Managed Services & As-a-Service Market Insights

7 April 2021

ISG Index™

1Q 2021

HOSTED BY

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Vice President and Lead Analyst
Technology & Insurance Sectors

IIFL Institutional Equities

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Partner & President

Kathy Rudy
Chief Data & Analytics Officer

Stanton Jones
Director & Principal Analyst

Dale Hearn
Partner, Energy
with
Robert Stapleton, Director, Energy

Covering the State of the Managed Services & As-a-Service Industry for the Global Commercial Market

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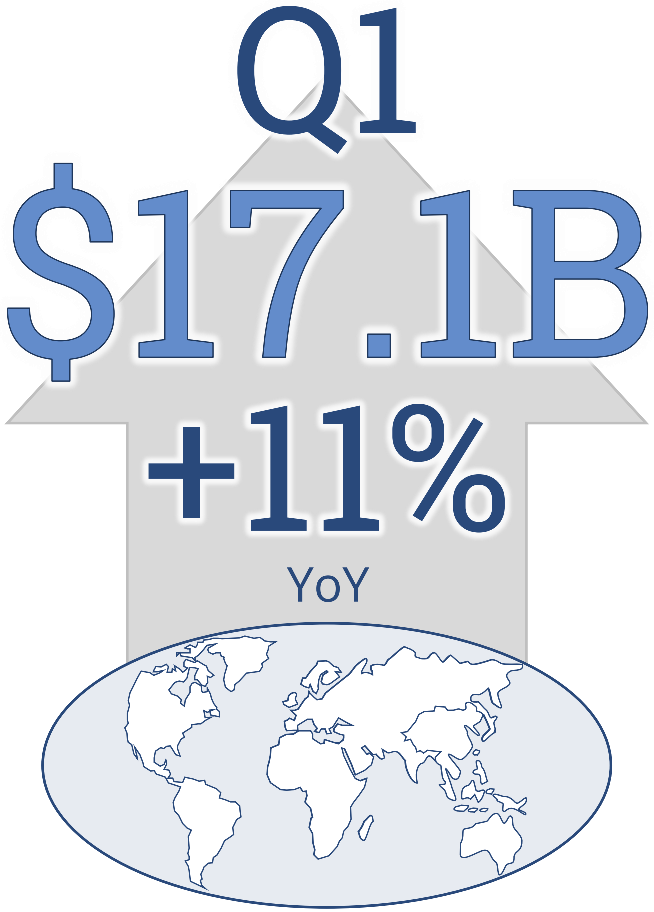
ISG's Top Findings – 1Q 2021

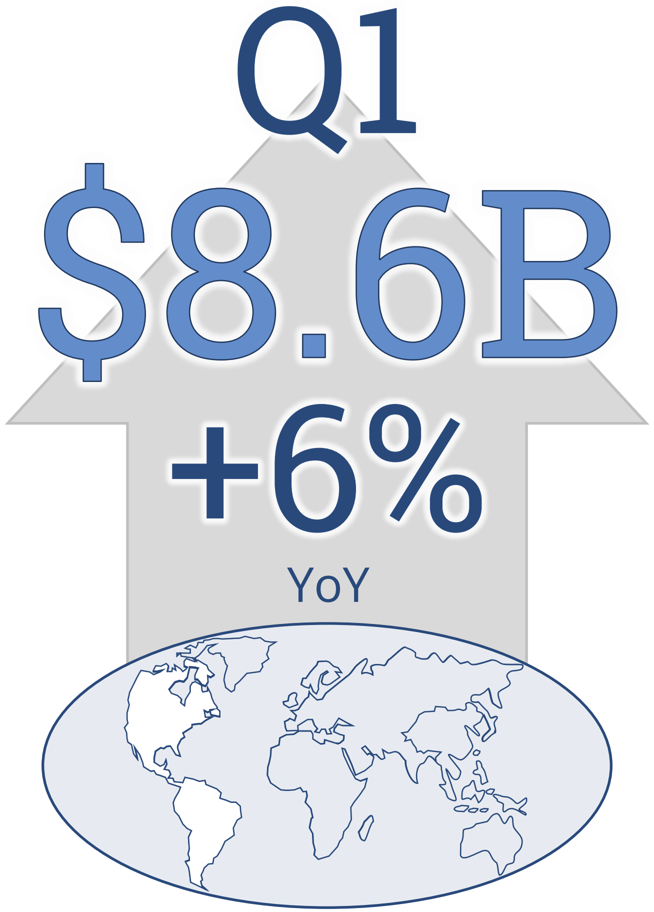


Continued Growth in Global Combined Market ACV

Managed Services outperforms for second straight quarter; As-a-Service continues double-digit growth but begins to decelerate

