Global Sourcing and As-a-Service Market Insights

FIRST QUARTER 2018

Hosted by:
Rishi Jhunjhunwala, IIFL Institutional Equities
April 11, 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.

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Commercial Combined Market ACV, up 11% Y/Y, surpasses $12B for the first time ever

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; Traditional Sourcing sees strength in Applications and many BPO functional areas

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; Traditional Sourcing up on strength in Applications and SE Asia and China activity; As-a-Service ACV breaks through $1B for the first time

At a Glance

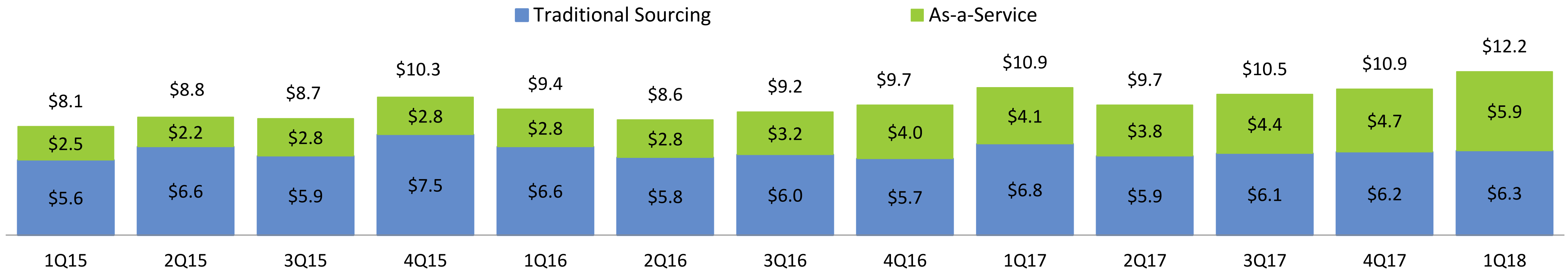
Scorecard		1Q18 ACV ($B)*	1Q Y/Y Change	TTM ACV ($B)*	TTM Change
Global Commercial Combined Market		$ 12.2	11%	$ 43.4	13%
By Type	Traditional Sourcing	$ 6.3	-6%	$ 24.5	1%
	As-a-Service	$ 5.9	40%	$ 18.8	32%
By Region	Americas Combined	$ 6.9	32%	$ 23.3	24%
	EMEA Combined	$ 3.8	-20%	$ 14.3	-9%
	Asia-Pacific Combined	$ 1.5	62%	$ 5.7	46%

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

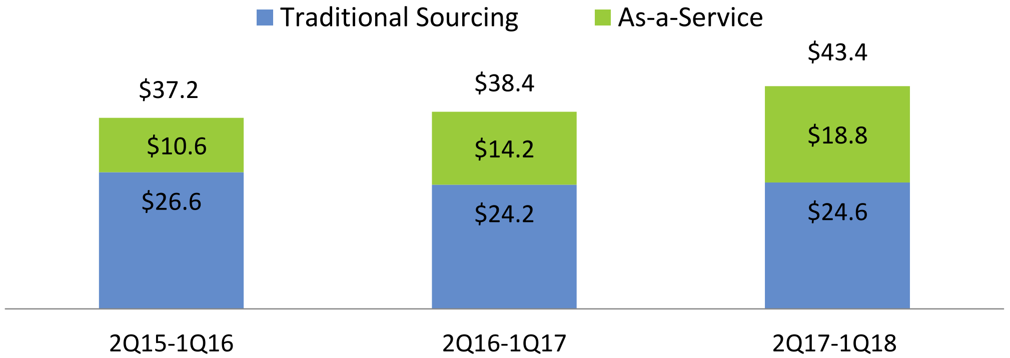
Global Commercial Sector Contracting Trends

Combined Market up 11% Y/Y, surpassing $12B in ACV; Traditional Sourcing has its third straight quarter over $6B but pulls back slightly Y/Y; As-a-Service ACV breaks through the $5B level for the first time with stepped-up activity in the Public Cloud market segment.

