Global Sourcing and As-a-Service Market Insights

FIRST QUARTER 2019

Hosted by:
John King, Bank of America Merrill Lynch

April 12, 2019

ISG Index™

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Welcome to the 66th 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
Managing Partner, North Europe

Eleanor Winn
Director – Digital Sourcing United Kingdom

Wayne Butterfield
Director, EMEA Practice Lead for AI & Cognitive Automation

Global Combined Market ACV rose 12% Y/Y fueled by robust IaaS market.

Traditional Sourcing ACV up 2% Y/Y and up 8% on a Trailing-12-Month basis, on record contracting activity.

Americas up slightly Y/Y; As-a-Service surpassed Traditional Sourcing for the first time.

EMEA advanced Y/Y with 20%+ growth in both Sourcing and As-a-Service segments; Traditional Sourcing boosted by larger deal sizes and strength in DACH, France and the Nordics.

Asia Pacific up significantly Y/Y, fueled by strong growth in Traditional Sourcing and As-a-Service; strong ITO results and healthy activity in ANZ and North Asia drove the gains in Traditional Sourcing.

At a Glance

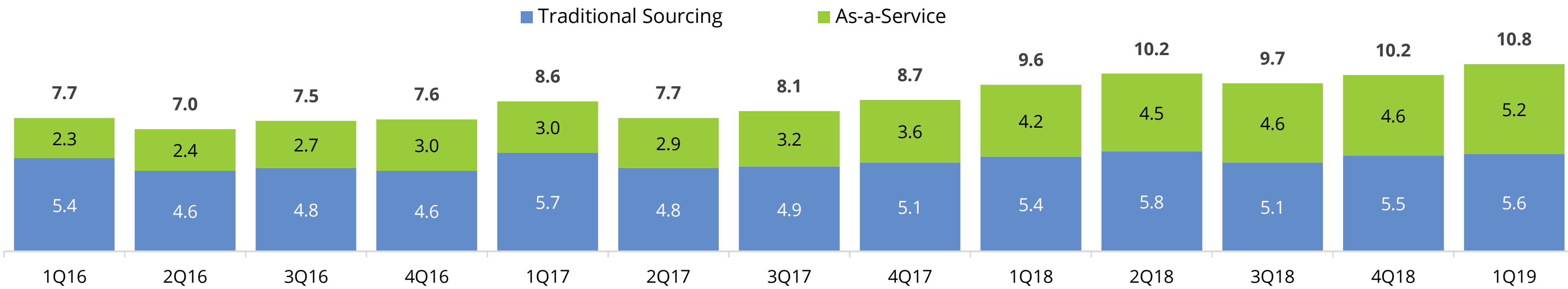
Scorecard		1Q19 ACV (€B)*	1Q Y/Y Change	TTM ACV (€B)*	TTM Change
Global Commercial Combined Market		10.8	12%	40.9	20%
By Type	Traditional Sourcing	5.6	2%	22	8%
	As-a-Service	5.2	26%	18.9	37%
By Region	Americas Combined	5.3	1%	20.1	11%
	EMEA Combined	3.9	23%	14.4	29%
	Asia-Pacific Combined	1.6	33%	6.2	31%

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

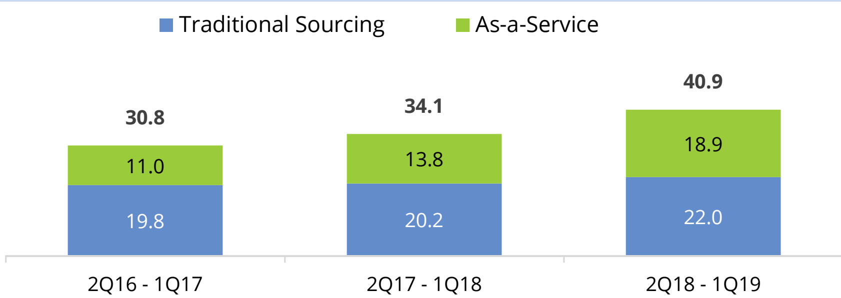
Global Commercial Sector Contracting Trends

1Q19 Combined Market ACV up 12% Y/Y with the As-a-Service sector seeing continued strong gains;
Traditional Sourcing up 2% Y/Y as ITO results remain strong; however, the number of contract awards softens.

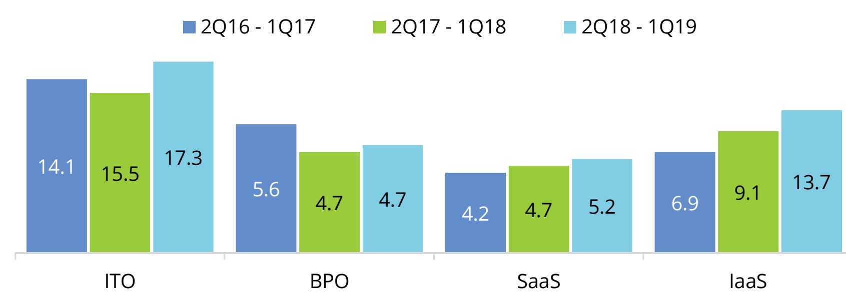
Combined Market Quarterly ACV (€B)



Global Commercial Sector ACV (€B)



