

M E R G E R S & A C Q U I S I T I O N S :



At the Altar: new members of the Executive Committee of the Bowne Localization & Translation Group convene in New York.

Left to right: Johann Schuster of GECAP (Munich); Robert Myers of Pacifitech (Yokohama); Claudio Pinkus of IDOC (Los Angeles); Ignacio Muñoz of ME&TA (Madrid), and Frederic Iovleff of I&G COM (Paris). Mr. Muñoz holds the Bowne Bicentennial Eagle, created for the company's 200th anniversary in 1975.

World's Largest Localization Company Created With Stroke of a Pen

In a shot heard round the translation and localization industry, Bowne, a prominent New-York-based financial printer (traded publically on the AMEX, symbol BNE), recently announced the formation of the world's largest software-localization company with its acquisition of four companies in France, Germany, Japan, and Spain. The companies, Paris-based I&G COM, Munich's GECAP, ME&TA of Madrid, and Yokohama's Pacifitech, will be merged with Bowne's November 1996 acquisition, Los Angeles-based IDOC, to form the Bowne Localization Group, according to company announcements.

The acquisitions were hailed with warm words by Claudio Pinkus, CEO of the Group: "The creation of the Bowne Localization Group represents an important milestone in the field of software localization. Each of the companies who have joined us is the market leader in localization in its respective market. All of them are renowned for quality and service, as well as extraordinary technical talent. As the integration process gets under way, we will be able to deliver innovative and cost-effective solutions to our customers, beyond their expectations."

Industry watchers see positive signs in the development, with the merger signifying the burgeoning demand and "coming of age" of a fragmented industry. Others cite cautionary tales of abortive mergers and acquisition. Some heard echoes of R.R. Donnelley, another prominent printer, that had attempted unsuccessfully to diversify into the localization business in recent years. (See industry responses, right column.)

By many observers' reactions, the Bowne move is well timed, uniting leading strategic suppliers and solidifying a formidable client base.

The client lists of The Bowne Localization Group form one of the most impressive assets of the venture, sporting such names

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Industry Reaction



Michael Anobile, Director of LISA (Localization Industry Standards Association)

“ In March of this year we learned, at the LISA Forum—Europe, that buy-outs and mergers during the past 12 months by some of the larger players (e.g., Lernout & Hauspie, IDOC/Bowne, ITP and LionBridge) have injected investment capital of approximately \$250 million dollars into the service side of the industry. This has the potential of completely transforming the landscape of the localization business.

It is clear that the industry has enormous potential for providing stronger management, as well as sophisticated infrastructures and technologies. All of this costs money. One vital effect of this financial maturing will be the emergence of more serious attempts towards standardizing than we have thus far seen.



Desirée van Driel, Managing Director of Multilingual Translations Management (The Netherlands)

“ Lots of money is now being spent on M&As in the industry, but these operations do not always upgrade the quality of individual in-country production sites. These consolidations certainly boost the financial strength of these localizers, and that brings more technology potential for really large projects, and may lead to lower prices. As a smaller actor, we are forced to make all our money on projects so as to reinvest and grow. We cannot afford to run inefficient projects; and our efficiency pays off for our customers as well.

But large structures do not necessarily always meet the needs of medium-sized or smaller-project customers. Some of our customers do not want to work with very large concerns because they feel ignored in the process. The advantage of being smaller is that you have more control, better personal relations with customers, are that you can react faster and be managerially more

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Claudio Speaks

REMARKS TO BOWNE ANNUAL SHAREHOLDER'S MEETING, 27 MARCH 1997

“The Bowne Localization Group specializes in a narrow and important area of localization: We make the foreign-language versions of the most widely used software products in the world. Companies like Microsoft, IBM, Oracle, HP, Intel, and Novell rely on us for the localization of their products into as many as 22 languages. We are the localizers of Microsoft Office, Lotus Smartsuite, Corel Draw, and Novell NetWare. We also localize the popular hardware products, such as printers, scanners, digital cameras, sound cards, and more.

