EMEA Sourcing and As-a-Service Market Insights

FIRST QUARTER 2018

Hosted by:
Kunal Tayal, Bank of America, Merrill Lynch
April 16, 2018

ISG Index™

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Welcome to the 62nd Quarterly ISG Index

Covering the state of the combined Traditional Sourcing and As-a-Service industry for the global commercial market.

Steve Hall
Partner and President ISG

Barry Matthews
Partner, EMEA

Wayne Butterfield
Director, Cognitive & AI Innovation and Automation

Commercial Combined Market ACV, up 11% Y/Y, reaching €9.6B

Traditional Sourcing declines moderately at 6% Y/Y, while As-a-Service increases 40% Y/Y

Americas ACV up 32% Y/Y as both Traditional Sourcing and As-a-Service generates strong results

EMEA ACV down 20% Y/Y; Traditional Sourcing weighs down results with weakness in UK and DACH

Asia Pacific ACV up 62% Y/Y versus a soft 1Q17; As-a-Service ACV breaks through €0.8B for the first time

At a Glance

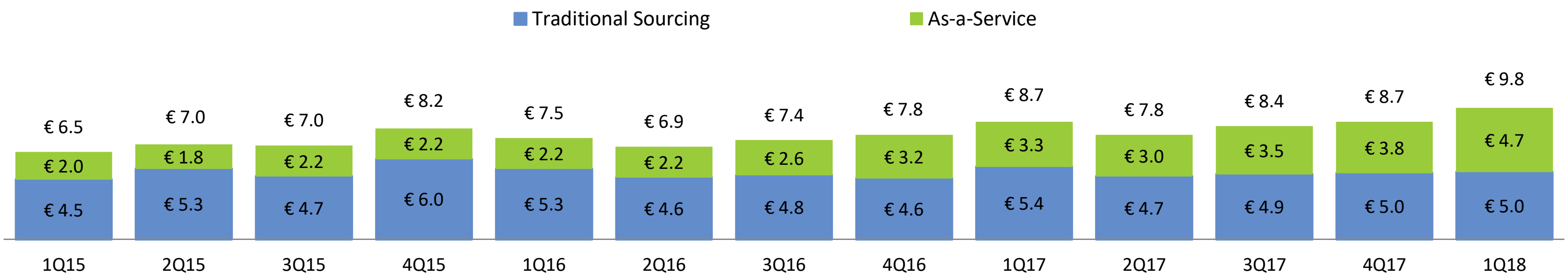
Scorecard		1Q18 ACV (€B)*	1Q Y/Y Change	TTM ACV (€B)*	TTM Change
Global Commercial Combined Market		€ 9.8	11%	€ 34.7	13%
By Type	Traditional Sourcing	€ 5.0	-6%	€ 19.6	1%
	As-a-Service	€ 4.7	40%	€ 15.0	32%
By Region	Americas Combined	€ 5.5	32%	€ 18.6	24%
	EMEA Combined	€ 3.0	-20%	€ 11.4	-9%
	Asia-Pacific Combined	€ 1.2	62%	€ 4.6	46%

*Contracts with ACV ≥ $5M from the ISG Contracts Knowledgebase™

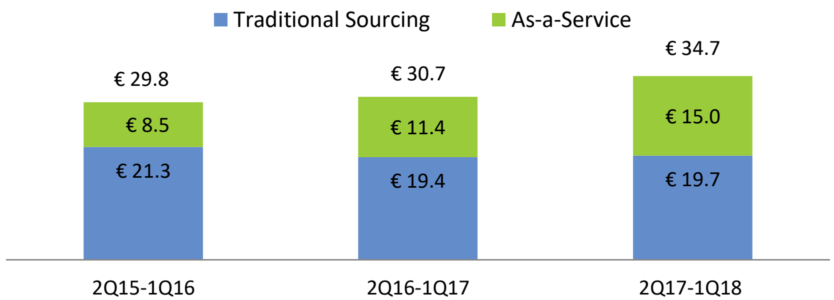
Global Commercial Sector Contracting Trends

Combined Market up 11% Y/Y, reaching €9.8B in ACV; Traditional Sourcing remains strong but pulls back slightly Y/Y;
As-a-Service ACV breaks through the €4 billion level for the first time with stepped-up activity in the Public Cloud market segment.

