EMEA Combined Sourcing and As-a-Service Market Insights

FIRST QUARTER 2017

Hosted by:
John King, Bank of America, Merrill Lynch
19 April 2017

ISG Index™

imagine your future®

Welcome to the 58th Quarterly ISG Index

Covering the state of the combined sourcing and as-a-service industry for global, commercial and public sector contracts.

John Keppel
Partner and President

Bernd Schaefer
Partner

Stanton Jones
Research Director and Principal Analyst

Commercial Combined Market up 12% as Traditional Sourcing remains flat Y/Y and As-a-Service growth continues

As-a-Service propels EMEA's near-record quarter; Traditional Sourcing rises slightly

Record quarter for Americas; As-a-Service strength offsets slight Y/Y drop in Traditional Sourcing

Asia Pacific sees four consecutive €800M-plus quarters; As-a-Service far surpasses Traditional Sourcing

Combined Public Sector ACV down on lack of large awards and softness in the Americas and EMEA

At a Glance

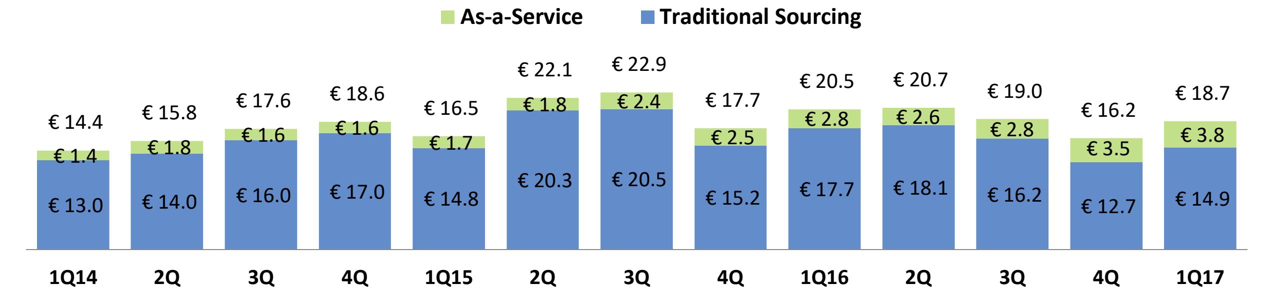
Scorecard		1Q17 ACV (€B)*	1Q Y/Y Change	1Q Q/Q Change
Global Commercial Combined Market		€ 8.4	12%	13%
By Type	Outsourcing	€ 4.9	-1%	17%
	As-a-Service	€ 3.5	39%	9%
By Region	Americas Commercial	€ 4.0	11%	11%
	EMEA Commercial	€ 3.5	13%	19%
	AP Commercial	€ 0.9	16%	1%
Global Public Sector Combined Market		€ 10.3	-21%	17%
By Type	Outsourcing	€ 10.0	-22%	17%
	As-a-Service	€ 0.3	31%	8%

*Contracts with ACV ≥ €4M from the ISG Contracts Knowledgebase™

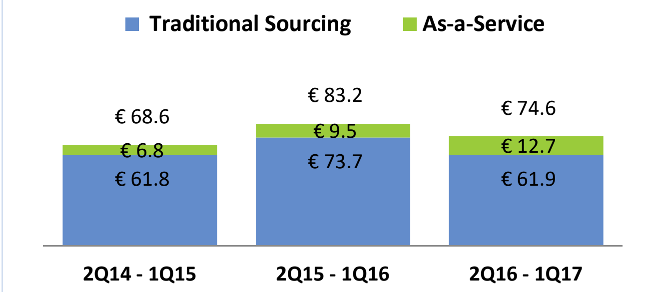
Global Commercial and Public Sector Contracting Trends

Combined Market down 9% Y/Y with weakness in Traditional Sourcing segment, which undermines strong As-a-Service gains across each region.

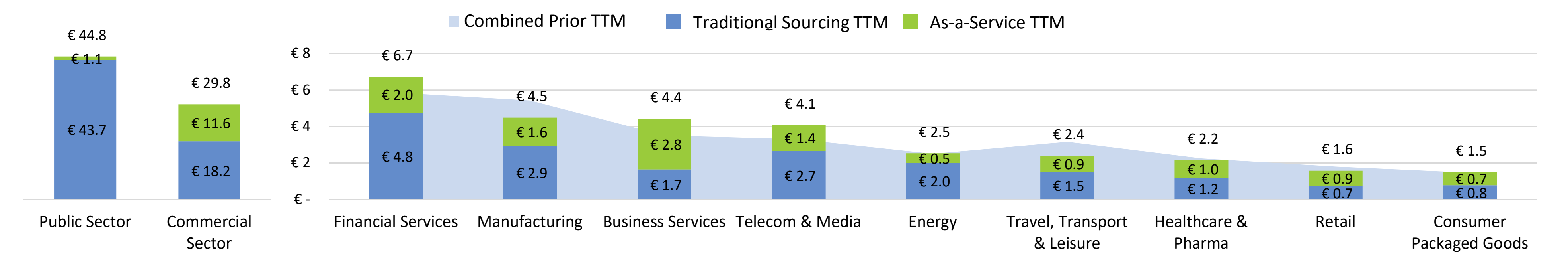
Global Combined Market Quarterly ACV (€B)