The Internet is emerging as the most important communications tool the world has ever seen. Our customers are moving their business to the World Wide Web at a very fast pace. Today we unveiled the localized Bowne Web site. In the near future, businesses will be conducting business on the Web: prospecting, selling, and integrating data. The Bowne Localization Group is already carrying out these activities and helping customers use the Web effectively all over the globe.

Altogether, the Bowne Localization Group members had a combined revenue exceeding \$50 million in 1996, making us the largest localization company in the world. But it is not just size that matters in any business. The companies we have brought together are the most respected names in the industry. IDOC, GECAP, Linguatex, ME&TA, and Pacifitech are synonymous with quality and dedication in the localization business.

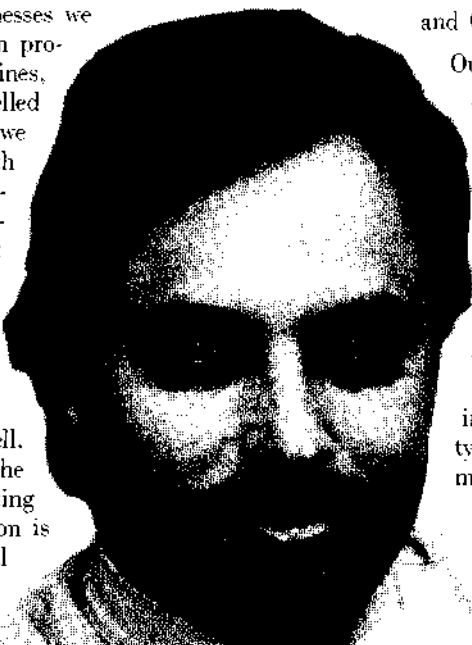
Financial printing and localization have many things in common. In both businesses we need to manage and modify information provided by the customer under tight deadlines, requirements that cannot be clearly spelled out from the outset of a project, and we must deliver top quality, on time, with great customer service. These characteristics are indistinguishable in both industries. Superior service is the most important consideration in the race to meet customer needs. Bowne's tradition of customer service will no doubt enhance and support the growth of the Localization Group.

There are important differences as well. While the world is moving towards the digital information age, financial printing has limited growth potential. Localization is a new industry emerging from the digital revolution. In fact, while a small part of the output of our industry is

delivered to the customer in printed form, most of it resides today in CD-ROMs, databases, and Web sites on the World Wide Web. It is estimated that the financial printing industry bills a total of approximately \$1 billion per year worldwide, and the business is highly cyclical and dependent on stock-market conditions. Localization expenditures are already estimated at \$2 billion per year, and growing at approximately 30 percent yearly.

Bowne expects to fully participate in the growth of localization worldwide. Beyond the software industry, demand for localization services is also growing in telecommunications, medicine, and financial services.

*IBM, Microsoft, and Oracle
combined spend
approximately \$1 billion a
year on localization services,
much of it still being
produced in-house.
The outsourcing opportunity
is extraordinary.*



Working closely with Bowne's professional sales force, we expect to find new opportunities and great synergy. I am delighted to have the opportunity to lead the Bowne Localization Group in this global arena of growth that will be of great value to our customers, our employees, and our shareholders.

Also on the agenda:

We believe the software localization industry presents an opportunity for exceptional growth. Moreover, the skills developed by the members of this group will thrust Bowne into the forefront of the document-building and digital communications skills necessary for businesses to truly compete in the global market.

—Robert Johnson, Bowne's Chairman and Chief Executive Officer

Our vision is to make Bowne the preeminent, global provider of document-outsourcing solutions to businesses in the US and abroad. We offer our customers a flexible, “one-stop-shopping” opportunity for managing the life cycle of their documents. Bowne Business Services helps firms create, publish, reproduce, repurpose, and disseminate information—a powerful combination in today's environment, where the pace, volume, and sophistication of business documents continues to grow. Services we deliver include word processing, desktop publishing, typesetting, reprographics, records management, multimedia, MIS department outsourcing, Internet, and Intranet solutions.