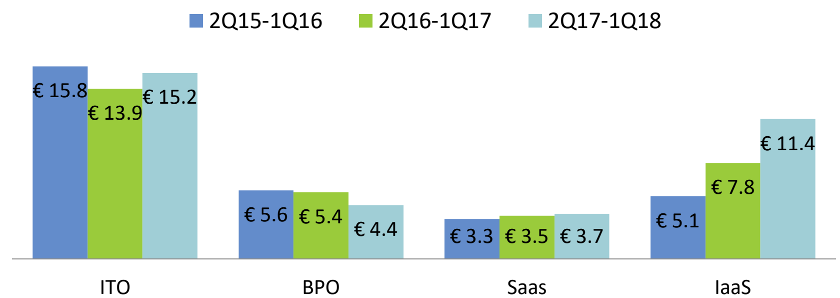
Global Combined Market Quarterly ACV (€B)



Global Commercial Sector TTM ACV (€B)



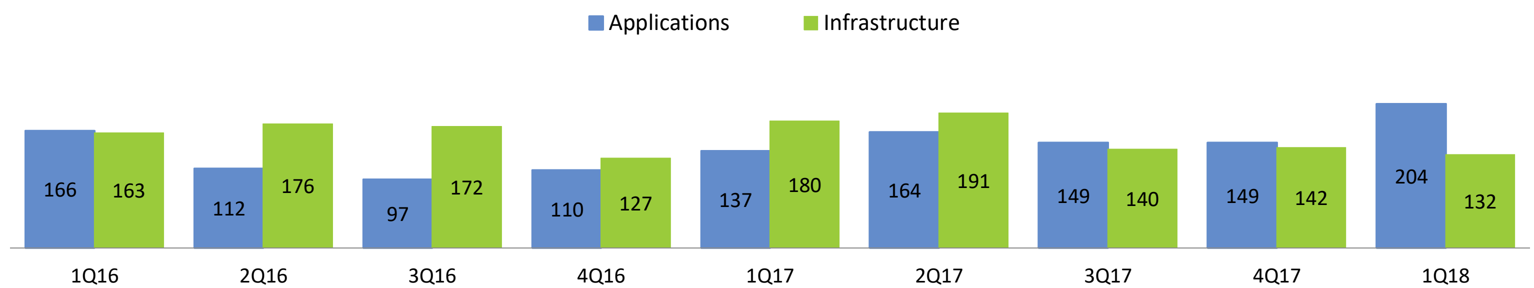
Global Commercial Sector TTM ACV by Type (€B)



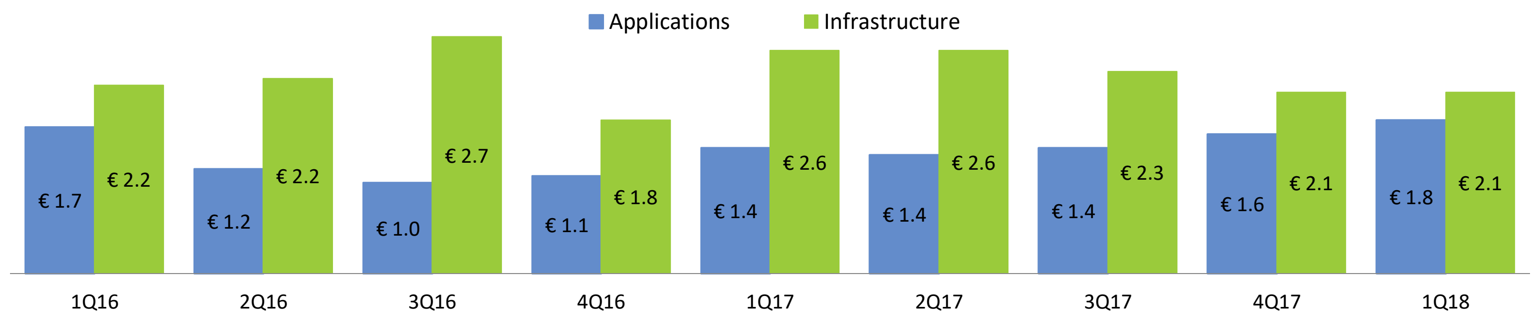
ITO Award Trends – ADM/Infrastructure

ADM shows strength across all three regions as ACV and number of awards are up 22% and 49% Y/Y, respectively; at the same time, Infrastructure Outsourcing ACV and number of awards fall 17% and 27% Y/Y, respectively, with weakness in EMEA and Asia/Pacific.