Global Combined Market TTM ACV (€B)



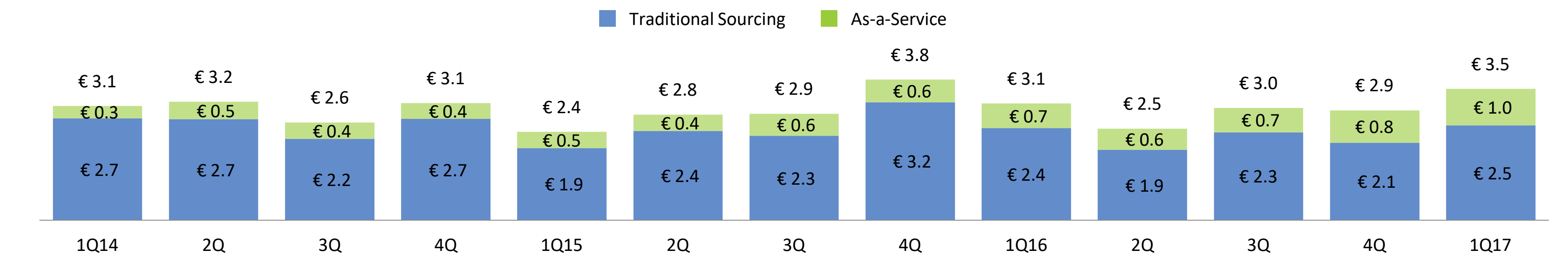
Industry Details for Trailing 12 Months



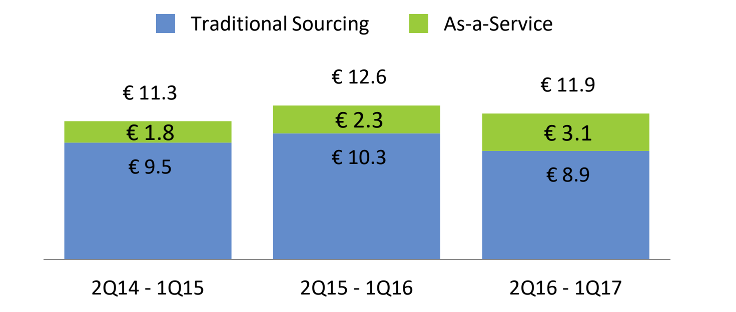
EMEA Commercial Sector Contracting Trends

Combined Market in EMEA reaches €3.5B, up 13% Y/Y as EMEA registers second-best quarter ever;
Traditional Sourcing sees slight growth Y/Y, while As-a-Service rises nearly 50% off a smaller base.

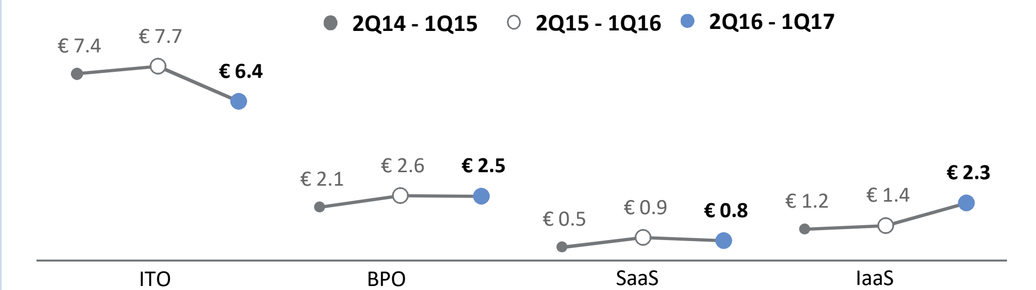
EMEA Commercial Sector Quarterly ACV (€B)



EMEA Commercial Sector TTM ACV (€B)



EMEA Commercial Sector TTM ACV by Type (€B)

