

# STRATUS AND INDEMAND MERGE

## AND BECOME THE THIRD LARGEST INTERPRETING GROUP IN THE WORLD

On Friday, a new company was born from the merger of Stratus Video and InDemand Interpreting. Together, they are now the third largest interpreting company in the world, with combined revenue of over USD 100 million, and possibly the leader in medical remote interpreting.

Stratus focuses on video remote interpreting (VRI) for large hospitals and telemedicine companies in the United States, with over-the-phone interpreting (OPI) and an Uber-like on-site interpreting service as secondary offerings. The main clients for InDemand interpreting are community health centers in the US.

While the two largest interpreting companies in the world, LanguageLine Solutions and CyraCom International, both operate in multiple customer verticals, Stratus Video/InDemand Interpreting are focused on the healthcare only and might well be a leader in this fast-growing vertical.

## Impact: more competition for the large players, more room for smaller ones

Healthcare interpreting in the United States is a large market worth billions of dollars. Thanks to tighter language access regulations in the US, hospitals and similar institutions *must* provide interpreters to patients with limited English proficiency. Typically, hospitals sign contracts with certified language service providers (LSPs), buying a mix of on-site interpreting, OPI and VRI to use in different scenarios. Traditional interpreting LSPs take care of customer service, provide on-site interpreting and resell VRI and OPI from specialist providers. Video interpreting companies concentrate on increasing their resources and client pool.

# Key interpreting companies in the US

Company	Revenue (USD million)	Growth, %
LanguageLine Solutions	480	6.6
CyraCom International	147	5.7
Stratus Video	56.4	68
Certified Languages International	41.4	12.5
InDemand Interpreting	40+ (e)	N/A
Martti (Language Access Network)	30.0 (e)	N/A
CTS LanguageLink	29 (e)	N/A
Language Services Associates, Inc	25 - 45 (e)	N/A
Propio Language Services	12.5	52.4

On the buyer side, there is a range of healthcare organizations, in order of budget size:

- Community healthcare centers
  - Insurance companies
  - Telemedicine companies
  - Hospitals and healthcare systems
  - Healthcare group purchasing organizations (GPOs)
- etc.

The merger of Stratus and InDemand will be the most meaningful for larger clients such as group purchasing organizations (GPOs), who need providers with a sizeable interpreter force to fill in thousands of bookings promptly. Competition in this segment might increase.

For smaller LSPs, on the other hand, this is not a moment of fear. The impact on their business will be minimal. If anything, there will be more room to operate. As Stratus and InDemand grow larger, small contracts will become less important for their growth, and they will need to de-prioritize those in favor of bigger business prospects. Scaling up customer service functions to support rapid growth will be one of the challenges for the combined company, and something smaller local providers could take advantage of.

Merger and acquisition (M&A) activity highlights business optimism. Investors believe in the prospects of healthcare interpreting and in potential growth above 10 percent a

year. The more deals there are, the easier it will be for other providers such as Maarti, LSA, CLI, Language Link, and Propio to participate in the future M&A.

The merger caused a stir that muddied the waters, and market leaders might want to take this moment to rethink their strategy.

## A milestone for investors in medical interpreting

In an interview with Nimdzi, David Fetterolf, the president of Stratus Video, revealed that both brands, Stratus and InDemand, will be kept alive, and in the back end, management teams, interpreting pools, and technology will become integrated. The goal is to have one single interpreter platform, thereby increasing interpreter availability and their language portfolio up from the current 27-29 languages.

Stratus revealed little about the financial details, hinting that this was a merger, rather than an acquisition. Both companies are backed by private equity, which makes the deal a very interesting milestone for the investors in medical interpreting.

Stratus's owner is Kinderhook Capital Fund, which bought its parent company in 2015 for USD 101 million. Stratus revenue has grown 68 percent over the last two years and reached USD 56.3 million. They have completed two acquisitions before, one in 2014 (Capiche), and one in 2016 (Optimal Phone Interpreters). They are focused on fast growth, and this deal helps to further this goal.

InDemand was a smaller company, that did not reveal its revenue in the industry surveys. The revenue benchmark for the combined company suggests InDemand were in the USD 40+ million range. InDemand's backers, according to CrunchBase, are Fifth Province Ventures, Health Enterprise Partners and Square 1 Bank, with at least USD 21.6 million invested. The latest round took place 3 years ago, so the investors might have been looking for an exit.

David Fetterolf estimates that 50 percent of large hospitals and 90 percent of community centers are still untapped but have to find an interpreting solution in order to comply with legal requirements. Other opportunities include integrating with telemedicine providers and web conference tools, out of which Stratus Video has already integrated with Zoom and Cisco GoToMeeting connectors.

The combined company is forecasted to growth double-digits in the next two years. This is a measure of how immense the medical interpreting opportunity in the United States is.