CSN: Tony, I saw it mentioned that the purchase process for Alchemy was a competitive situation and that Translations.com was the high bidder. Was there anything else driving the Board’s decision besides maximizing their investment?

TONY: There were a number of factors that drove this decision from our side. For starters, Translations.com is one of a few localization service providers that invest heavily in technology solutions. It was also important to us that we brought something complementary to the table. While Alchemy is a market leader in delivering next-generation TM technology to over 80% of the world’s leading technology companies, Translations.com boasts one of the most widely-adopted workflow platforms in GlobalLink. Since there’s little cross-over in functionality, integrating these two technologies will be rapid from a development perspective, yet powerful for our combined clients. Lastly, Translations.com’s track record of executing successful industry mergers, retaining virtually 100% of staff and clients, and supporting incoming entrepreneurs as they continue to operate their divisions autonomously, also helped us to solidify our decision to merge.

CSN: Phil, what was it about Alchemy that made Translations.com stretch a bit financially to make this merger a reality?

PHIL: First and foremost, our mergers are about the people. With Tony, co-founder Enda McDonnell, and the rest of the Alchemy team, we saw a talented group of localization technology veterans who shared our focus on innovation, growth, and client satisfaction. Beyond the wealth of technology talent, Alchemy’s proven and profitable business model is unique among the localization industry’s technology providers. While Alchemy’s leadership in the Visual Localization Tool market is well-established, it gave us extra comfort that we’ve relied on Alchemy technology internally for over five years and...
have first-hand experience with how effectively CATALYST streamlines the localization process. Lastly, it’s not only Alchemy’s past achievements that impressed us, but also its prospects for the future. We’re very excited to be building on Alchemy’s success and investing in future Alchemy software product offerings.

**CSN:** Tony, you’ve stated that you intend to stay on with the business post-close. As a shareholder of Alchemy, who has now seen a return from that investment, why stay aboard?

**TONY:** I’m way too young to think about simply hanging up my hat. What would I do? So the motivation for me in doing this merger was more about opportunity than it was about exiting and doing something else. While I may not have always enjoyed all of the administrative tasks associated with running a company, I have been in the localization industry for 22 years and I’ve always enjoyed it immensely. So for me, the decision to stay on and to be part of driving the growth and development of one of the world’s premier players in this industry is an easy one. And as Phil said, it’s all about the people. My due diligence about the people I’d be working with, as well as the spirit of the merger discussions themselves, led me to believe that this is an interesting and talented group of people for me to join up with.

**CSN:** And why do you feel this move is right for Alchemy clients?

**TONY:** Again, Translations.com and Alchemy can combine our R&D spend and deliver more innovative technologies for our clients. Translations.com is a profitable, private company with a very healthy Balance Sheet. In other words, our clients can be confident that when they are making an investment in technology, they are doing so with a partner who has consistently been financially stable. Not motivated by meeting quarterly numbers for the public markets, Translations.com has the advantage of being long-term focused and, as part of our transaction, has pledged long-term investment in Alchemy R&D.

Additionally, the combination of our technology with the GlobalLink GMS product suite will enable our clients to achieve greater levels of efficiency and scalability in their localization processes. I also believe Translations.com’s post-merger history of retaining employees, management, and clients also makes this the right move for our clients.

**CSN:** OK, but you’ve failed to touch on the issue on everyone’s mind, what about the loss of independence?

**TONY:** Our clients value innovation more than independence. Alchemy will operate as an independent division within Translations.com and will continue to develop, distribute, and support our own products. Additionally, the senior management team, such as me and Enda McDonnell, will remain in our existing roles, continuing to exercise our leadership and vision over Alchemy CATALYST and Alchemy Language Exchange. Unlike recent localization industry acquisitions which resulted in large-scale layoffs, we shall be investing in and expanding the development efforts at Alchemy and launching new and exciting technologies later in the year.

**CSN:** Generally, though, the technology in this industry does seem to be getting gobbled up by the service providers. Who benefits from this?

**TONY:** Speaking about the Translations.com/Achemy deal, our clients are the ultimate beneficiaries of this merger. Technology is playing an increasingly important role in the optimization and efficiency of our clients’ localization processes. Even small and medium sized companies see growth opportunities in overseas markets. To take advantage of these growth opportunities they need to localize quickly, cost-effectively, and with high quality. Technology will drive these efficiencies making localization more accessible to a wider range of companies and enterprises.

Combining these technology advantages with a full service offering will suit some of our clients. However, we are mindful of the fact that choice is important to many of our clients and that is why Alchemy will remain a fully independent division within Translations.com and our tools will continue to be service provider agnostic.