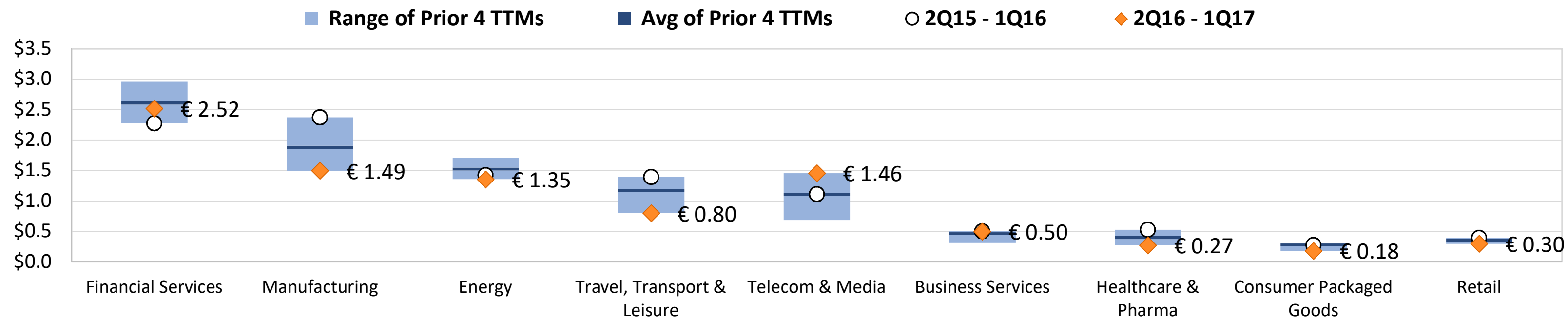


EMEA Commercial Sector Industry Award Trends

Telco and Financial Services ACV up notably, while Manufacturing, weighed down by Traditional Sourcing, trails its prior year's result.

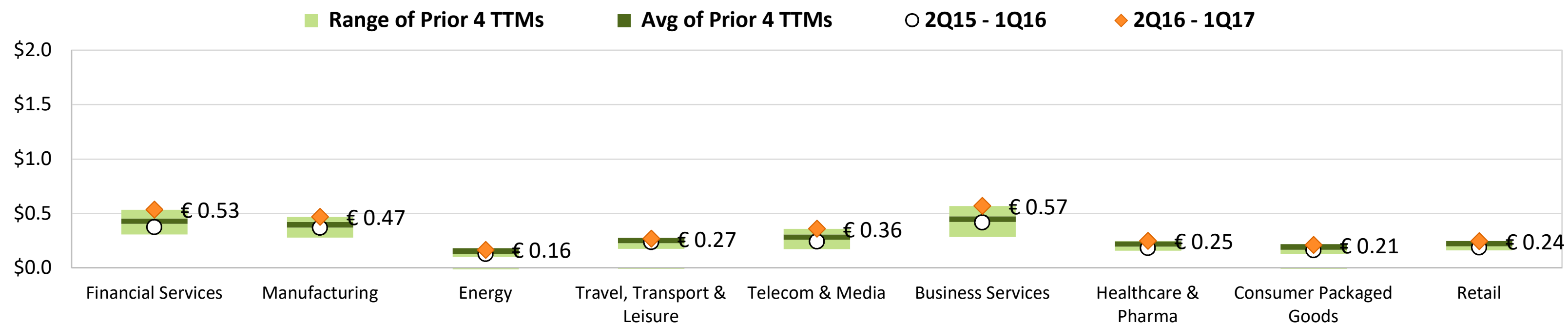
Traditional Sourcing TTM ACV (€B)

EMEA Commercial Industries



As-a-Service TTM ACV (€B)

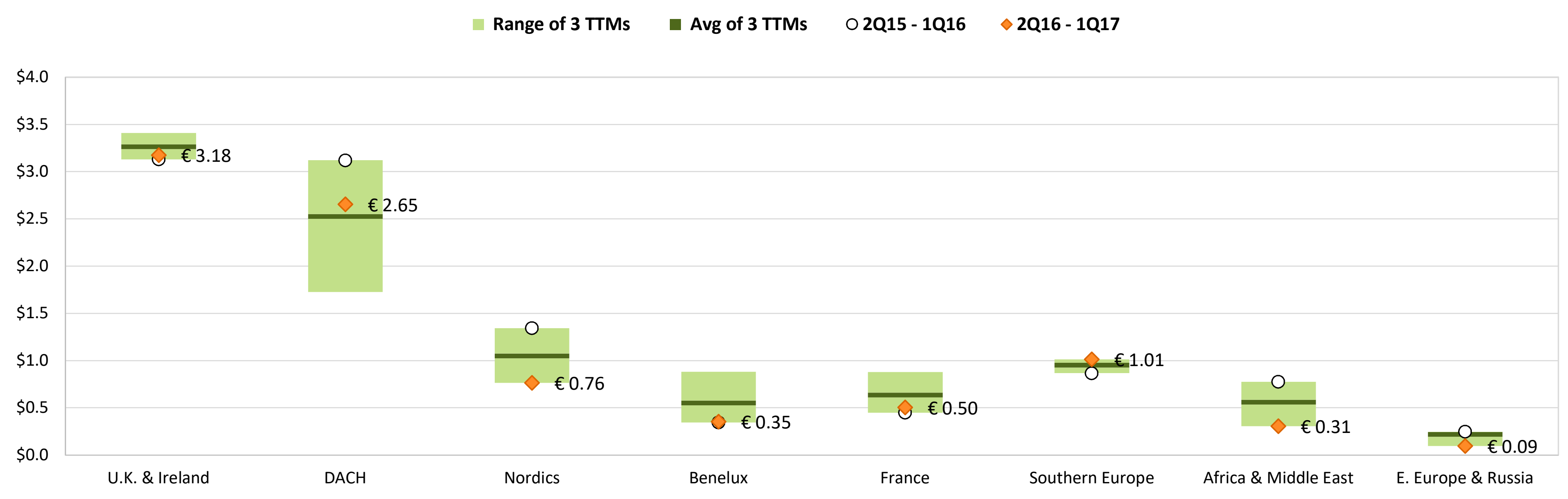
EMEA Commercial Industries



EMEA Traditional Sourcing Trends by Country

Despite declines in the Trailing 12-month view, both the UK and DACH posted strong Q1 2017 results

Trailing 12 Months ACV (€B) EMEA Sub-regions – Traditional Sourcing Only



EMEA
Sourcing Standouts

the ISG 15

Our Contracts Knowledgebase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months.