—Michael A. Schlanger,
President and COO,
Bowne Business Services

as Microsoft, IBM, Lotus Development, Novell, Intel, Hewlett-Packard, and Eastman Kodak. "We believe that the strong relationships the acquired companies have built with these and other customers over the years will be enhanced and reinvigorated as a result of our additional capabilities and the synergy that will be derived from integration," Pinkus noted.

Robert Johnson, Bowne's Chairman and Chief Executive Officer, said that together, the first quarter FY97 acquisition of IDOC and today's localization acquisitions represent an aggregate investment of approximately \$40 million in localization outsourcing for Bowne. "The five localization companies together generated more than \$50 million in 1996 revenues," Johnson added. Bowne's sales for the fiscal year that ended October 31, 1996, were \$501 million.

The move comes at a critical time for Bowne. The printer sector has seen its margins battered in recent years, and shareholder pressure has made diversification a necessity.

Bowne's chairman and CEO, Robert M. Johnson told shareholders the company is expanding into new service offerings to its existing customer base of corporations, law firms, and financial-services companies. "We are, after all, not so much printers today as we are a service-oriented, information technology company."

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—Bowne's CEO Robert M. Johnson

Johnson said that to increase shareholder value, Bowne has set a goal of adding less cyclic and less stock-market-sensitive revenues in these new businesses such that Bowne will reduce the percentage of sales attributable to transactional printing—printing associated with mergers and acquisitions, stock and bond offerings, municipal financings, and other market-sensitive transactions—from the current 45 percent of sales to 25 percent by the year 2000.

New York-based Bowne currently has offices in 45 cities around the world. The new acquisitions add localization facilities in Brazil, Canada (where Bowne is already a leading commercial and financial printer), Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Slovakia, Spain, and Thailand.

Bowne & Co., Inc., established in 1775, is the world's largest financial printer and the leading provider of EDGAR electronic filing services to corporations, law firms, investment banks, and mutual-fund groups.

In addition to its core financial and commercial printing business, Bowne provides clients with document-building solutions, Internet and print-on-demand services, in multiple languages and in print and electronic formats.

Contact:

Web: www.bowne.com

flexible. This is still first and foremost a people and communication business.



Rory Cowan
President & CEO
LionBRIDGE Technologies

"A piecemeal group of acquisitions does not in itself provide software publishers with greater value. We at LionBRIDGE believe that value is created through technology and process integration, not acquiring real estate. From our perspective there are no direct benefits to customers since you don't gain economies of scale through acquisitions alone. After Donnelly's difficulties in developing a localization business, we are surprised that another printer

such as Bowne is trying that strategy for diversification. But we are certainly happy to see that investors are looking closely at the value in localization companies.



Jaap van der Meer
Director at AlpNet

"At AlpNet, we have taken many years to develop a commonality of understanding between our different companies, with their own tradition and culture. In the case of these recent buy-outs they will have a very difficult task in capitalizing on the benefits from working together with each other under a single target and strategy. We shall probably see some top heads roll, even though a buyer would want to keep experienced management on board. It will be interesting to see whether the owners of these new companies will feel properly rewarded for their investments.

From a customer perspective this all makes sense because we all recognize the trend to global coverage—both through horizontal expansion and vertical integration under one roof. But it will take some years before we see these new organizations deliver a solid service package. Once the human infrastructure is there, you then have to establish the shared technical infrastructure—another major investment in time and money.

These consolidation efforts do suggest that the Ovum report on Globalization was right to predict there would only be a few global players sharing a significant part of this US\$8 billion translation and localization market by the year 2000. But I believe broad-scope language services firms such as Alpnet will be better placed to meet the needs of this market than the more limited scope of purely localization service companies.