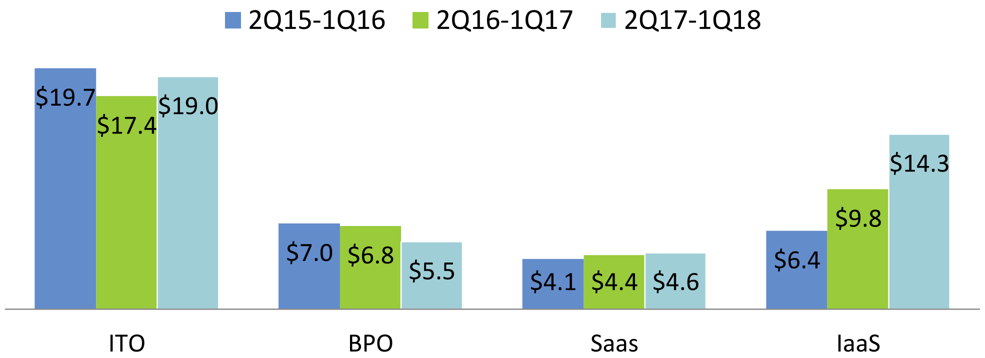
Global Combined Market Quarterly ACV ($B)



Global Commercial Sector TTM ACV ($B)



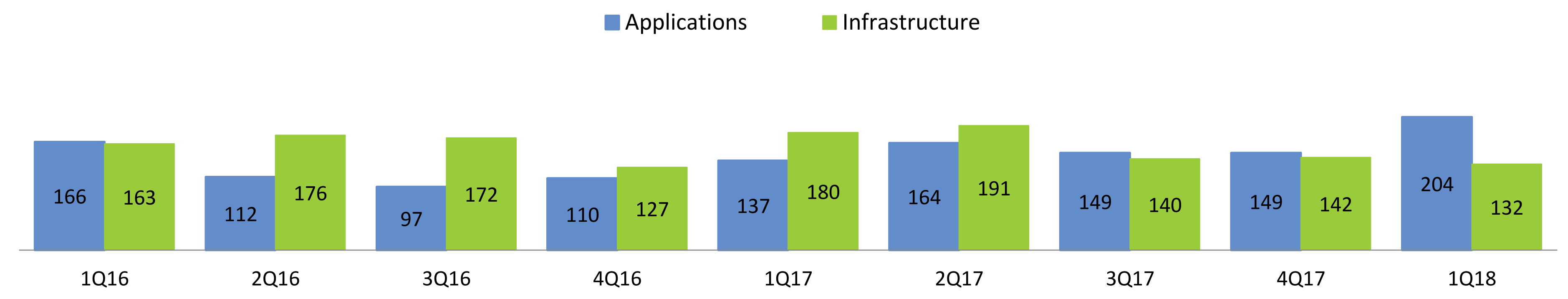
Global Commercial Sector TTM ACV by Type ($B)



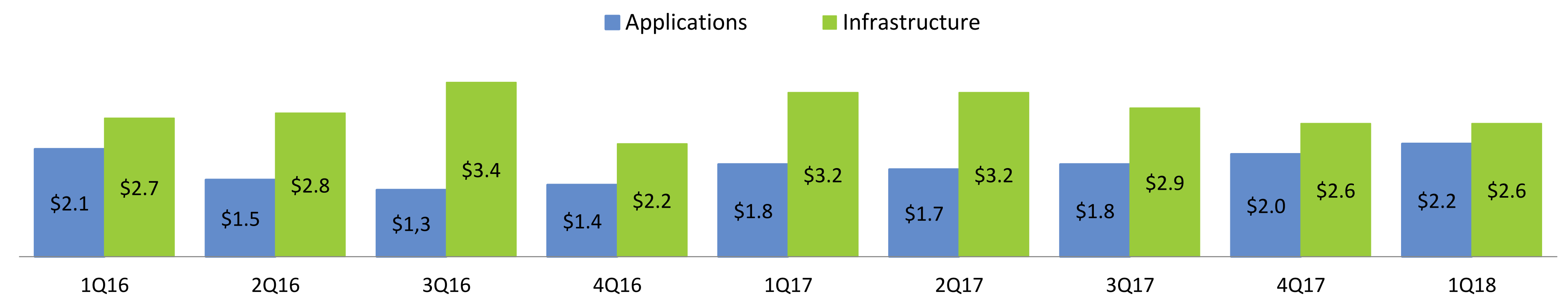
ITO Award Trends – ADM/Infrastructure

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)