The Big 15
Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
Atos
BT
Capgemini
Cognizant
Fujitsu
HPE
IBM
Infosys
TCS
T-Systems

As-a-Service Market

Amazon Web Services
Google
IBM
Microsoft

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Amdocs
Capita
Carillion
CGI
CSC
Emcor Group
EVRY
Genpact
HCL
Interserve
Orange Business Services
Tech Mahindra
Tieto
Wipro

As-a-Service Market

Equinix

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

Atento
Coor Service Management
Datagroup
EPAM Systems
Firstsource Solutions
Hexaware
KMD A/S
L&T Infotech
Luxoft
Mindtree
NNIT A/S
SIA
VirtusaPolaris
Webhelp
WNS

As-a-Service Market

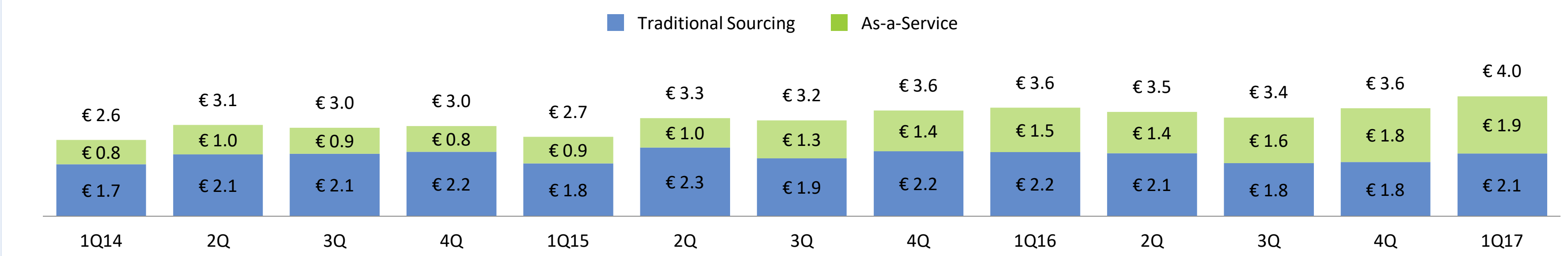
-

Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.

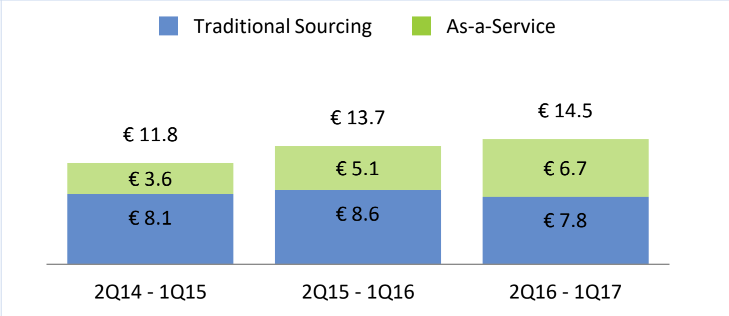
Americas Commercial Sector Contracting Trends

Combined Market ACV up 11% Y/Y as Americas registers its best-ever quarter.
Both Traditional Sourcing and As-a-Service markets are running nearly parallel with each other in ACV volume.

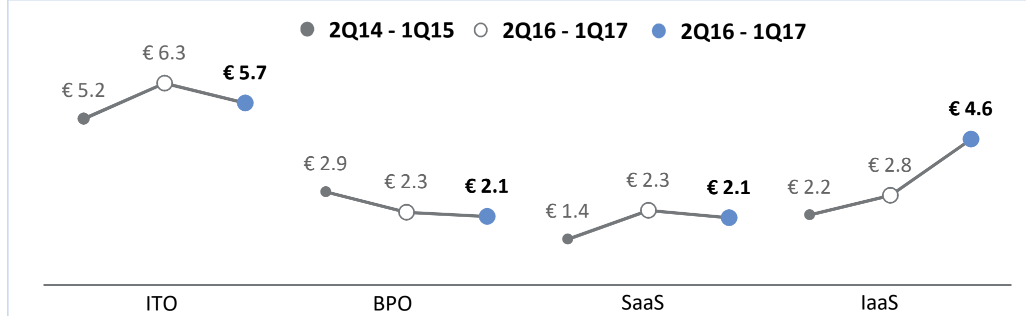
Americas Commercial Sector Quarterly ACV (€B)



Americas Commercial Sector TTM ACV (€B)



Americas Commercial Sector TTM ACV by Type (€B)