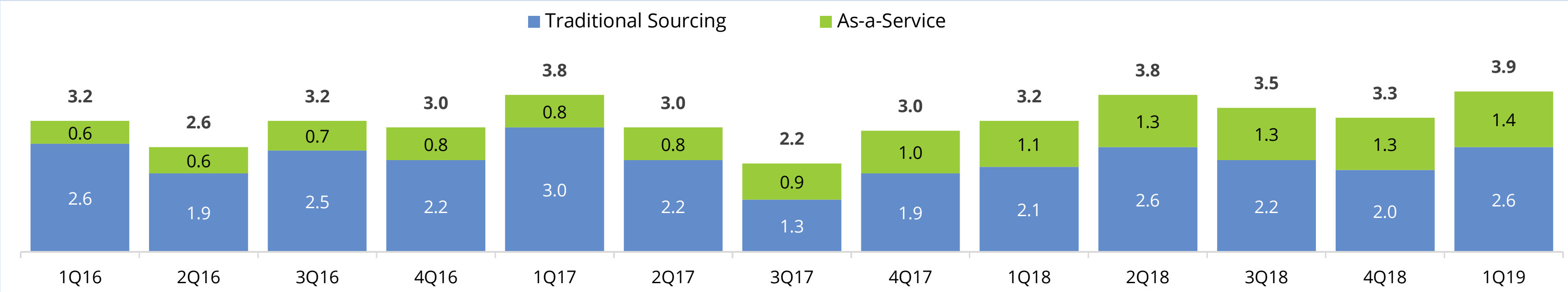
Global Commercial Sector ACV by Type (€B)



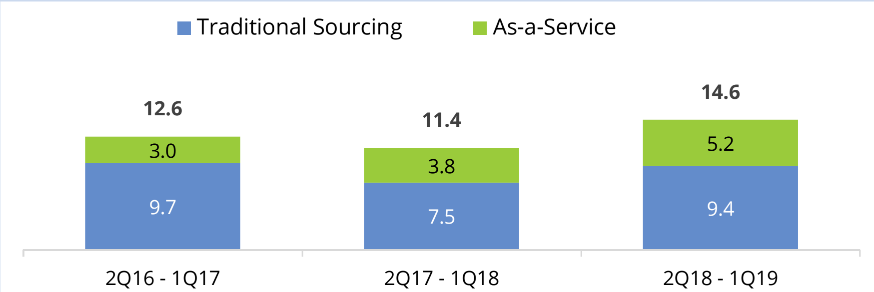
EMEA Commercial Sector Contracting Trends

1Q19 Combined Market ACV up 23% Y/Y as IaaS growth offsets decline in SaaS; Traditional Sourcing ACV gains 24% Y/Y on uptick in larger transactions; DACH leads the way with gains also in France, Southern Europe and the Nordics.

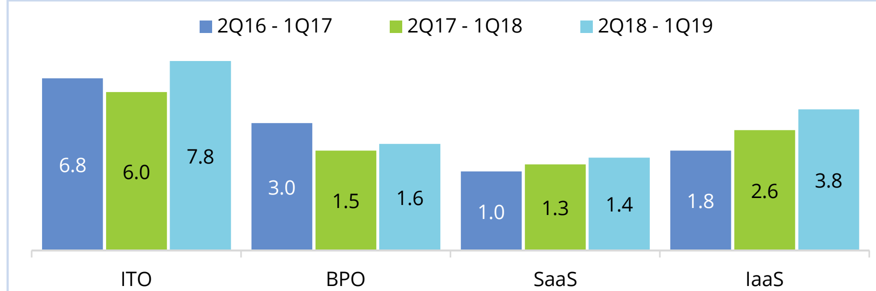
EMEA Commercial Sector Quarterly ACV (€B)



EMEA Commercial Sector ACV (€B)



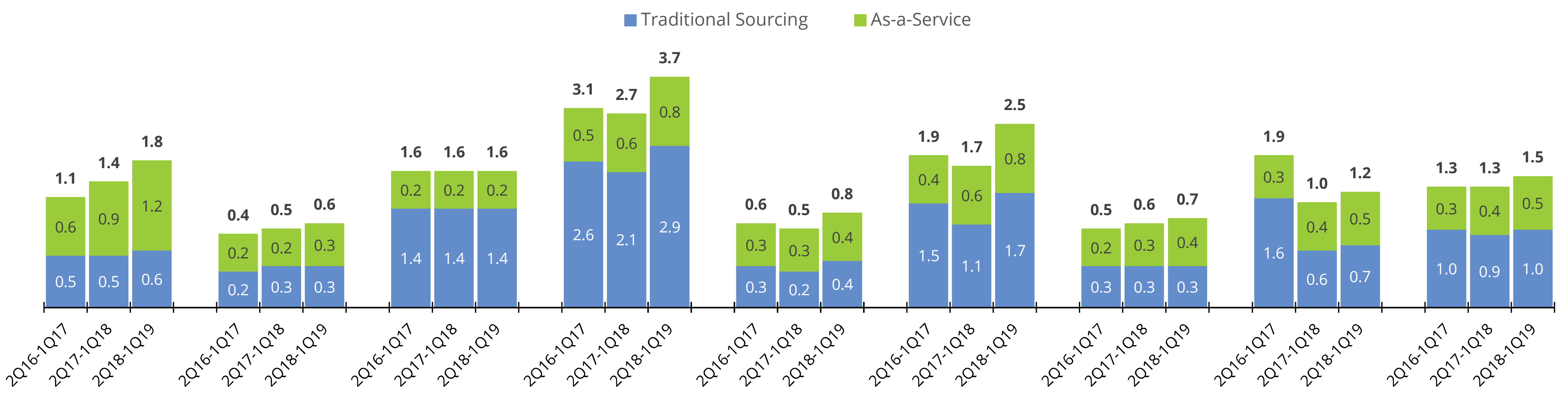
EMEA Commercial Sector ACV by Type (€B)



EMEA Commercial Sector Industry Award Trends

As-a-Service ACV grows across all sectors. Financial Services and Manufacturing sectors post strong growth in both Traditional Sourcing and As-a-Service as focus on customer experience and speed to market takes hold.

