Problems for Lernout & Hauspie

As this issue of IJLD went to press, the situation in relation to the Belgium-based multinational language technology company Lernout & Hauspie was changing from day to day. For the latest information (obviously from L&H’s point of view) see L&H’s own press release website, http://www.lhs.com/news/.

At the end of November 2000 L&H filed for creditor protection in Belgium and in the USA after it failed to reach an agreement with its banks.

On December 12 L&H formally appealed for a Concordaat in Belgium. A concordaat is similar to Chapter 11 bankruptcy protection in the USA. The appeal will go before the court in Ghent. L&H had filed for Chapter 11 protection on November 29.

John Duerden, president, chief executive officer and managing director of L&H, said that he and the L&H board were convinced that the best solution for the company was joint protection in the USA and Belgium.

“We now have additional time to explain the current business plan to the court and to confirm the value of L&H’s worldwide assets. We will consider every possibility that maximizes value for our shareholders and creditors. Negotiations are being finalized with a leading investment bank to assist us in this process.

“In the meantime the company continues to operate under the guidelines of Chapter 11 in the USA and the December 12 decision of the commercial court of Ieper (Ypres) to appoint three administrators. On behalf of our shareholders and employees, we are committed to taking every possible action to ensure that L&H remains the leading global provider of speech and language technologies.”

Again, according to newspaper reports L&H owes its banks some $430 millions, nearly half of which is in short-term credits requiring early repayment. It seems that L&H’s current problems can be traced back to a large extent to its acquisition of the American voice communications company Dictaphone at the beginning of 2000 (the acquisition was reported at the time in IJLD). Under L&H management Dictaphone has failed to live up to its expectations, and L&H Dictaphone has been granted bankruptcy protection in the USA. But reports indicate that L&H may be sued by former Dictaphone owners Stonington Partners because of “misrepresentation” when it exchanged its 96% stake in Dictaphone for nine million shares in L&H. L&H shares, which were $72.50 in March 2000, were down to $6.22 on Nasdaq when trading was suspended in November.

Another L&H problem has been a cash shortfall of about $30 million in the balance sheet of its Korean subsidiary, which prompted an investigation by the US-based Securities and Exchange Commission. An article in the Wall Street Journal in July 2000 (several people contacted IJLD to draw our attention to it) which queried the Korean figures undoubtedly contributed to the downward slide in L&H share values. The president and general manager of L&H Korea, Joo Chul Seo, was replaced in November by Dong-Hee Kim.

Earlier in November L&H had restructured their board. John Duerden, who had become chief executive officer back in August, became sole managing director. Roel Pieper became chairman of the board. The company’s two founders, Jo Lernout and Pol Hauspie, stepped down from their positions as co-chairmen and joint managing directors. On November 22 it was also announced that Gaston Bastiaens, former chief executive officer and president, was resigning from the board.