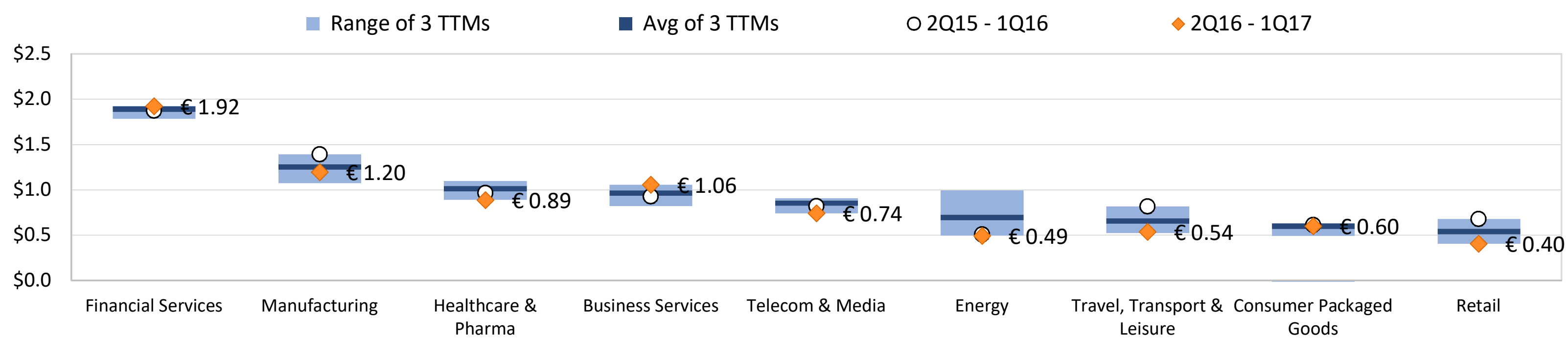


Americas Commercial Sector Industry Award Trends

Financial Services and Business Services drive ACV growth in the Americas
with gains in both Traditional Sourcing and As-a-Service segments.

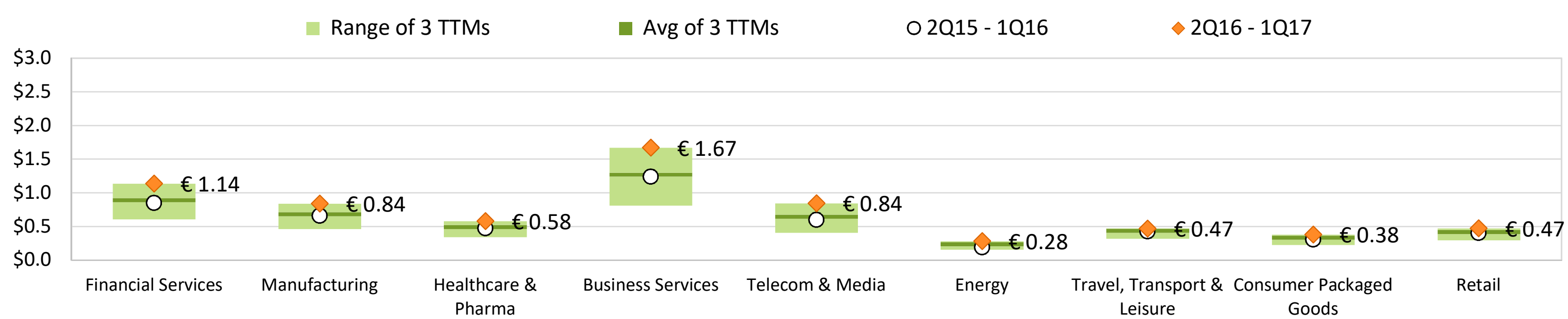
Traditional Sourcing TTM ACV (€B)

Americas Commercial Industries



As-a-Service TTM ACV (€B)