EMEA Commercial Industries ACV (€B)

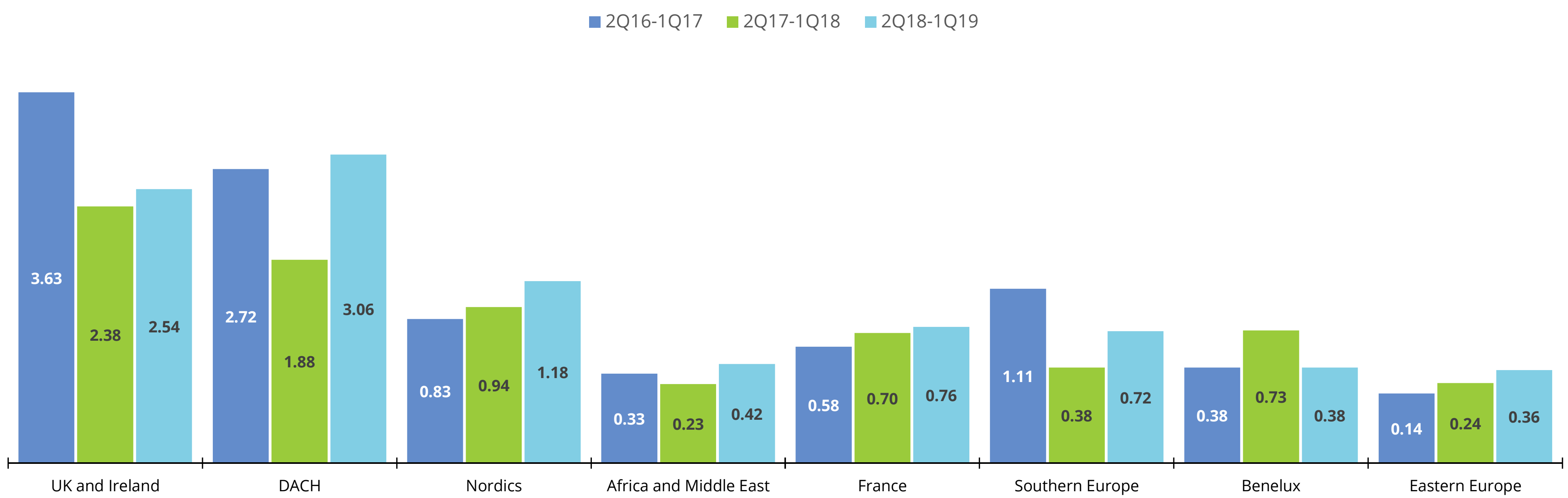


Business Services | Consumer Packaged Goods | Energy | Financial Services | Healthcare & Pharma | Manufacturing | Retail | Telecom & Media | Travel, Transport & Leisure

EMEA Sub-Regions - Traditional Sourcing Only

Increased contract sizes and a boost in the number of contracts boosts the DACH market and pushes up the regional results.. Steady growth across most EMEA markets lends support. UK growth remains tepid as Brexit uncertainty runs on.

EMEA Commercial Industries ACV (€B)



the ISG 15 EMEA Sourcing Standouts

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

Providers in alphabetical order; no rankings implied. Revenues sourced from D&B and individual company financial fillings.
* New to leaderboard since 1Q19.

The Big 15
Co. Revenues > €8 B

Traditional Sourcing Market

Accenture
Atos
BT
Capgemini
CBRE
Cognizant
DXC Technology
IBM
Infosys
ISS A/S
TCS
T-Systems *

As-a-Service Market

Amazon Web Services
Google
Microsoft

The Building 15
Co. Revenues €2.4 - €8 B

Traditional Sourcing Market

Amdocs
Arvato *
Bechtle
CGI
HCL Technologies
Indra Sistemas
Kuehne & Nagel *
Orange Business Services
SopraSteria
Tech Mahindra
Teleperformance *
Wipro

As-a-Service Market

Adobe Systems
Equinix
United Internet

The Breakthrough 15
Co. Revenues €.8 - €2.4B

Traditional Sourcing Market

Alten SA
Altran
Axians
Cancom
Diebold Nixdorf
EVRY ASA
GFI Informatique
Giesecke & Devrient
JLL
Mitie
Sutherland *
Tieto
Unisys
Webhelp

As-a-Service Market

Autodesk

The Booming 15
Co. Revenues < €.8 B

Traditional Sourcing Market

Allgeier SE
Bouvet ASA
Comarch
Comparex AG
Datagroup
Devoteam *
Mindtree
NNIT A/S
QIWI
Quest Global *
Reply SpA
SVA System Vertrieb Alexander
Virtusa