ACV = Annual Contract Value

ISG's Top Findings – 1Q 2021

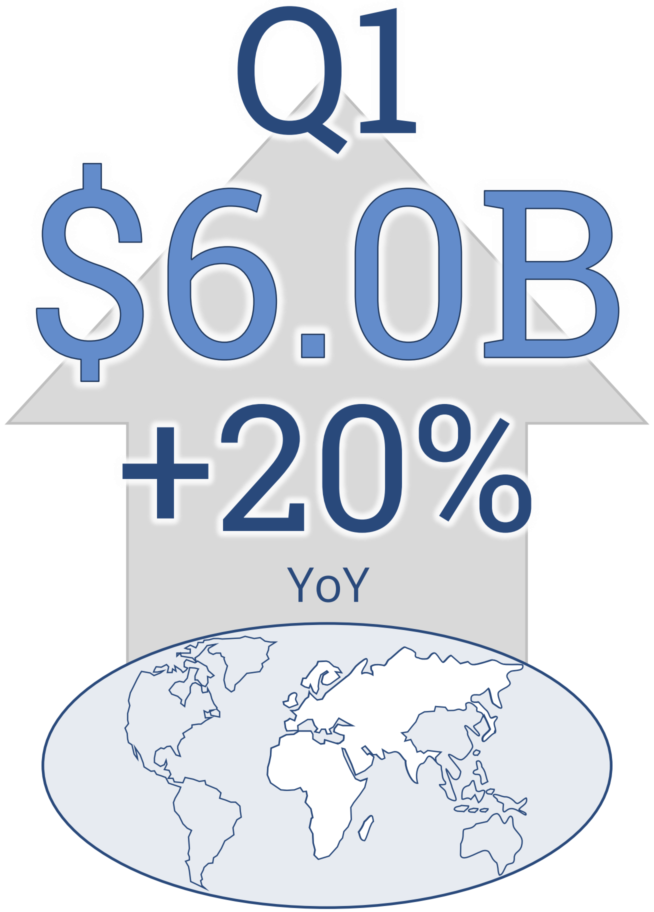


Americas Demand Recovers From a Weaker 4th Quarter

As-a-Service solely contributed to the Y/Y upside; Managed Services results declined Y/Y but did improve sequentially in a very uneven market

ACV = Annual Contract Value

ISG's Top Findings – 1Q 2021

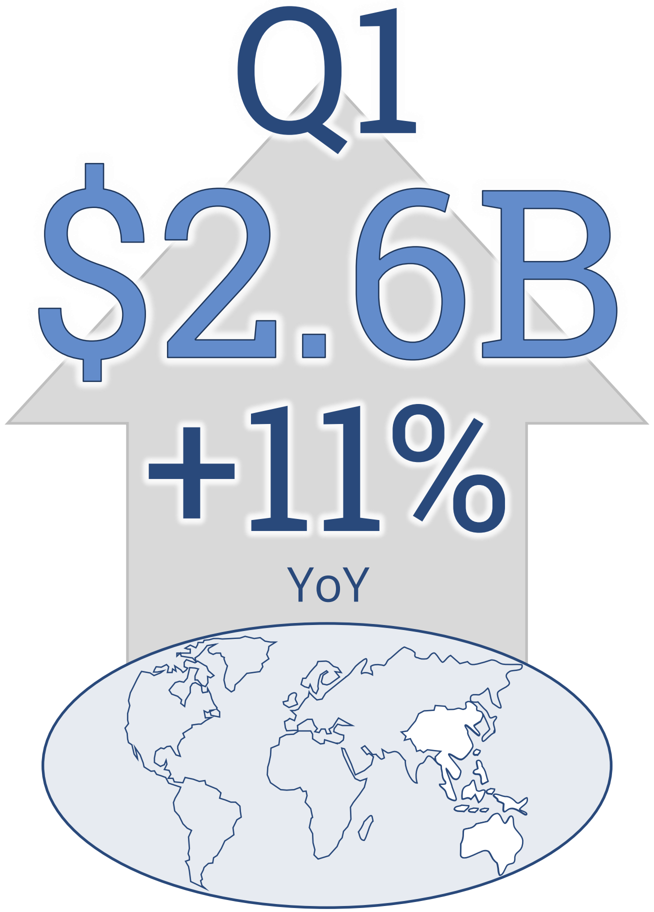


EMEA Growth Healthy for Second Straight Quarter

Strong deal momentum in Managed Services across ITO/BPO and in largest markets:
UK, DACH and France