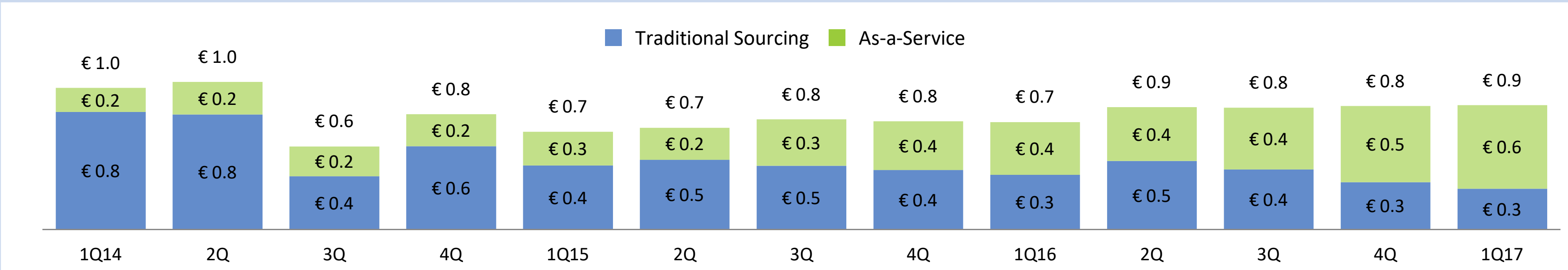
Americas Commercial Industries



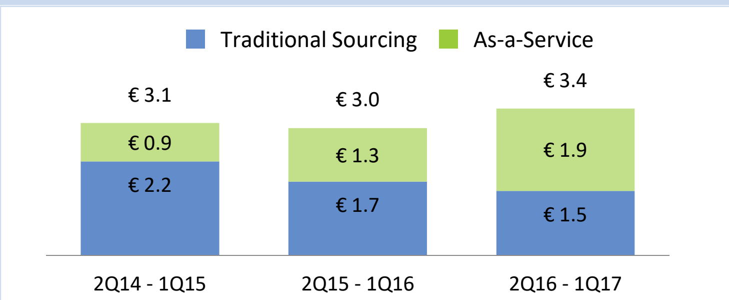
Asia Pacific Commercial Sector Contracting Trends

Combined Market ACV up 16% Y/Y as quarterly ACV surpassed $1B for the fourth consecutive quarter;
As-a-Service ACV now has overtaken the output of Traditional Sourcing.

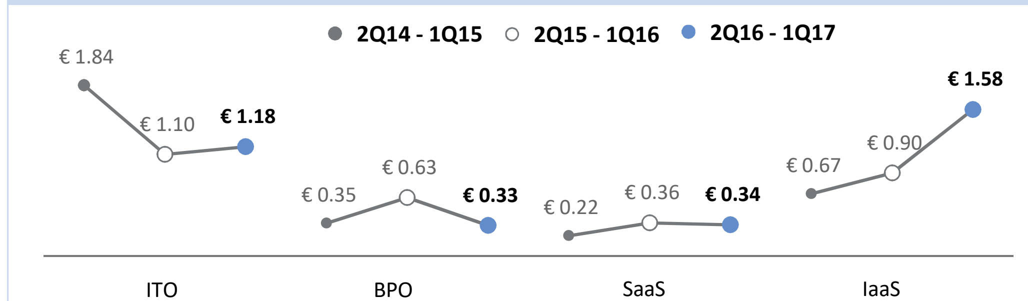
AP Commercial Sector Quarterly ACV (€B)



AP Commercial Sector TTM ACV (€B)



AP Commercial Sector TTM ACV by Type (€B)

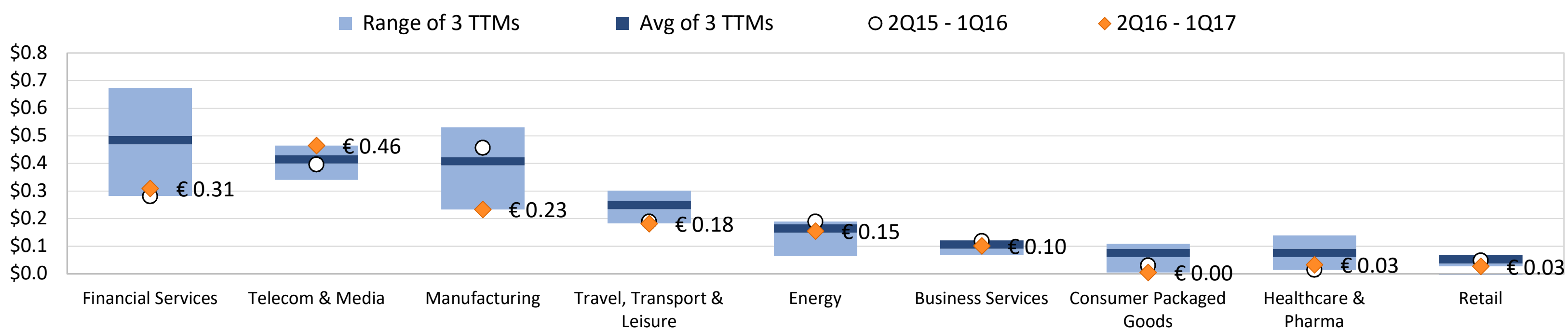


Asia Pacific Commercial Sector Industry Award Trends

Strong As-a-Service results drive growth in the larger verticals such as Telco and Business Services, with Manufacturing still experiencing some headwinds due to softness in Traditional Sourcing.

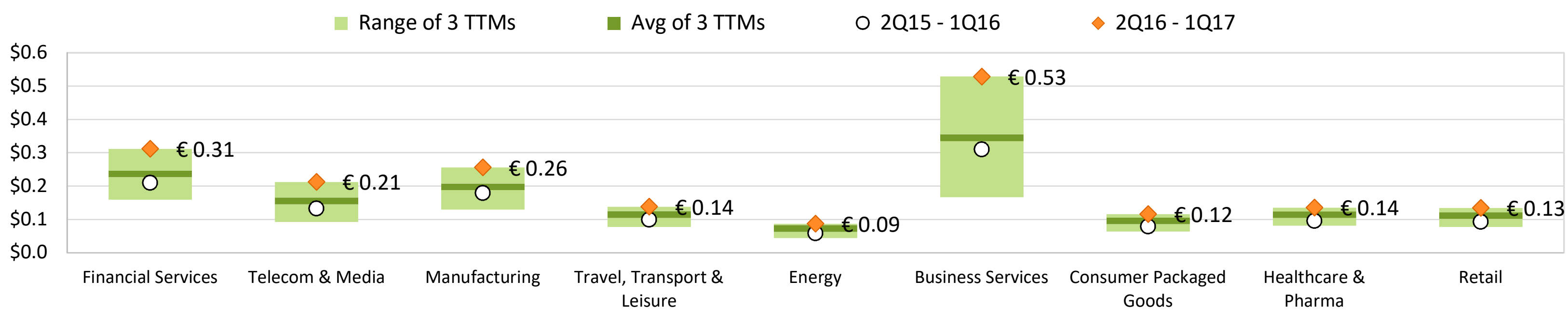
Traditional Sourcing TTM ACV (€B)