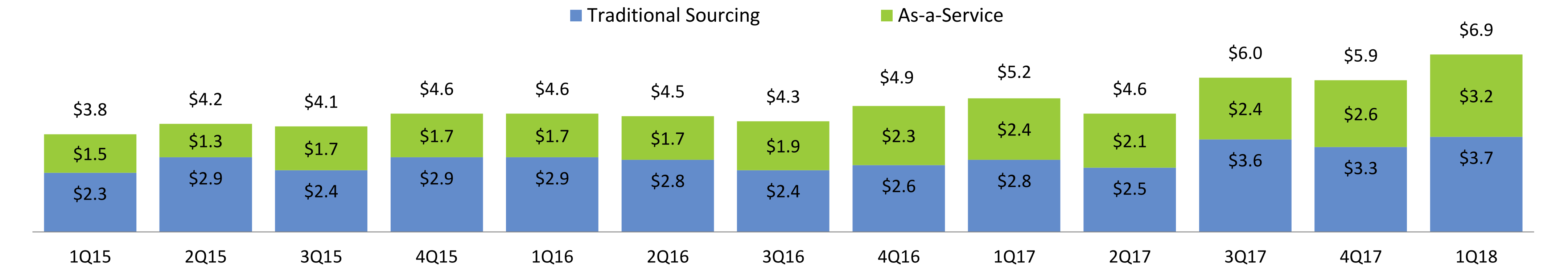
Traditional Sourcing – Quarterly ADM/Infrastructure ACV ($B)



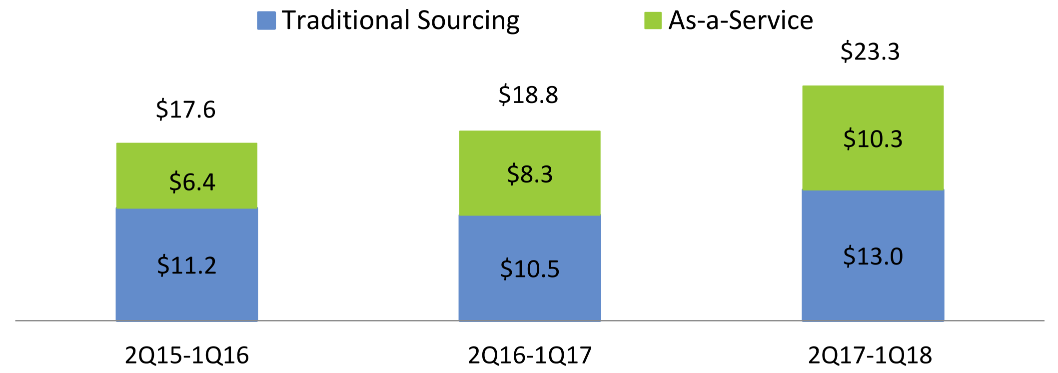
Americas Commercial Sector Contracting Trends

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 across the board in many BPO functional areas, while Public Cloud growth remains on a high trajectory

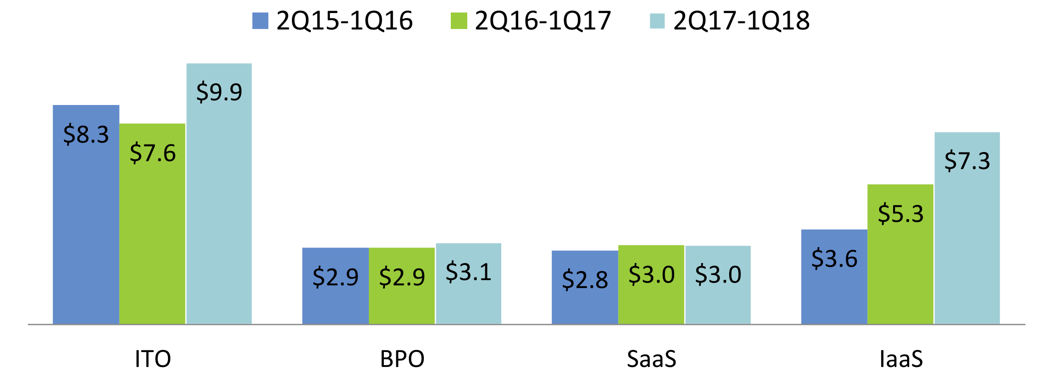
Americas Commercial Sector Quarterly ACV ($B)