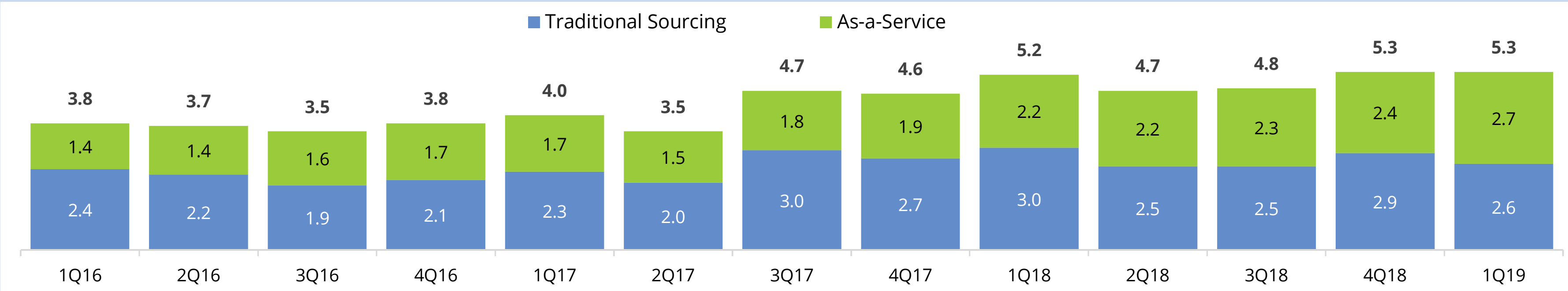
As-a-Service Market

Interxion
OVH

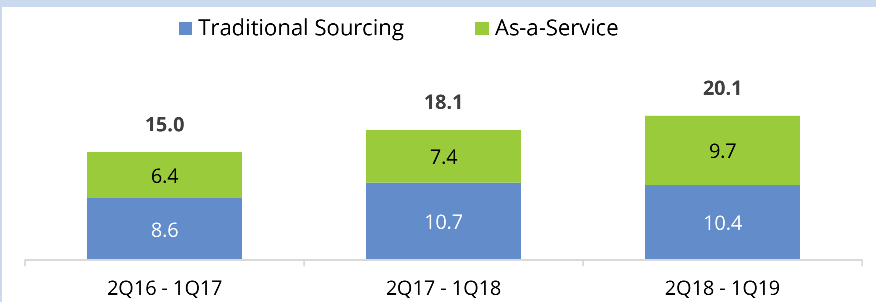
Americas Commercial Sector Contracting Trends

1Q19 Combined Market ACV up 1% Y/Y boosted by 25% growth in As-a-Service;
Traditional Sourcing ACV remains above €2.5B but declines 16% Y/Y on weakness across both ITO and BPO.

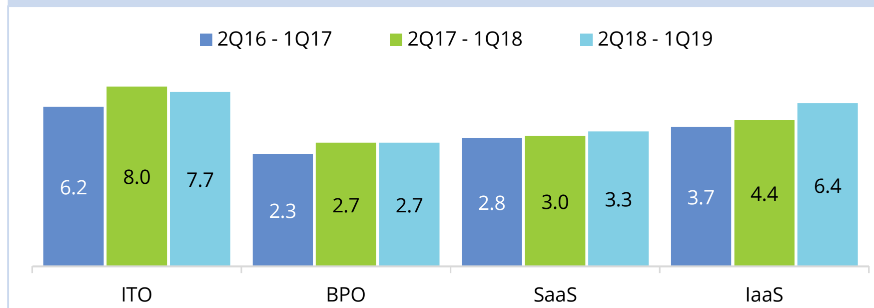
Americas Commercial Sector Quarterly ACV (€B)



Americas Commercial Sector ACV (€B)



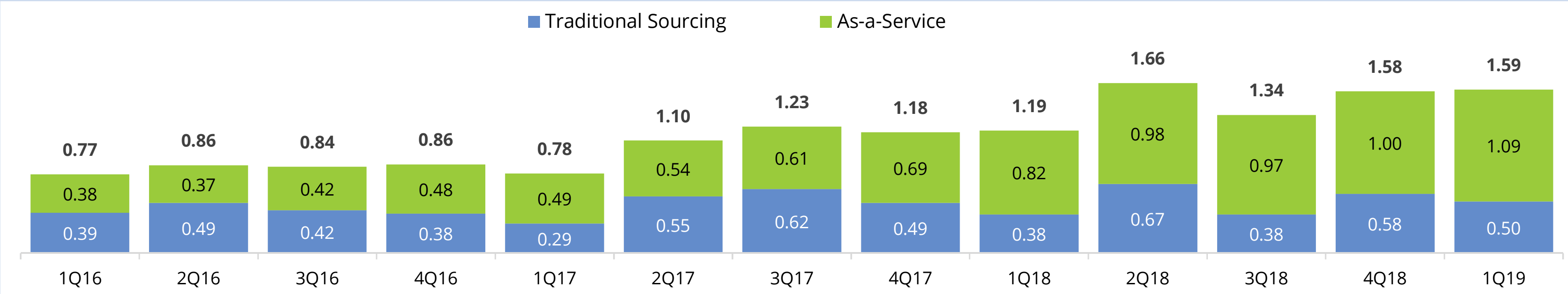
Americas Commercial Sector ACV by Type (€B)



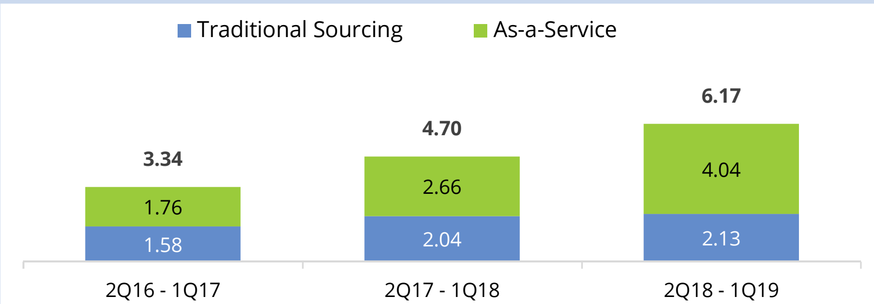
Asia Pacific Commercial Sector Contracting Trends

1Q19 Combined Market Y/Y growth remains above 30% as the region produces the second-best quarter ever; most of the geographic markets generate positive trend data led by strong gains in ANZ and North Asia.

