translations for the movie subtitling and dubbing industry. With the expansion of cable worldwide, growth opportunities abound. Next time you see Tom Cruise speaking Swahili, you know who to blame.
7. [Xerox Global Services](#) (XRX). Based in the UK, this group offers translation and localization services to Xerox departments and its clients. A major force in automotive, electronics, and petrochemicals, Xerox’s localization practice is integrated with other business process outsourcing (BPO) services such as imaging, document archive, and finance and administration (F&A) services.
8. [Euroscript S.à r.l.](#) The Euroscript Group is headquartered in Luxembourg with offices in Belgium, Germany, Hungary, Latvia, Poland, and Switzerland. Euroscript Luxembourg S.à r.l. is a subsidiary of Saarbrücker Zeitung Verlag und Druckerei GmbH; this unit focuses on providing languages services for the European Union. Most of its non-E.U. revenue comes from Germany.
9. [Transperfect/Translations](#). From a dorm room in New York to 29 offices worldwide, executives Liz Elting and Phil Shawe grew these companies organically without taking any prisoners. In 2005 they reunited the two companies after buying out investors. A dominant player in the legal and

advertising market, Translations continues its expansion with translation workflow management technology acquired on the cheap from [eTranslate](#).

10. [CLS Communication](#). Switzerland-based CLS grew by incorporating in-house translation departments of Swiss banks and insurance companies. Besides the financial sector, CLS also provides linguistic solutions for the pharmaceutical industry. Last year CLS acquired a financial translations company in the U.K. The company uses a mixture of technology, including machine translation (MT) and business services to solve the linguistic issues of a select client base.
11. [Logos Group](#). What LSPs say will be the future of production is exactly what Logos has been doing for several years. A pioneer in technology solutions that don't cost an arm and a leg to the client, Logos also gets revenue from publishing magazines and children's books. Based in Modena (like Ferrari, Luciano Pavarotti, and balsamic vinegar), Logos is a full-scale multi-language provider with clients all over the world.
12. [LCJ EEIG](#). This European Economic Interest Group (hence EEIG) is an association of four companies: [Locatech](#) (Germany), [Crossgap](#) (Italy), [Jonckers](#) (Belgium), and [Logoscript](#) (Spain) that got together to become one of the four Premier Vendors for Microsoft. These companies work together on a few projects, but often compete with each other for other jobs.
13. [Thebigword](#). This U.K.-based company is 30 years old, has good technology, good people, and the desire to be big. Thebigword's clients like the company's no-nonsense approach to website localization and content management, especially its fast deployment capabilities.
14. [Hewlett Packard ACG](#) (HPQ). This twenty-year old division of Hewlett Packard has been providing services to internal and external customers. A new management team spells tough competition coming from Grenoble and leveraging its presence in low-cost labor markets like Slovakia and India.
15. [Moravia Worldwide](#). Fast-paced Czech vendor that only works for banner clients. Its status as a Microsoft Premier Vendor gives Moravia the stability to fund its growth. With new offices in the U.S., Ireland, Japan, and China – in addition to several operations in Eastern Europe – Moravia has developed skills around its [QA Sight](#) software testing methodology.
16. [TOIN Corporation](#). Since being founded in 1964 in Japan, TOIN has grown into Asia's largest localization firm, also offering technical writing services. New management might signal growth in international markets. TOIN's services

include content creation, local marketing adaptation, technical engineering adaptation, and testing. If you go to industry conferences, you know that at least TOIN serves the best sushi.

17. [Merrill Brink International](#). This firm resulted from the 2005 fusion of two Minneapolis companies. Merrill was in the printing business and focused on the legal translations market. P.H. Brink was a traditional localization supplier with an in-house translation workflow management system. The challenge for growth lies in properly leveraging the Merrill sales force.
18. [VistaTEC](#). An Irish powerhouse, VistaTEC was formed by industry veterans and maintains most of its staff in and around Dublin. In addition to localization services, it also provides on-site testing capabilities. Most of its executives are shareholders in the company.
19. [Transware](#). An early player in the e-learning arena, Transware revamped itself in 2005 with new management, a new focus on business process outsourcing (BPO), and new technology from [GlobalSight](#). This acquisition gives Transware the ability to offer end-to-end solutions like most of its larger competitors.
20. [McNeil Multilingual](#). Terrorists watch out! Chances are that your communications in Farsi, Pashto, Dari, Somali, or any other language are being translated by the language group of McNeil Technologies for national intelligence agencies. The company caters to government clients like the United States Department of Defense, State Department, Foreign Service Institute, Defense Language Institute, and other federal and state agencies.