Americas Commercial Sector TTM ACV ($B)



Americas Commercial Sector TTM ACV by Type ($B)



AMERICAS
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
Capgemini
Cognizant
DXC Technology
IBM
Infosys
NTT DATA
TCS

As-a-Service Market

Amazon Web Services
Google
Microsoft
Oracle
Salesforce

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Alliance Data Systems *
Black Knight Inc.
Cerner *
Global Payments *
HCL
OptumInsight *
Tech Mahindra *
Total System Services
Unisys
Vantiv *
Wipro

As-a-Service Market

Adobe Systems
Digital Realty
Equinix
Iron Mountain

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

C3/CustomerContactChannels
CSG Systems
Ensono
EXL *
Hexaware
HGS *
KPIT Technologies *
Mindtree
StarTek *
Syntel
Virtusa

As-a-Service Market

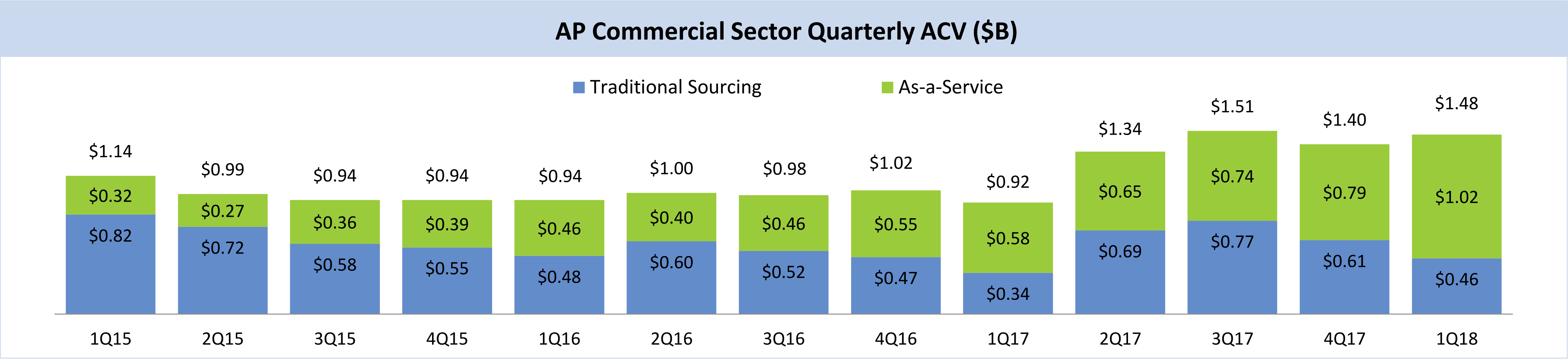
Coresite
CyrusOne
IPSoft *
LogMeIn

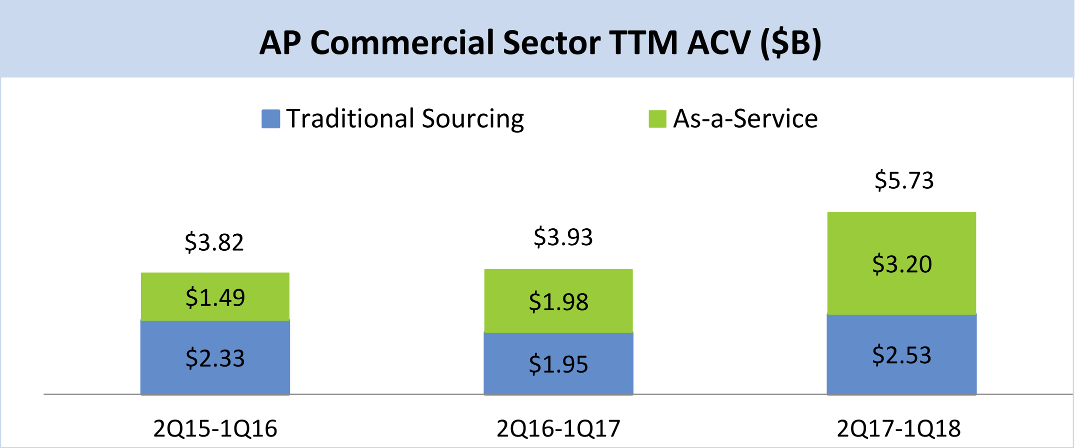
Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.