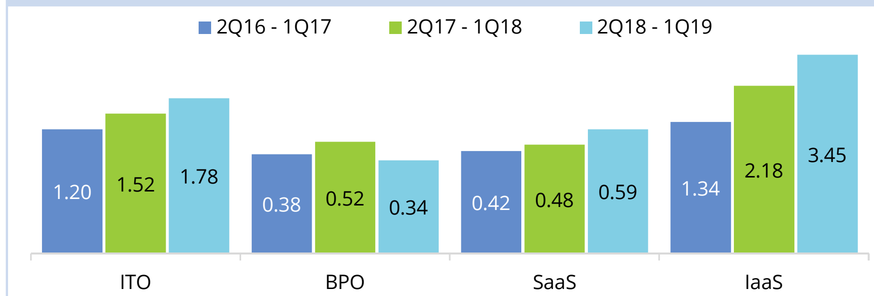
Asia Pacific Commercial Sector Quarterly ACV (€B)



Asia Pacific Commercial Sector ACV (€B)



Asia Pacific Commercial Sector ACV by Type (€B)



1Q19 ISG Index™ Inside Track from

ISG Insights™

Utilities Sector

Eleanor Winn
Director – Digital Sourcing
United Kingdom

ISG Index™ EMEA 1Q2019

Business Trends Affecting the Utilities Sector

Customer service is LAGGING relative to other industries and needs to be improved

Real-Time Customer Communication

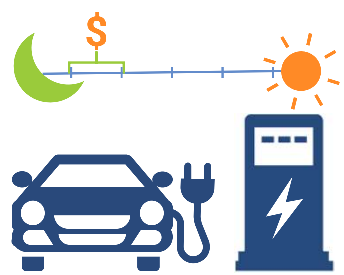
Rapidly changing customer demands FORCE an operating model change, especially with grid management

Consumer Generated Power

NEW TECHNOLOGIES and DATA PROLIFERATION can be used for competitive advantage

Smart Devices and Data Analytics

Electric Vehicles and Charging Stations

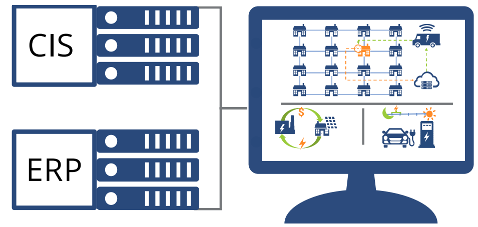


Technology Enablers

Cybersecurity

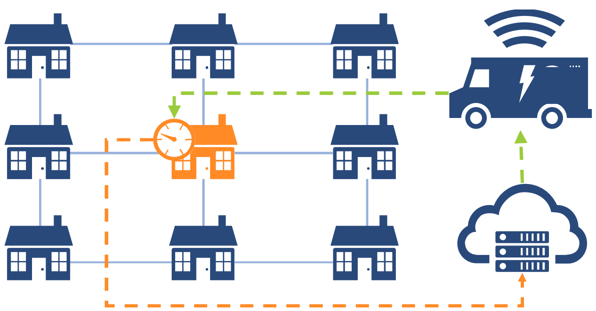
Government mandates implementation of cybersecurity and security parameters

ERP and CIS Integration



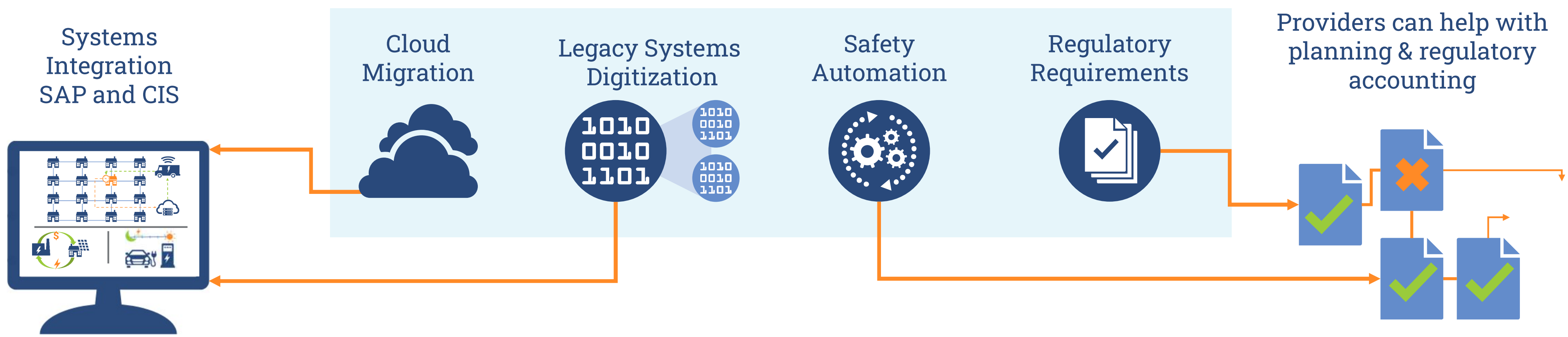
Value comes from connecting data with a near-real-time platform

Automated Metering Infrastructure – AMI



Smart meter use improves electricity supply & demand and profitability

Proliferation of Data – Changing the Operating Model



With these changes, we can expect to see an uptick in:

Multi-Sourcing – Organizational Change Management (OCM) – Governance

To help utility companies navigate new rules and regulations.