Traditional Sourcing – Quarterly ADM/Infrastructure (Number of Awards)

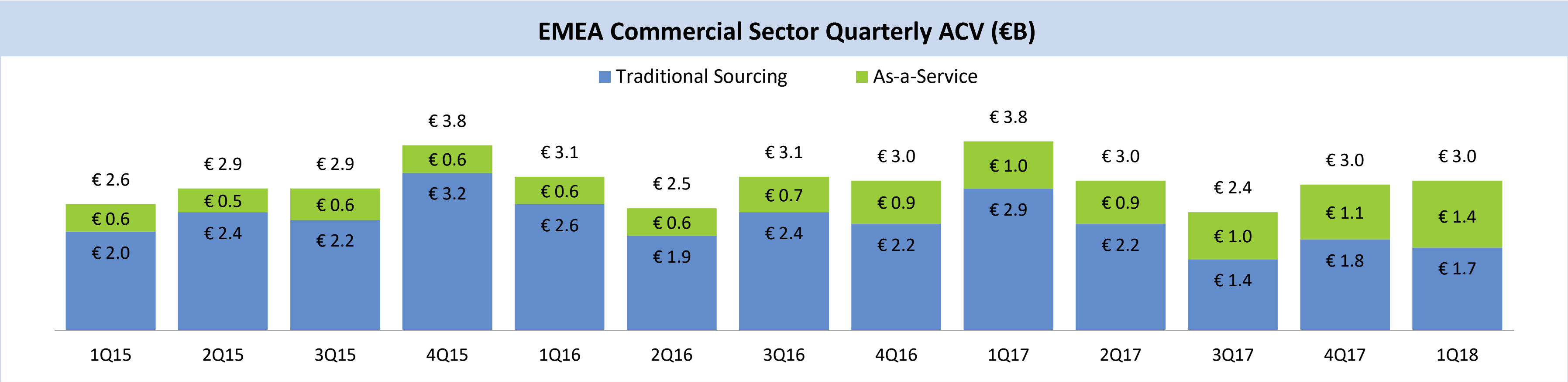


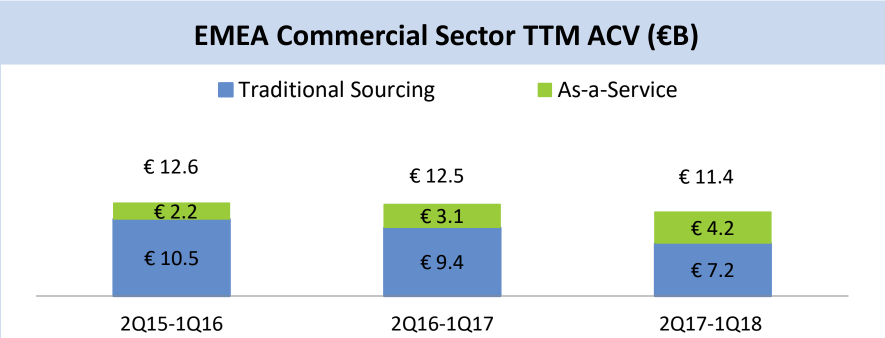
Traditional Sourcing – Quarterly ADM/Infrastructure ACV (€B)