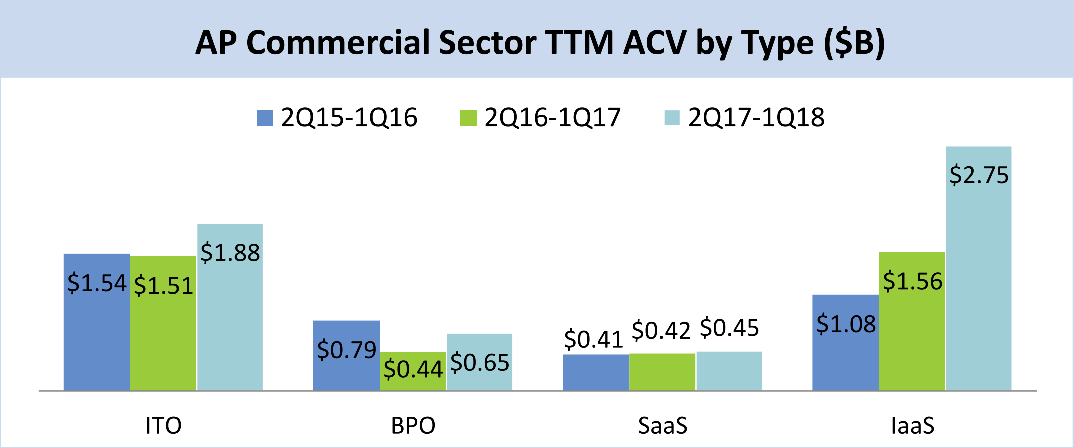
* New to leaderboard

Asia Pacific Commercial Sector Contracting Trends

Combined Market up 62% versus a soft 1Q17; As-a-Service ACV passes $1B 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.







Asia Pacific
Sourcing Standouts

the ISG15

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The Big 15
Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
Cognizant
DXC Technology
IBM
NEC *
Nokia
NTT Data *
Ricoh *
TCS

As-a-Service Market

Alibaba
Amazon Web Services
Google
Microsoft
Oracle
Tencent *

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Amdocs
Genpact *
Harman International
HCL
JLL *
Nomura Research Inst. *
NS Solutions *
Samsung SDS *
Sutherland Global
Tech Mahindra
Telstra
Unisys
Wipro

As-a-Service Market

Adobe Systems
Equinix

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

Beyondsoft *
Chinasoft *
Data#3 *
Hexaware
Ness Technologies
Posco ICT
Shinsegae I&C *
SsangYong Information & Comm.
Transperfect Global *
Virtusa
WNS