ACV = Annual Contract Value

ISG's Top Findings – 1Q 2021



Asia Pacific Results Mixed

Growing As-a-Service contributed 85%+ to Combined Market ACV; results pulled lower by sluggishness in Managed Services as sizable transactions remained absent from market

ACV = Annual Contract Value

Global Broader Market Results

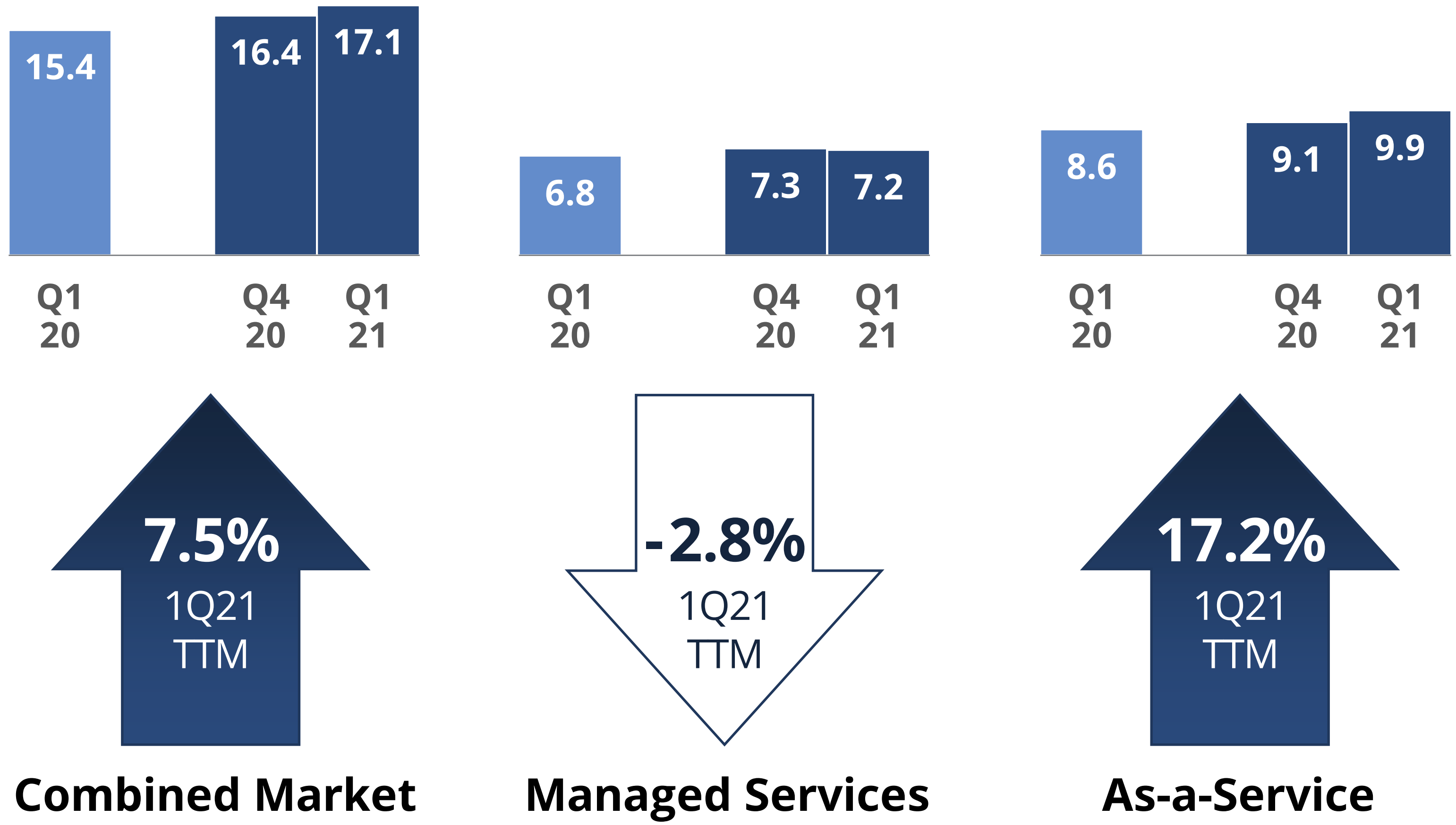
Quarterly Trends

Combined Market ACV surpassed $17B for the first time

Managed Services registered its second straight $7B+ quarter

Four mega-deals awarded; in line with results from the past two quarters

As-a-Service ACV had best quarter yet, but Y/Y growth slowed from the 4th quarter