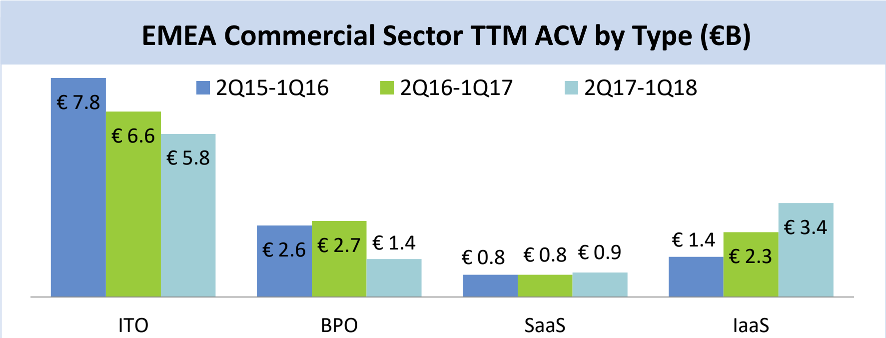


EMEA Commercial Sector Contracting Trends

Combined Market ACV in EMEA retracts 20% Y/Y as Traditional Sourcing sees its third straight weaker quarterly result on tepid activity in the UK and DACH; As-a-Service ACV remains on slow but steady journey upward but not enough to make up for slowing sourcing results.