As-a-Service Market

IPSoft *
Kingdee
LogMeIn
Veeva Systems

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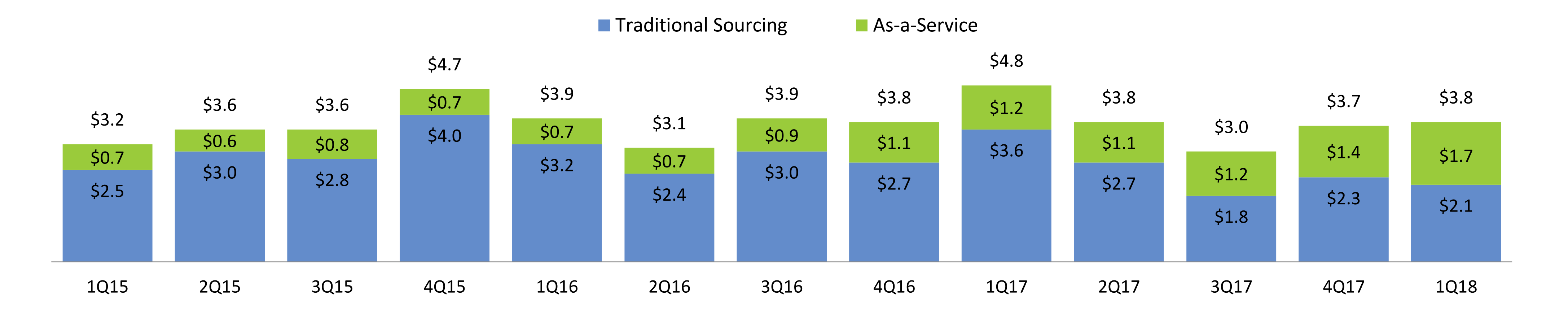
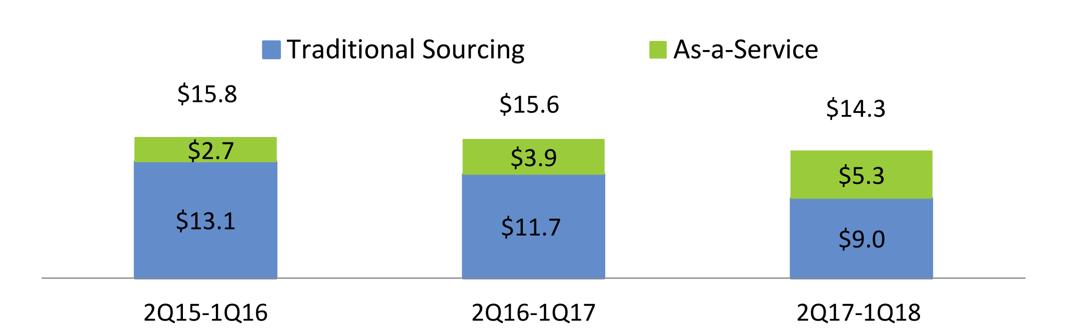
EMEA Commercial Sector Contracting Trends

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.

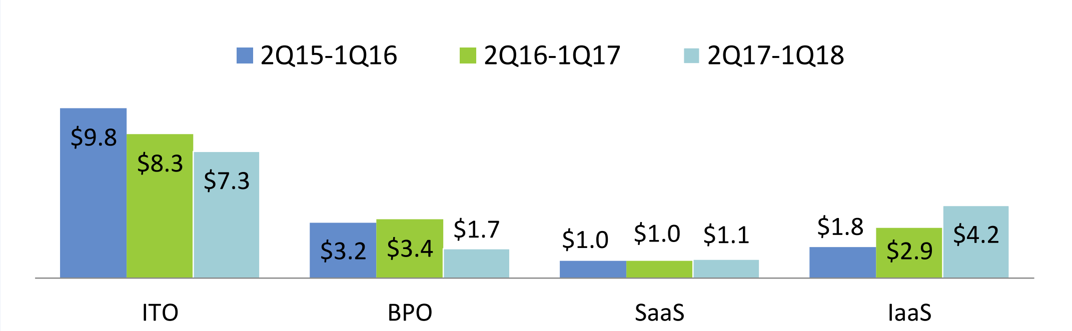
EMEA Commercial Sector Quarterly ACV ($B)



EMEA Commercial Sector TTM ACV ($B)



EMEA Commercial Sector TTM ACV by Type ($B)



EMEA
Sourcing Standouts

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IBM
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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.

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1Q18 Index Inside Track from

ISG Insights™

Software Defined Networking Trends

Dave Muller

Partner, ISG Network
Advisory Services

ISG Index™

GLOBAL 1Q18

Networking Enables Digital Transformation

Five Mega-trends impacting the Industry

FLEXIBILE, SECURE, AND EFFICIENT NETWORK PLATFORM

- 50% to 70% of enterprise workloads are As-a-Service
- 20% to 40% of labor removed through extensive Automation
- Agile Enterprise becomes the dominant operating model
- Digital becomes The Business as IT helps Revenue Generation Engine
- The Internet of Things (IoT) swallows Enterprise IT and moves to integrated Platforms

SD-WAN May Be the Way to Go

NaaS

SD-WAN

Bandwidth is Key

Digital business strategies requiring agile, high-performance networks

Enterprises looking to double network capacity to handle expanding As-a-Service business model

Public internet is now accepted component of enterprise networks

Network As-a-Service

Network As-a-Service is gaining popularity as a comprehensive managed network service

NaaS solutions can take over all network components, including transport, equipment, management, and end-user support under a usage-based pricing model

Most global carriers offering NaaS

SD-WAN is the Future

Enables better application performance through centralized and real-time routing control