TTM = Trailing 12 Months ACV = Annual Contract Value

Global Results by Function

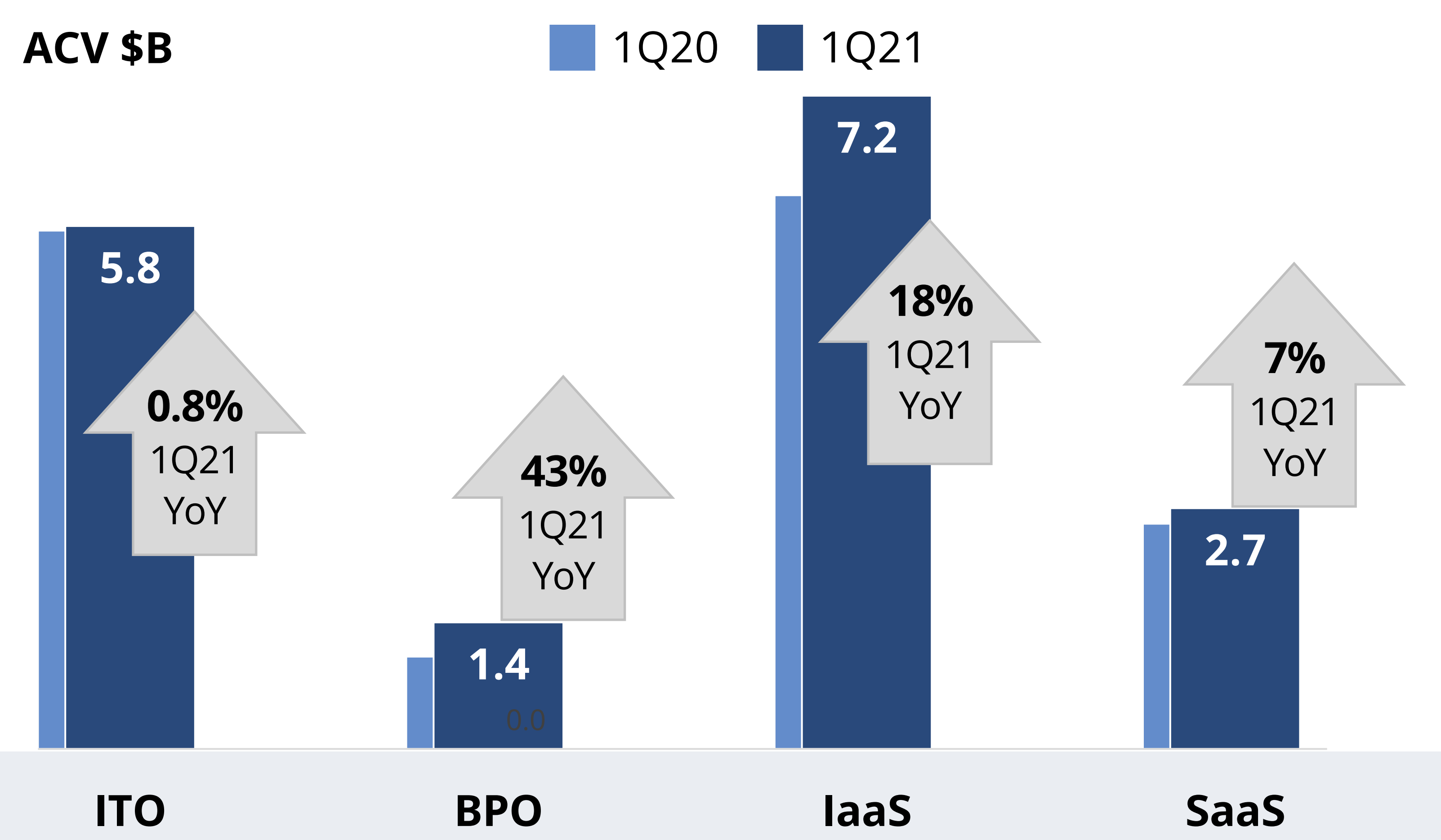
Quarterly Trends

ITO ACV flat; however, ADM activity at all-time high

BPO ACV rebounded with strength in Industry-specific BPO and ER&D

IaaS ACV surpassed $7B for the first time but Y/Y growth decelerated to 18%

SaaS ACV surpassed $2.5B for the first time, and its Y/Y growth slightly increased