Asia Pacific Commercial Industries



As-a-Service TTM ACV (€B)

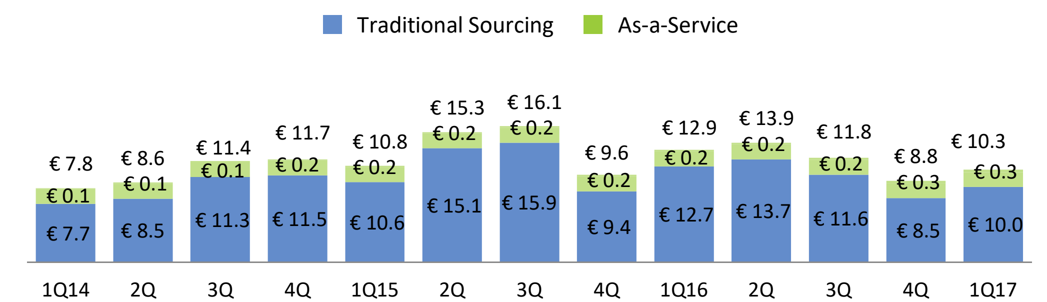
Asia Pacific Commercial Industries



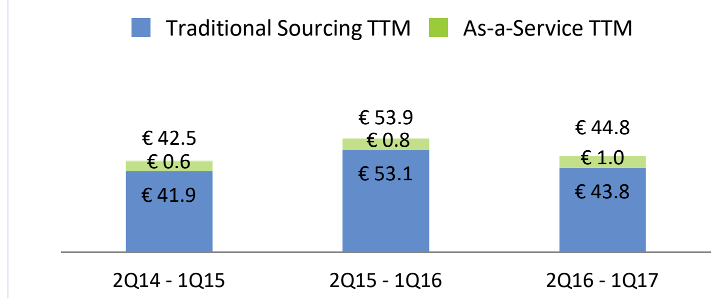
Public Sector Contracting Trends

Combined Public Sector Market ACV lower Y/Y for fourth consecutive quarter due to weak results in Americas and EMEA; As-a-Service boasts strong quarterly gains off a relatively small base.

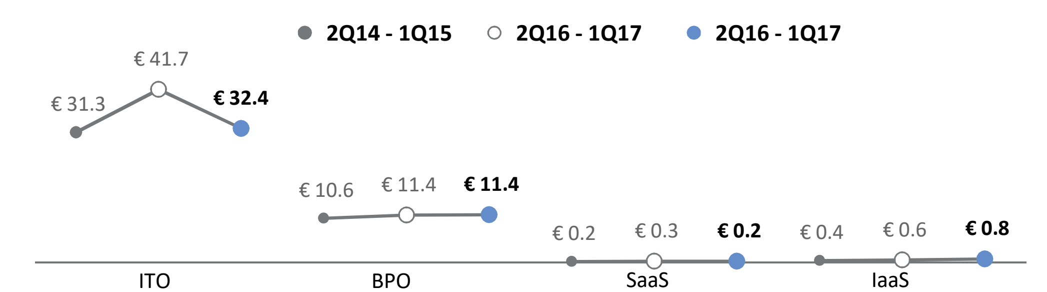
Public Sector Quarterly ACV (€B)



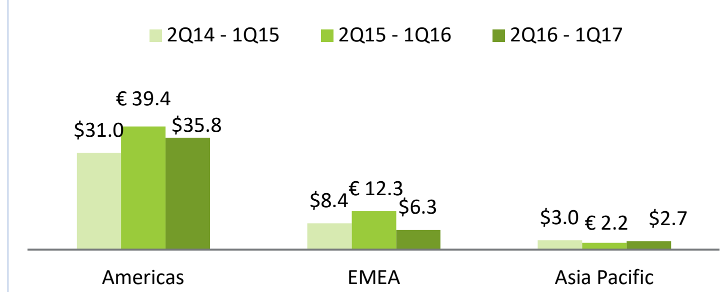
Public Sector TTM ACV (€B)



Public Sector TTM ACV by Type (€B)



Public Sector TTM ACV by Region (€B)



Public Sector
Sourcing Standouts

the ISG 15

Our Contracts Knowledgebase™ is used to determine placements based on the annual value of public sector contracts awarded in the past 12 months.