1Q19 ISG Index™ Inside Track from

ISG Insights™

The Future of SaaS

Wayne Butterfield

Director, EMEA Practice Lead
for AI & Cognitive Automation

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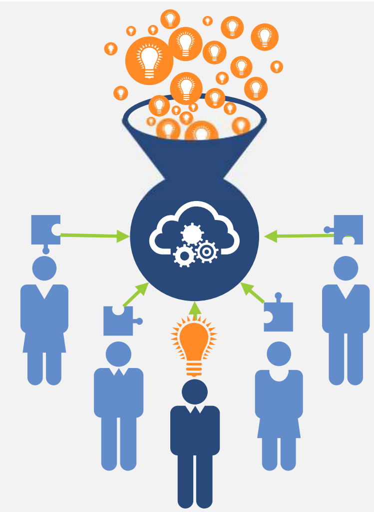
EMEA 1Q2019

SaaS – Strong Movement to the Cloud

Predictable Financial Outflows

Reduces the Burden of Support Teams

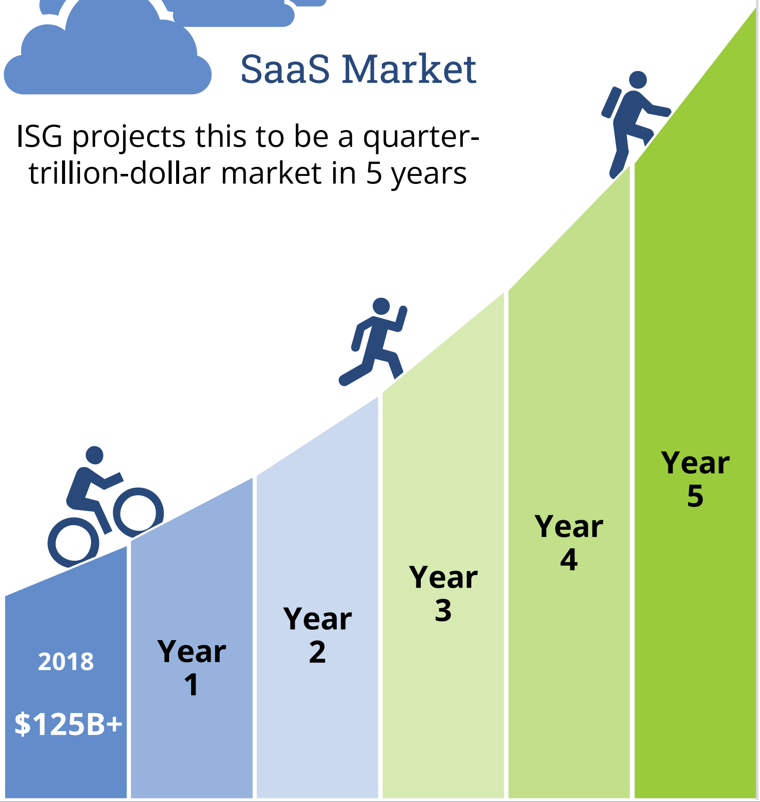
Innovation Producing Machine



SaaS – A Long-Term Growth Story

SaaS Market

ISG projects this to be a quarter-trillion-dollar market in 5 years



Enterprises

Shifting focus from solely IT to include marketing, product engineering and development, et al.