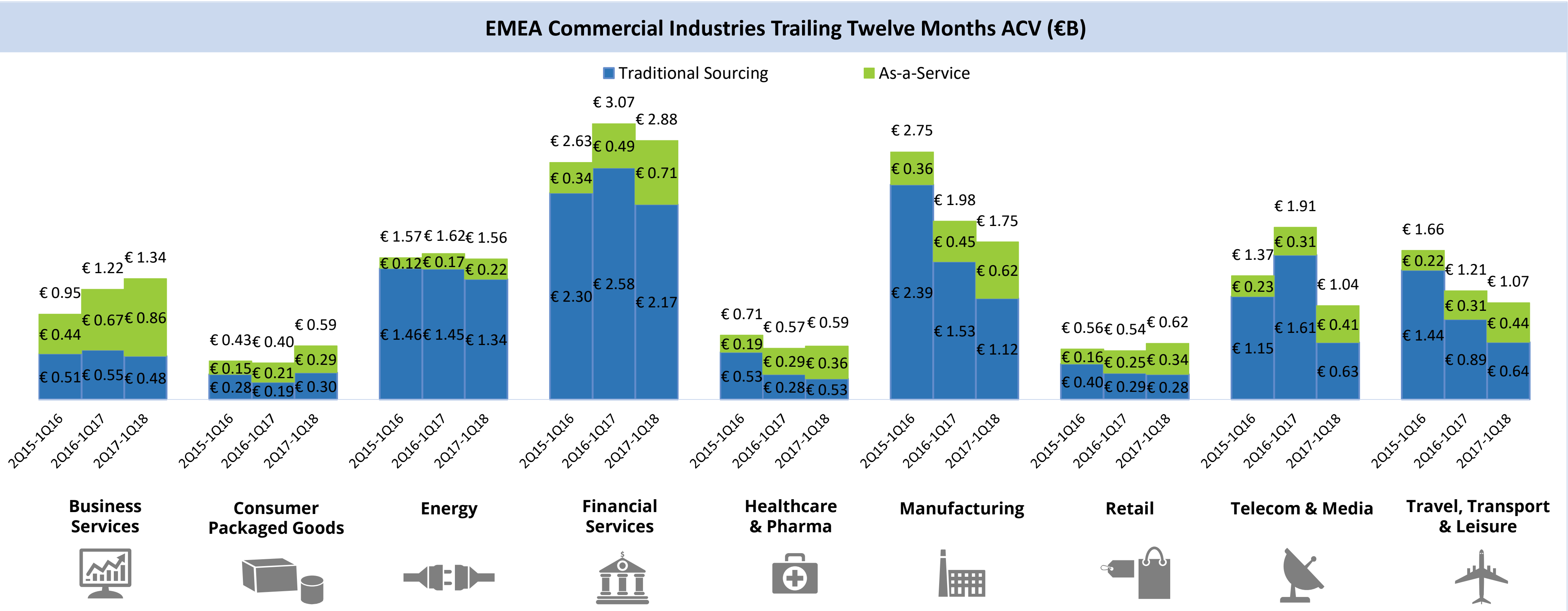






EMEA Commercial Sector Industry Award Trends

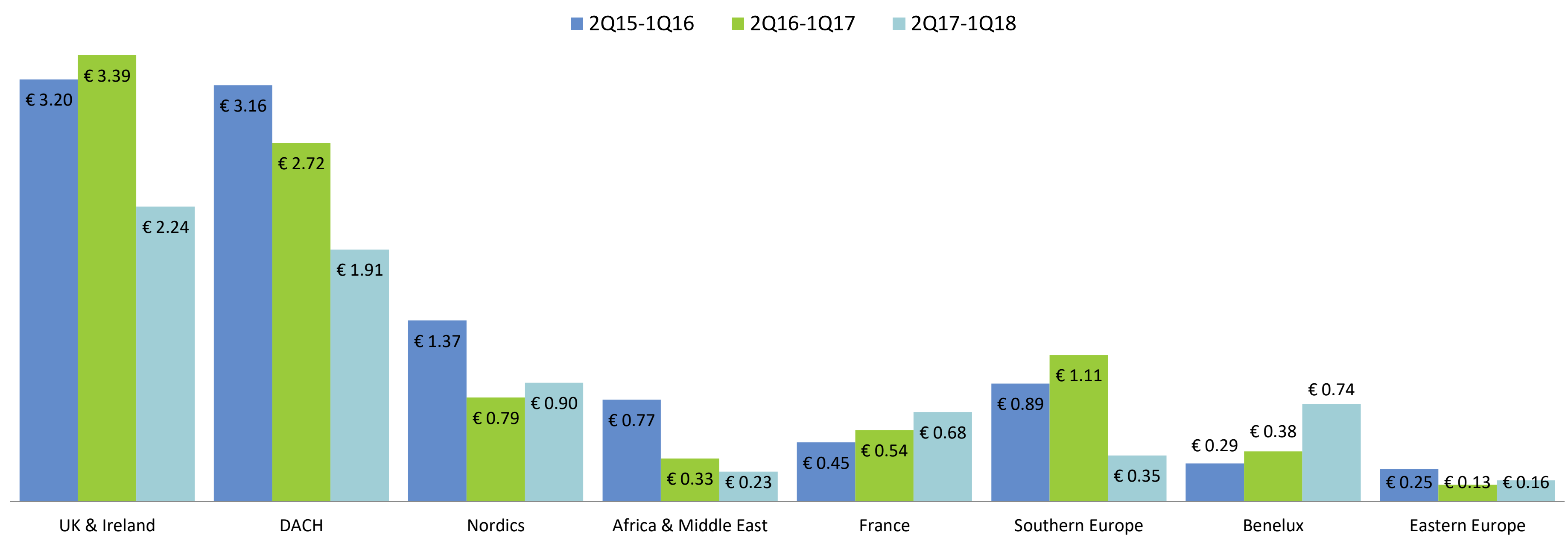
All industry sectors registered growth in As-A-Service; Traditional Sourcing declined in all industries in the last period, except for the Consumer Packaged Goods sector, which grew 40%.



EMEA Sub-Regions - Traditional Sourcing Only

Traditional Sourcing ACV in the UK , DACH and Southern Europe slumped ; France and the Nordics grew by both ACV and number of deals

EMEA Commercial Sector Full Year ACV by Type (€B)



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
AT&T
Atos
BT
Capgemini
Cognizant
DXC Technology
IBM
Infosys
TCS
T-Systems

As-a-Service Market

Amazon Web Services
Google
Microsoft
Oracle

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Axians IT Solutions *
Bechtle *
Computacenter *
Diebold Nixdorf
HCL
Interserve
Orange Business Services *
Sopra Steria
Tech Mahindra
Teleperformance *
Unisys
Wipro

As-a-Service Market

Adobe Systems
Equinix
United Internet

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

Adare Group
Comparex AG *
EXL *
GFT Technologies
Hexaware
Ibermatica SA *
Maykor *
Mindtree *
NNIT A/S
Reply SpA *
Verifone *
Virtusa

