



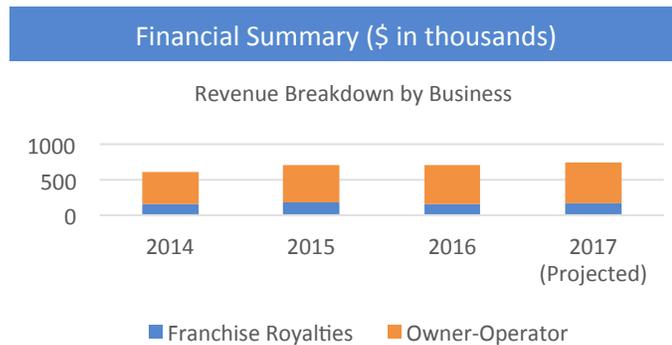
Translation Company (US & Canada) -- Operator and Franchisor

Inc. 5000 Winner 2014, 2015

Total System-Wide Sales: \$3.2 million | Franchisor Revenue: \$710,000 | EBITDA: \$286,000

Business Overview

The Company is a well-respected LSP operator and franchisor across the US and Canada. Founded in 2004, it now has two LSP operating models: owner-operated and franchising. The owners currently spend 95% of their time on a new, unrelated venture. For the right new owner, there exists significant growth opportunities, especially with respect to scaling the franchise model.



Owner-Operated LSP

In 2016, the owner-operated business generated \$550K in revenue. Almost all of which came from projects with long-time clients. In 2011, the owners identified an opportunity to enhance growth and profitability through franchising. Since then, the owner-operated business has been on "maintenance mode" with no new sales efforts.

Franchise Operating Model

The Company created a franchise model with central shared services, documented processes, an on-line forum, training, and education materials. There are currently 10 franchisees across N. America, all of whom have been operating for 5-6 years. Franchise owners generate an average annual **net income** of \$87,000 (ranging from \$30k to \$243k). Each month, franchisees pay a royalty based on their revenues. In 2016, royalties were \$160K on total franchisee revenue of \$2.7 million. The average revenue per project was \$930.

Business Opportunity

Overview

The global LSP market is \$40B and grew 5.5% in 2016, with higher growth expected in the next few years. It's a highly fragmented industry, with a handful of large companies and thousands of smaller ones. While technology plays a part, linguists still provide a vital role. *This Company is the only LSP we know of that has successfully developed a franchise model.*

Proven Franchise Model

With a legal background in franchise law, the owners wanted to create an LSP model that would allow entrepreneurs to sell translation services to local businesses. They also wanted to ensure that the Operations were "turn key" so that owners would not have to oversee project managers or linguists. The Company currently has ten operating franchises. Without any improvements in operations, a ten fold increase in franchisees would create a \$27 million LSP franchise network, making it a significant acquisition target for the handful of larger players.

Franchise Operating Model

The Franchise Operating Model has 3 components:

Operations Hub

The outsourced Operations Hub provides the owner-operator and franchisees with skilled project managers and linguists. Franchise owners pay only for the resources their clients consume.

Operating Guidelines

To ensure consistency across the franchisees, operating guidelines are outlined in a 100+ page Operations Manual. These guidelines are further supported by an on-line franchisee forum for sharing best practices, and educational materials to support new franchisees.

Legal Documentation

All legal documents related to franchising were done with the utmost attention to detail. The 'heavy lifting' has been done and it's time to scale the franchise system quickly.

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