Hybrid-WAN a good (cost-saving) first step toward transition to SD-WAN

No time to wait: now is time to review current network design and establish a roadmap to eventual network transformation

Telecom Market Trends

Broadband Has the Edge

Enterprises moving to broadband internet, which offers sizable cost savings, increased bandwidth and availability

Competition Favors Buyers

More SD-WAN technology options increases competition, which lowers rates and brings about better contract terms

M&A Trend

Mergers & Acquisition activity in new network technology arena, as established companies look to buy vs. build

Digital business is driving change in network requirements

1Q18 Index Inside Track from

ISG Insights™

Blockchain

Stanton Jones

Research Director

and Principal Analyst

ISG Index™

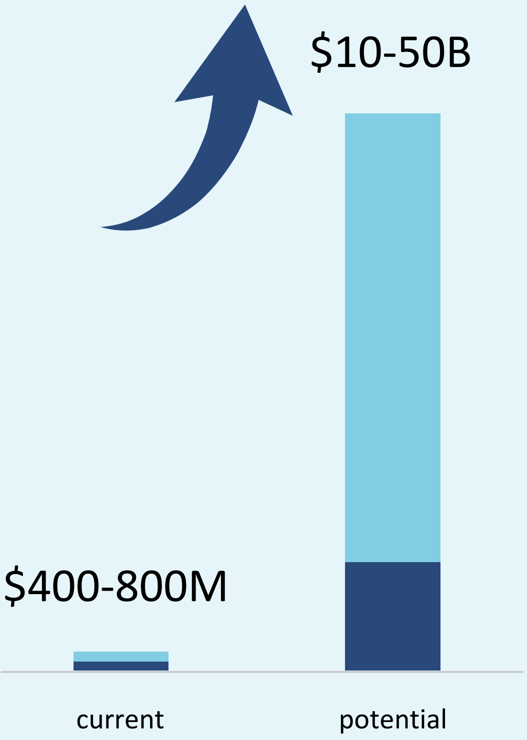
GLOBAL 1Q18

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



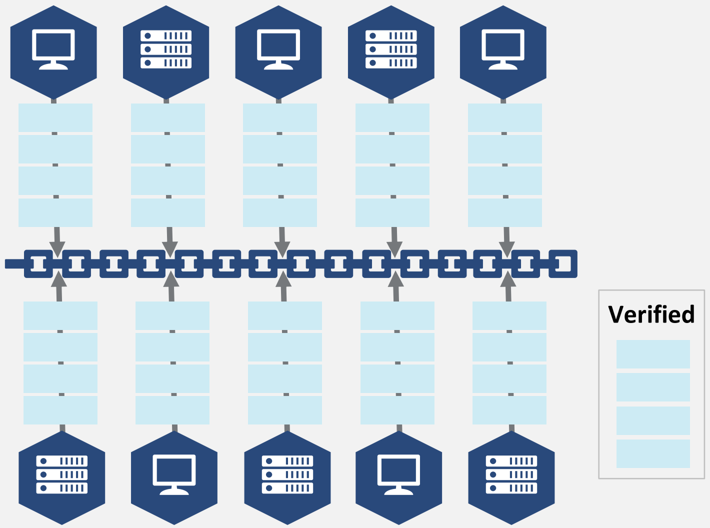
Blockchain As-a-Service Players

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, surpassing $12B for the first time ever
- 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

Ask a Question

Your Webcast Screen

1. Click the "Listen by phone“ button.
2. The phone number and passcode will appear, and the web streaming to your computer will be automatically muted.
3. After you dial in, the operator will ask your name and company.
4. Now press *1 to be added to the queue.

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Appendix: Score Card for TCV

FIRST QUARTER 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		$ 31.7	2%	-2%
By Type	Outsourcing	$ 23.2	-6%	-8%
	As-a-Service	$ 8.5	32%	22%
	ITO	$ 17.0	3%	-5%
	BPO	$ 6.3	-23%	-16%
	IaaS	$ 4.6	48%	26%
	SaaS	$ 3.9	18%	18%
By Region	Americas	$ 17.9	41%	10%
	EMEA	$ 10.7	-35%	-13%
	Asia Pacific	$ 3.1	68%	-14%

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

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