As-a-Service Market

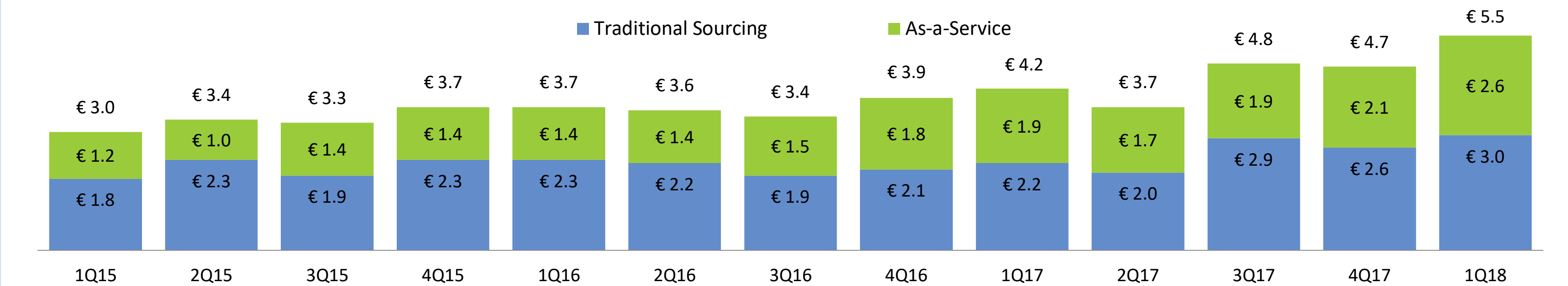
Interxion
LogMeIn
OVH

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

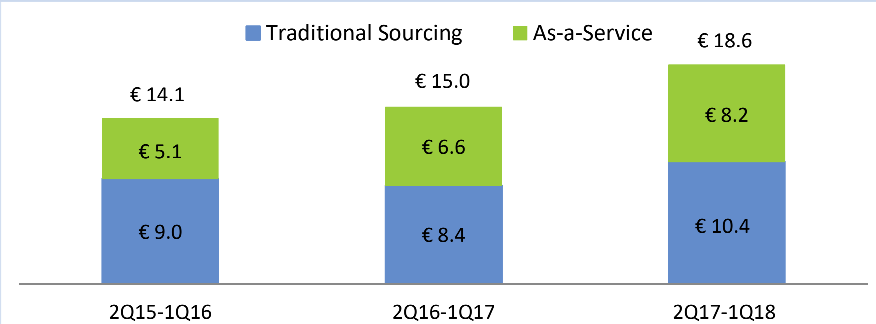
Americas Commercial Sector Contracting Trends

Combined Market ACV up 32% Y/Y as the Americas registers strong results in both Traditional Sourcing and As-a-Service ACV; robust applications contracting and gains in many BPO functional areas; Public Cloud growth remains on a high trajectory

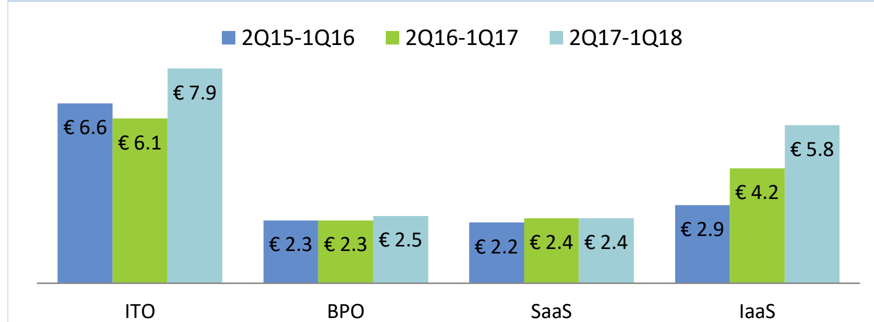
Americas Commercial Sector Quarterly ACV (€B)



Americas Commercial Sector TTM ACV (€B)



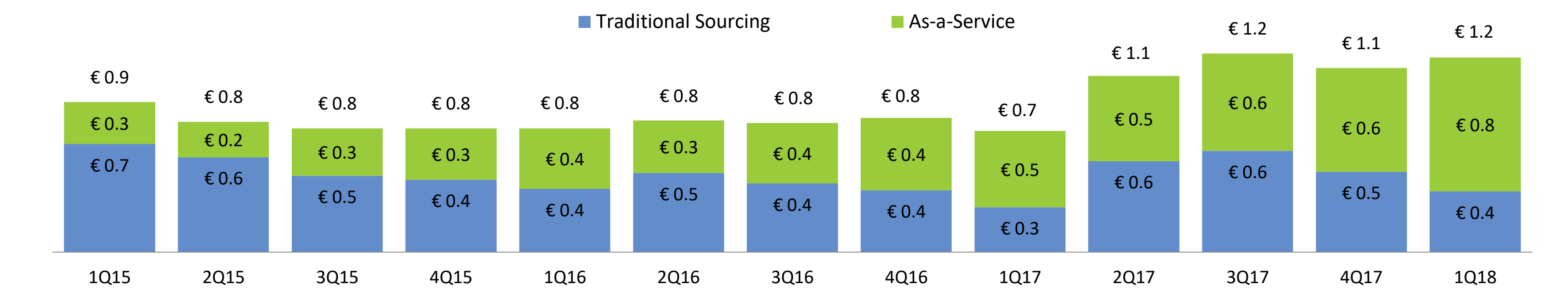
Americas Commercial Sector TTM ACV by Type (€B)