Because we don’t have overlapping technology, our clients do not need to be concerned about which product lines will be supported in the future, and which will be killed off. Stability, security and a defined roadmap for future development for our combined software offerings will also work to the benefit of our clients.

**CSN:** What do the language service providers need to know about this and what do the end clients need to know?

**TONY:** Probably both groups need to know the same things. Alchemy has developed CATALYST into the optimization tool of choice for the localization process, and this development has served all who manage localization, whether they are an LSP or an end client. So what all localization stakeholders need to know is that Alchemy and Translations.com intend to work together collectively to continue investing in and driving the evolution of CATALYST and Alchemy Language Exchange, which are not captive and are used in conjunction with other LSPs’ services.

**PHIL:** We also feel that increased competition in the localization technology sector will drive more innovation, and this transaction is likely to result in increased competition.
CSN: Phil, how will this merger differ from the SDL/Idiom merger which is leaving a perceived lack of independence and choice?

PHIL: Translations.com has a reputation of merging with companies and retaining virtually 100% of the entrepreneurial skills and enthusiasm of the existing teams and management. This has proven to be a very successful strategy. While I don’t know that it’s accurate to say that this approach to M&A is unique, it certainly does differ from the approach of SDL, the obvious comparison here given their recent and past technology acquisitions. In fairness, they are a public company with a requirement to operate and to consolidate acquired businesses in a way that makes sense to investors. As a private company, Translations.com is free to take a more long-term approach, and we see the value in supporting entrepreneurs and their businesses.

Furthermore, the Alchemy/Translations.com merger differs from - again the natural, but not entirely analogous - SDL/Idiom, in that this merger has not manifested a direct contradiction of a promise. Many clients and partners asked Idiom directly if they intended to sell the company to a service provider. Idiom sold their solutions on a promise to remain independent. Alchemy made no such promise because, without the same access to confidential partner information that is inherent in the way WorldServer functions, there was never any reason for CATALYST to be sold with a pledge of independence.

CSN: How has the recent SDL/Idiom merger affected Translations.com?

PHIL: As far as companies performing services through an Idiom platform, Translations.com is probably among the largest in the world. However, you never saw a public partnership announced. One reason is that Idiom competes directly with our GlobalLink suite of products. However, another reason was that we felt we couldn’t predict the future actions of venture capitalists that controlled Idiom, and envisioned the potential of them selling out to a competing LSP.

Now, of course we’re concerned that SDL has, in effect, purchased our pricing information and other knowledge we once considered confidential, because it is stored on Idiom servers. As there is nothing legally preventing SDL from making use of this information to compete for service revenues, we expect them to cross-sell aggressively into those accounts.

When you step back and think about it, Idiom was losing over $5 million a year and SDL has competing and overlapping technology, so why buy the company for over $20 million? It may be that the real value in the deal for SDL shareholders is simply the future ability to cross-sell more services through 1) the built-in dependency and high-switching costs associated with being a technology vendor and 2) the access to once-confidential proprietary competitor information.

Note that there is nothing “wrong” with what SDL is doing by pursuing this strategy. Quite the contrary, having spent $20+ million of their shareholders’ money, they now have a fiduciary obligation to maximize that value, and make the most of their new-found client relationships and competitor information.

After the Idiom deal, we feel how we’ve always felt about SDL: their technology is primarily about three things; a Trojan Horse with which to establish difficult-to-break relationships to better sell services, an image necessary to fetch them a higher valuation in the public markets (i.e. a software vs. services valuation), and a vehicle that they’ve quite cleverly used to get competitors to help finance their R&D and operations.

In summary, we respected SDL as a tough competitor before they bought Idiom, and we expect them to continue to be a tough competitor. As always, we look forward to the challenge of going head-to-head with them in the marketplace, on both services and technology.

CSN: So Tony, what’s the “real story” in terms of value to the market place? How and why will this be a positive alliance for the industry?

TONY: The ‘real story’ is about offering choice. Our clients want to manage their localization content more efficiently across multiple localization service providers. A solution that is vendor agnostic, using web based architecture and built on open standards that offers enterprise level scalability is key to their continued growth. This is where Translations.com and Alchemy have invested heavily over the past few years.

CSN: Phil, what does this merger mean in terms of your competitive position?

PHIL: Over the past several years, Translations.com has been fortunate enough to be one of the fastest growing players in the localization industry. Enterprise localization clients are increasingly aware of the value we bring to the table. With the addition of a market leader such as Alchemy, we expect to see this trend continue.