SMBs

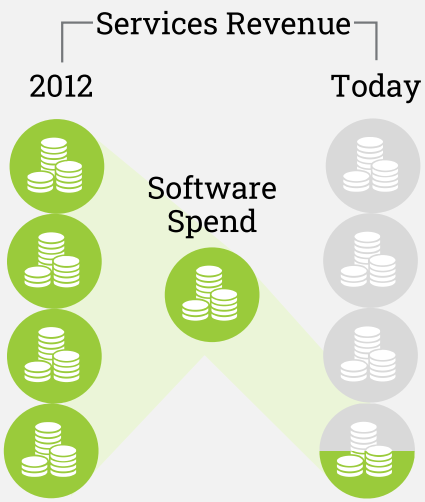
Market largely underpenetrated

Land and Expand

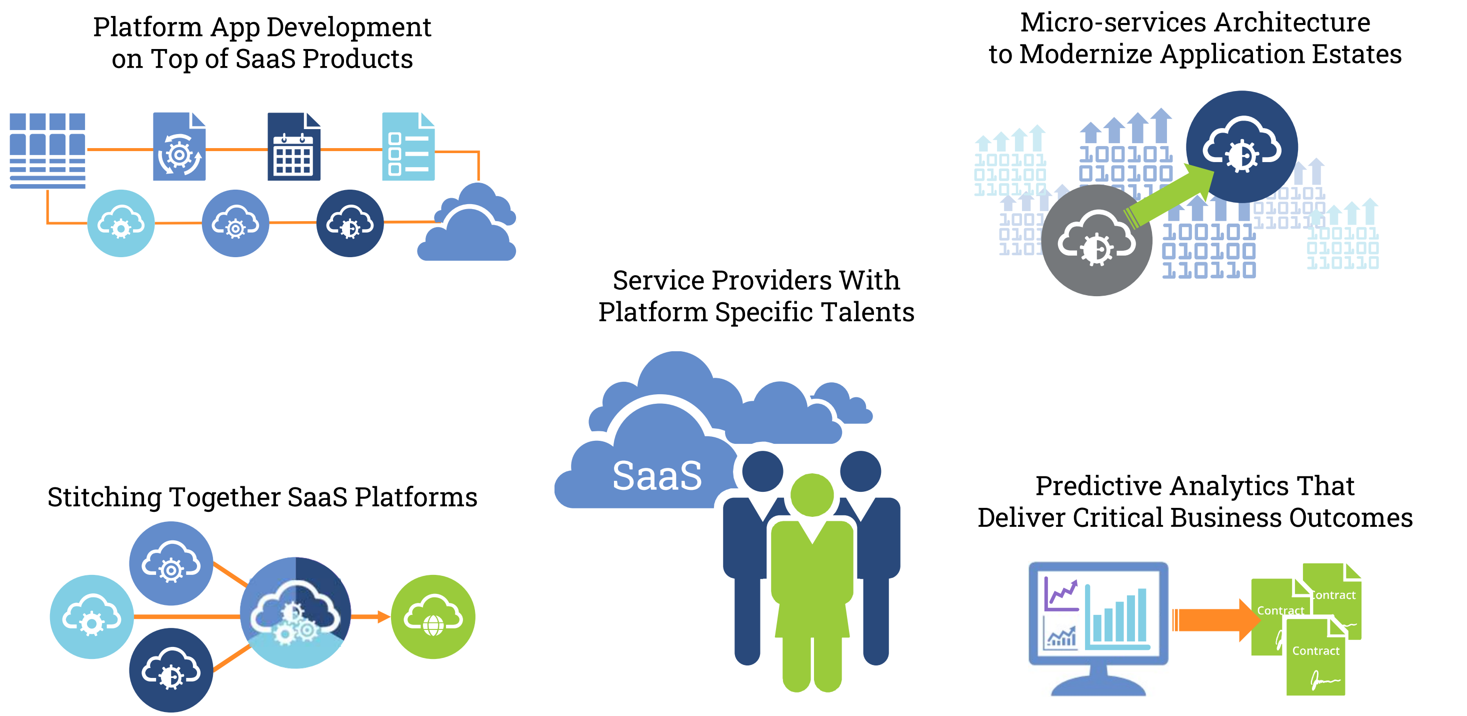
Cross-selling across app categories

Service Providers – Strategy Alignment in the New Paradigm

Changing Nature of Services Revenue



For Service Providers to Evolve and Continue to Grow



1Q 2019 ISG Index – Global Summary and Outlook

Summary

- Global macro slowdown is a possibility, with technology markets supporting a mixed narrative.
- IaaS sector still growing at a fast pace as the major providers continue to invest in building out their infrastructures while pushing deeper into the enterprise.
- SaaS market potential remains robust with revenue headwinds existing in the near term.
- Traditional Sourcing grew markedly in both EMEA and Asia Pacific against softer Y/Y comparisons; metrics tempered by flat results in the U.K., a moderate decline in the U.S. and slowing number of contract awards globally during the first quarter.

Outlook

- Our forecast of 25% growth on the digital side of the business holds as new transformative operating models and the transitional to digital are only in the early stages.
- With ongoing macro-economic challenges, we expect the services market to advance at a pace of 3.2%.

Thank You

Would You Like to Learn More?

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Appendix: Sourcing Standouts by Region

FIRST QUARTER 2019

ISG Index™ EMEA 1Q19

the ISG 15 Global Sourcing Standouts

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Providers in alphabetical order; no rankings implied. Revenues sourced from D&B and individual company financial fillings.
* New to leaderboard since 1Q19.
Regional leaderboards are on slides 24-26.

The Big 15
Co. Revenues > €8 B

Traditional Sourcing Market
Accenture
Atos
Capgemini
CBRE
Cognizant
DXC Technology
IBM
Infosys
TCS
T-Systems *

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

The Building 15
Co. Revenues €2.4 - €8 B

Traditional Sourcing Market
Amdocs
Bechtle
Conduent *
FIS Global *
First Data
Genpact *
HCL Technologies
OptumInsight
Tech Mahindra
Total System Services
Wipro

As-a-Service Market
Adobe Systems
Equinix
Iron Mountain
United Internet

The Breakthrough 15
Co. Revenues €.8 - €2.4 B

Traditional Sourcing Market
Alten *
Altran
Diebold Nixdorf
EVRY ASA
Giesecke & Devrient *
JLL
LTI
Mphasis *
Sutherland Global Services
TTEC
Unisys

As-a-Service Market
Autodesk
Digital Realty *
ServiceNow
Workday

The Booming 15
Co. Revenues < €.8 B

Traditional Sourcing Market
Bouvet ASA
ChinaSoft
EXL
Mindtree
NNIT A/S
Posco ICT *
Virtusa
WNS *
Zensar *

As-a-Service Market
Atlassian *
Blackbaud *
CyrusOne
Interxion
OVH
ProofPoint

the ISG 15

AMERICAS Sourcing Standouts

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

Providers in alphabetical order; no rankings implied. Revenues sourced from D&B and individual company financial fillings.
* New to leaderboard in 1Q19.