North Atlantic Firms Dominate Language Services

[Table 1](#) lists basic information about the 20 largest translation suppliers. Six are from the United States, four from the United Kingdom, two each from Switzerland and Ireland, one each from Italy, Luxembourg, Czech Republic and France, and only one from Asia. The list also includes a consortium of companies with headquarters in Germany, Italy, Belgium, and Spain.

The market capitalization (that is, the total value of a company's stock) for the public LSPs range from a little less than 0.5 to 1.5 times revenue. The rule-of-thumb valuation for privately held LSPs is between 0.75 and 1.2 times revenue or between four and seven times earnings. We expect these numbers and rankings to change dramatically in the next few years due to continuing consolidation, the ascent of Asian firms serving the booming Chinese market, the likely emergence of dark-

horse consolidators, and the entry of offshore business process outsourcing (BPO) specialists such as [Tata](#) and [Wipro](#) into the market.

Rank	Company	HQ Country	Revenue in US\$M	Employees	Offices	Status
1	Lionbridge Technologies	US	377.1	4000	50	Public
2	Titan Corp.	US	285.4	n/a	n/a	Public
3	SDL International	UK	146.0	1400	36	Public
4	STAR AG	CH	96.0	750	33	Private
5	RWS Group	UK	63.4	350	7	Public
6	SDI Media Group	US	60.3	200	20	Private
7	Xerox Global Services	UK	60.0	200	4	Public
8	Euroscript S.à.r.l.	LU	54.5	600	9	Private
9	Transperfect/Translations	US	50.2	325	29	Private
10	CLS Communication	CH	36.0	260	11	Private
11	Logos Group	IT	36.0	150	17	Private
12	LCJ EEIG	DE/IT/ BE/SP	21.6	140	9	Private
13	Thebigword	UK	20.0	122	7	Private
14	Hewlett-Packard ACG	FR	20.0	65	6	Public
15	Moravia	CZ	19.0	350	11	Private
16	TOIN	JP	19.0	105	5	Private
17	Merrill Brink International	US	18.5	120	4	Private
18	VistaTEC	IE	18.2	123	3	Private
19	Transware	IE	18.0	160	8	Private
20	McNeil Multilingual	US	17.2	105	9	Private

Table 1: Top 20 Language Service Providers – 2004 Revenue

Source: Common Sense Advisory, Inc.

With more consolidation coming in the language services and technology industries, we occasionally wonder at which point the U.S. Department of Justice or European Union commissioner Neelie Kroes might choose to get involved. It depends. We applied the [Herfindahl Index](#), a calculator used to determine industry concentration and whether there is a monopoly, oligopoly, or tendency toward one or the other. Our initial calculations show that the language services market is moderately concentrated – so no one has to worry yet. We will include the Herfindahl factor in our future analysis of mergers and acquisitions.

Government Revenue Expands Language Services Market

Common Sense Advisory estimates the size of the worldwide translation and localization services market at US\$ 8.8 billion. Since 9/11 and with the addition of 10 new countries to the European Union, the volume of government-mandated translations has increased significantly. We peg the commercial market at US\$6 billion and government market at US\$ 2.8 billion worldwide.

[Table 2](#) shows the geographic distribution of the translation market and our growth projection for the next five years at a compound average growth rate of 7.5 percent per year.

Region	% of Total Market	2005	2006	2007	2008	2009	2010
U.S.	42%	3,696	3,973	4,271	4,592	4,936	5,306
Europe	41%	3,608	3,879	4,169	4,482	4,818	5,180
Asia	12%	1,056	1,135	1,220	1,312	1,410	1,516
ROW	5%	440	473	508	547	588	632

Table 2: Projected Language Services Revenues, in U.S. Millions of Dollars
 Source: Common Sense Advisory, Inc.

What's Next for Language Services?

It used to be that the question everybody asked was “what is the fourth biggest company in the language industry?” Lionbridge’s recent acquisition of Bowne Global Solutions changed the market overnight, forcing the boards of the few publicly traded companies, executives at these larger privately held firms, and owner-operators of much smaller firms to reconsider their role in the changing landscape – and most importantly – their value proposition to clients. Our research in coming months will focus on what these suppliers bring to the market.