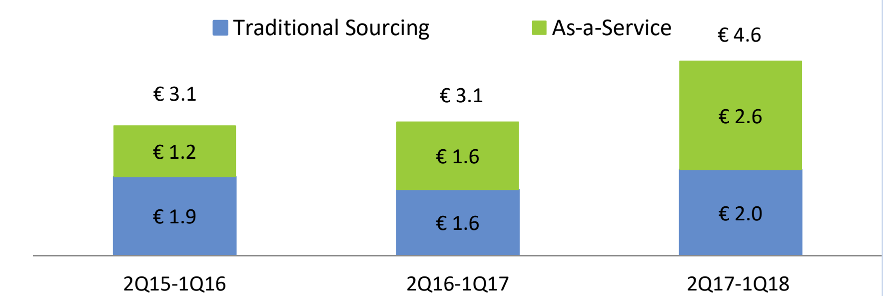
Asia Pacific Commercial Sector Contracting Trends

Combined Market up 62% versus a soft 1Q17; As-a-Service ACV passes €.8B for the first time and now accounts for nearly 70% of market activity; Traditional Sourcing sees stepped-up activity in Applications contracting as well the China and Southeast Asia regions.

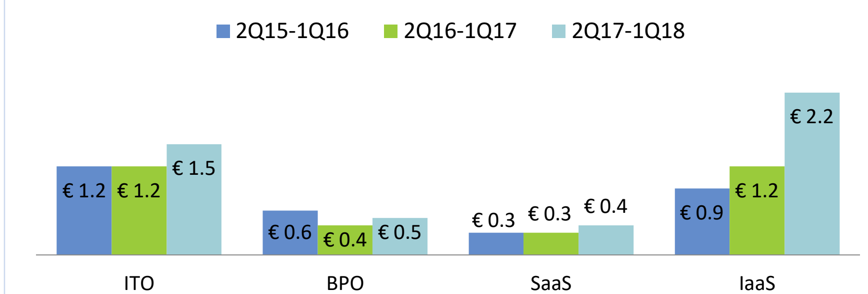
AP Commercial Sector Quarterly ACV (€B)



AP Commercial Sector TTM ACV (€B)



AP Commercial Sector TTM ACV by Type (€B)



1Q18 Index Inside Track from

ISG Insights™

Blockchain

Wayne Butterfield

Director, Cognitive & AI

Innovation and Automation

ISG Index™

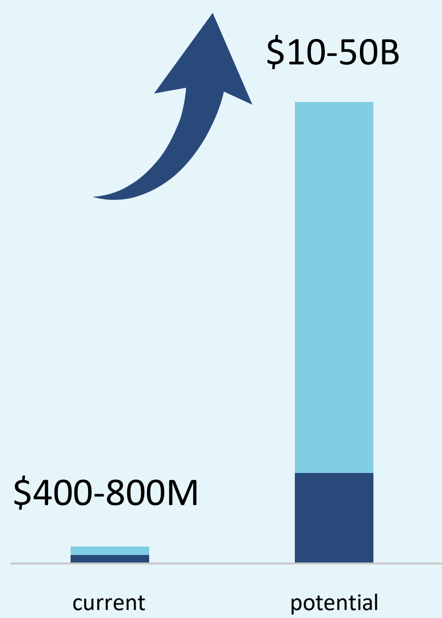
EMEA 1Q 2018

Blockchain EcoStack

Level 3	**Blockchain Enabled Applications**	Cryptocurrencies, Smart Contracts, Transaction Processing, Settlement, Supply Chain Transparency, Digital Rights Management
Level 2	**Blockchain Platforms Public, Federated, Private**	Bitcoin, Ethereum, Microsoft, Corda R3, IBM
Level 1	**Distributed Nodes**	Individual computers that participate in the blockchain network, providing transaction recording and cryptographic effort to validate transactions