Americas

Traditional Sourcing Market
Booz Allen
CACI International
CSRA
General Dynamics
HPE
Leidos
Mantech
Northrop Grumman
Raytheon
SAIC

As-a-Service Market
Amazon Web Services
Google
IBM
Iron Mountain
Microsoft

EMEA

Traditional Sourcing Market
Accenture
Atea
Capgemini
Capita
Fujitsu
HPE
IBM
Serco
SopraSteria
T-Systems

As-a-Service Market
Amazon Web Services (IaaS)
Deutsche Telekom
Google
IBM
Microsoft

Asia Pacific

Traditional Sourcing Market
Accenture
CSC
Fujitsu
HPE
Leidos
NEC
NTT DATA
PwC
Telstra
Thales

As-a-Service Market
Alibaba
Amazon Web Services
IBM
Google
Microsoft

Providers in alphabetical order; no rankings implied.
Placements based on counts of public sector contract awards sourced from ISG Contracts Knowledgebase™.

1Q17 Index Inside Track from

ISG Insights™

SaaS Remakes the HRO Market

Stanton Jones
Research Director and Principal Analyst

ISG Index™ GLOBAL 1Q17

The shift to HR SaaS is not a question of "if" but "when."

Enterprises Describe their Evolving HR Technology Models

by 2020 **>50% of enterprises** will use SaaS HR Tech

Traditional HRO involves large, multi-process technology and services deals

Why the Shift to SaaS?

- Traditional HRO require extensive customization
- High profile implementation failures
- Providers stretched beyond core competencies
- Failures undermined buyers' confidence

Businesses seek out the implementation and services providers that fit a SaaS technology strategy

Industry sees increased adoption of innovative HR SaaS platforms, decoupling the services from the technology.

ISG Insights™

For High-growth Companies It's About Talent and Engagement

HR Tech **Buyer Behavior is Changing**

Important Technology to increase employee engagement

Important Compelling user experience

Less important Reduce Total Cost of Ownership

The SaaS **Impact on Providers**

Providers that specialize in platforms in high demand

Implementation services experience strong demand

Managed HRO services providers are gaining market share and acquiring smaller implementation firms

#1 SaaS is the single biggest opportunity for companies to transform HR service delivery

HR SaaS is a leading indicator for the global technology market

- Cloud technology used to transform delivery models
- Finding providers that know how to implement
- Manage and extend the chosen technology

Get the larger research report from ISG Insights™ !

ISG Insights™

1Q 2017 ISG Index - Global Summary and Outlook

Summary

- Double digit Y/Y growth in each of the three regional commercial markets
- Each region is in varying degrees of cloud adoption with EMEA in early stages, the Americas seeing an equal split and Asia-Pacific being more heavily weighted toward As-a-Service
- Several Industries drive growth, including Financial Services, Telecom and Business Services, the latter experiencing simultaneous annual ACV gains in both Traditional Sourcing and As-a-Service
- Public sector contracting pulls back due to softness in the U.S. and Europe

Outlook

- Continue to forecast high single-digit gains in each of the geographies
- Growth driven by increasing As-a-Service activity
- Occasional strong quarters in Traditional Sourcing space due to high volumes or large deal flow

isg-one.com

John Keppel
Partner and President
+44 (0)7879 432 212
john.keppel@isg-one.com

Denise Colgan
EMEA and AP Media Contact
+44 1737 371523
denise.colgan@isg-one.com

Tara Benham
Cohn & Wolfe for ISG
+44 (0)207 331 5395
Tara.benham@
cohnwolfe.com

Bill McNee
Partner
ISG Insights
+1 203 820 8987
bill.mcnee@isg-one.com

Paul Reynolds
Partner, Chief Research Officer
ISG Momentum
+1 508 625 2194
paul.reynolds@isg-one.com

Appendix: Score Card for TCV

FIRST QUARTER 2017

ISG Index™ EMEA 1Q17

1Q 2017 TCV Scorecard – Traditional Sourcing Market Only

The ISG Outsourcing Index has moved to ACV as the primary measure of the Broader Market.
We will continue to provide a high-level TCV view of the market via a Scorecard analysis.

Scorecard		1Q17 TCV (€B)*	1Q Y/Y Change	1Q Q/Q Change
Global Commercial Combined Market		€ 23.0	12%	26%
By Type	Outsourcing	€ 17.4	11%	34%
	As-a-Service	€ 5.6	13%	8%
	ITO	€ 12.4	29%	54%
	BPO	€ 4.9	-17%	1%
	IaaS	€ 2.9	76%	9%
	SaaS	€ 2.8	-18%	6%
By Region	Americas Commercial	€ 9.6	12%	25%
	EMEA Commercial	€ 11.6	27%	33%
	Asia Pacific Commercial	€ 1.8	-39%	2%

*Contracts with TCV ≥ $25M from the ISG Contracts Knowledgebase™

ISG (Information Services Group) (NASDAQ: III) is a leading global technology research and advisory firm. A trusted business partner to more than 700 clients, including 75 of the top 100 enterprises in the world, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; technology strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data.

isg-one.com