The Big 15
Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
Atos *
BNY Mellon
Capgemini
CBRE
Cognizant
DXC Technology
IBM
Infosys
NTT DATA
TCS

As-a-Service Market

Amazon Web Services
Google
Microsoft
Salesforce

The Building 15
Co. Revenues $3 - $10 B

Traditional Sourcing Market

Alorica
Cerner Corporation
Concentrix *
Conduent
First Data
FIS Global
Genpact *
HCL Technologies
OptumInsight
Paychex *
Tech Mahindra
Wipro

As-a-Service Market

Adobe Systems
Equinix
Iron Mountain

The Breakthrough 15
Co. Revenues $1 - $3 B

Traditional Sourcing Market

Diebold Nixdorf
Epic Systems *
Groupe Acticall
InnerWorkings
LTI
Mphasis
Pitney Bowes
Sutherland *
TTEC
Unisys
WEX

As-a-Service Market

Autodesk
Digital Realty
ServiceNow
Workday

The Booming 15
Co. Revenues < $1 B

Traditional Sourcing Market

EXL
FirstSource Solutions
Hexaware
Mindtree
StarTek
Virtusa
WNS *
Zensar *

As-a-Service Market

Blackbaud
CyrusOne
IPSoft
Internap *
Paycom *
Proofpoint
RingCentral

the ISG 15 Asia Pacific Sourcing Standouts

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

Providers in alphabetical order; no rankings implied. Revenues sourced from D&B and individual company financial fillings.
* New to leaderboard in 1Q19.

The Big 15

Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
Cognizant
DXC Technology
Fujitsu *
Hitachi
IBM
Infosys
NTT Data
TCS

As-a-Service Market

Alibaba
Amazon Web Services
China Telecom
Google
Microsoft
Tencent

The Building 15

Co. Revenues $3 - $10 B

Traditional Sourcing Market

Amdocs
First Data Corporation
Genpact *
HCL Technologies
IT Holdings (TIS)
ITOCHU Techno-Solutions
JLL
NCR *
Nomura Research Institute
Samsung SDS
Tech Mahindra
Telstra
Wipro

As-a-Service Market

Adobe Systems
Equinix

The Breakthrough 15

Co. Revenues $1 - $3 B

Traditional Sourcing Market

Diebold Nixdorf
Digital China
JLL
Konica Minolta
Mphasis *
Nihon Unisys
NS Solutions *
Sumitomo SCSK
Sutherland Global Services
transcosmos
Unisys

As-a-Service Market

Autodesk
PTC
Sage
ServiceNow

The Booming 15

Co. Revenues < $1 B

Traditional Sourcing Market

Aspen Technology
Beyondsoft
Chinasoft
Datacom
Fuji Soft
HGS
Neusoft
Posco ICT *
Relia
Shinsegae I&C
Sichuan Troy Information Tech
Taiji Computer *

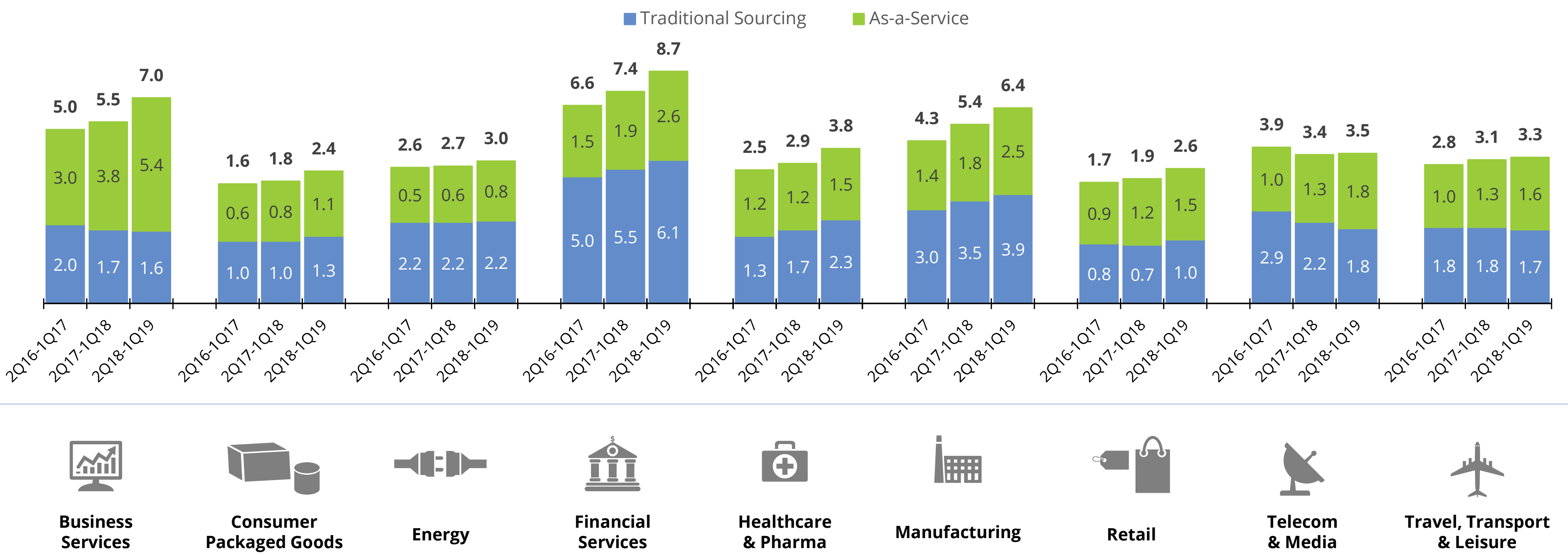
As-a-Service Market

Atlassian
Kingdee
Xero

Global Commercial Sector Industry Award Trends

BFSI sets the pace among the industries with a clear technology imperative and propensity to spend; most industry verticals continue to observe yearly growth with the exception of Telcom & Media, which is undergoing significant consolidation and change.

Global Commercial Industries ACV (€B)



Thank you

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