Blockchain Market

Blockchain Market Size



Blockchain As-a-Service Players

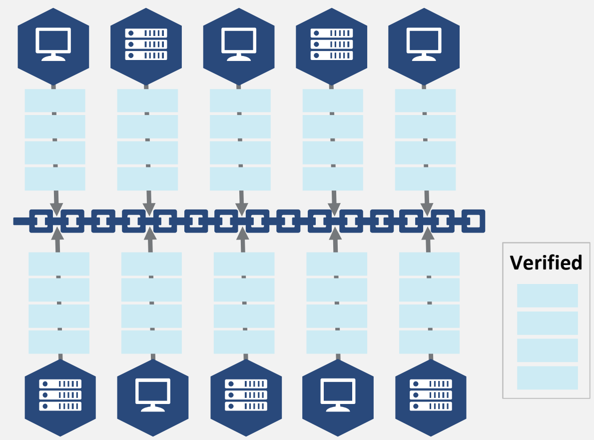
IBM | Microsoft

HYPERLEDGER | ethereum

Blockchain Ecosystem

2,000 startups
1,000 investors

Blockchain Across Industries



Enterprise use cases increasingly focused on supply chain, logistics and smart contracts.

Blockchain Market

Blockchain Deployment Phases

1. Primarily BFSI use cases such as payment systems and transaction settlement
2. Pilots outside of financial services, including supply chain, point of sale and smart contracts
3. Pilots realize value and move into production while technology and operating model matures

Maturation Will Parallel Cloud Market

- Massive As-a-Service platforms democratize access
- Developers leading the charge in building next generation applications
- Will require operating model re-think within enterprises, resulting in need for new type of managed service

1Q 2018 ISG Index – Global Summary and Outlook

Summary

- Combined Commercial Market ACV continued to see double-digit Y/Y growth, reaching €9.8B for the first time
- Regional results were uneven as the Americas generated strong growth in both Traditional Sourcing and As-a-Service, while Asia Pacific generated very high growth but against a soft Y/Y compare
- EMEA saw its third straight weaker quarter in Traditional Sourcing, and even though As-a-Service activity continued to rise, it wasn't enough to offset the pullback in key markets like the UK and DACH

Outlook

- Continue to forecast As-a-Service growth of 20%+ being led by growth in Public Cloud (30%+) and SaaS growth of 15%
- Traditional Sourcing growth forecast of 2% with uneven results across both the regions and industries

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Steven Hall
President, ISG EMEA
and Partner, ISG Digital Services
+1 303 748 6599
steven.hall@isg-one.com

Will Thoretz
Americas Media Contact
+1 203 517 3119
will.thoretz@isg-one.com

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

Esteban Herrera
Partner, Global Leader
ISG Research
+1 972 730 1749
esteban.herrera@isg-one.com

Paul Reynolds
Partner, Chief Research Officer
ISG Momentum
+1 508 488 6361
paul.reynolds@isg-one.com

Appendix: Score Card for TCV

FIRST QUARTER 2018

ISG Index™ EMEA 1Q 2018

1Q 2018 TCV Scorecard

The ISG 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		1Q18 TCV (€B)*	1Q Y/Y Change	1Q Q/Q Change
Global Combined Market		€ 25.4	2%	-2%
By Type	Outsourcing	€ 18.6	-6%	-8%
	As-a-Service	€ 6.8	32%	22%
	ITO	€ 13.6	3%	-5%
	BPO	€ 5.0	-23%	-16%
	IaaS	€ 3.7	48%	26%
	SaaS	€ 3.1	18%	18%
By Region	Americas	€ 14.3	41%	10%
	EMEA	€ 8.6	-35%	-13%
	Asia Pacific	€ 2.5	68%	-14%

*Contracts with TCV ≥ €20M from the ISG Contracts Knowledgebase™

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