ACV = Annual Contract Value

IaaS Continues to Grow, But at a Slower Rate

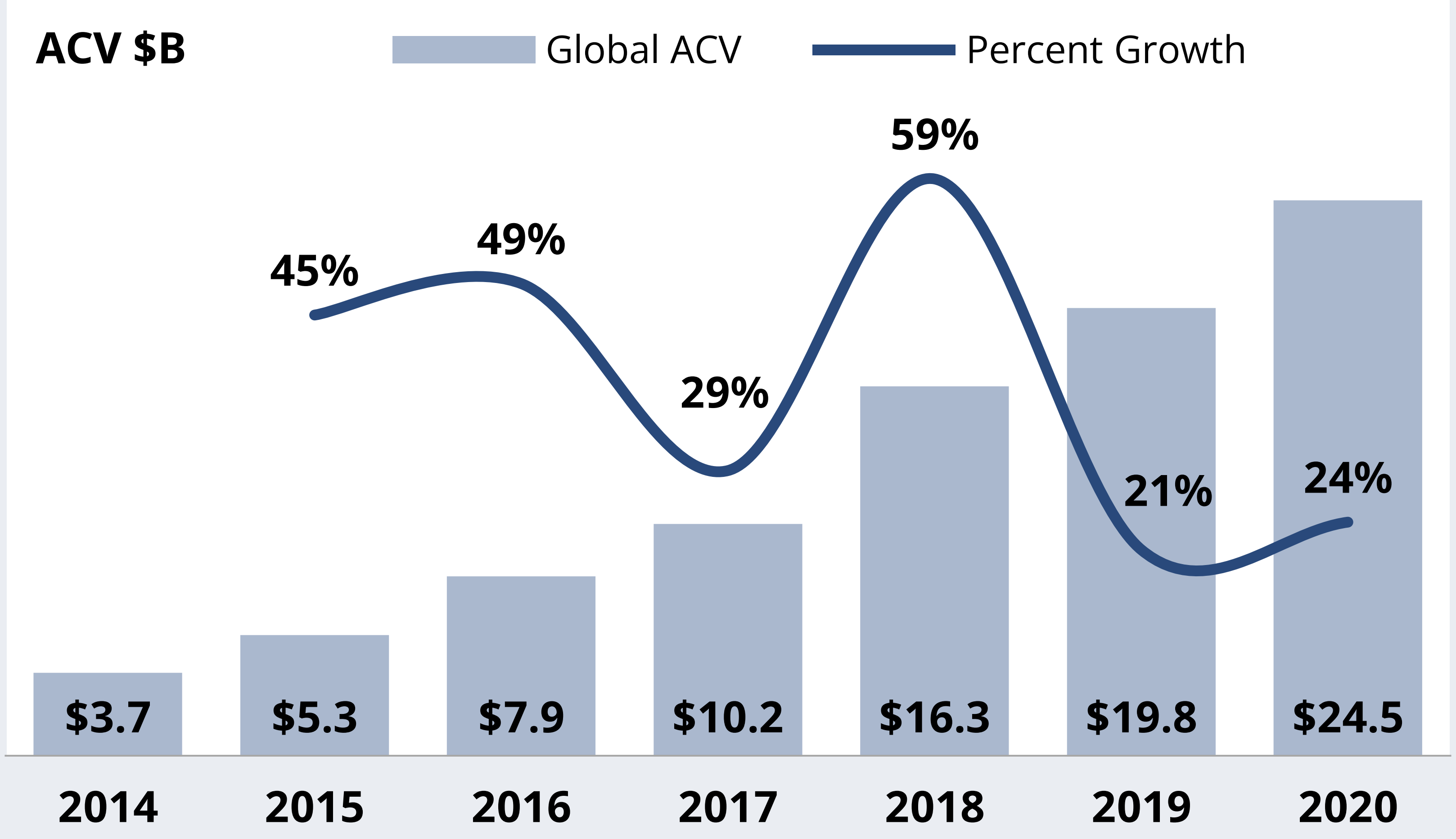
Key Trends

IaaS Market continues to add $2B to $5B of ACV per year

Overall, As-a-Service market should exceed $10B a quarter by mid-2021

5-year CAGR (ACV) for IaaS exceeded 25%

Expect to see continued growth in 2021, though we may see slight pullback (200-300 basis points) from 2020 numbers



ACV = Annual Contract Value

Global Service & Technology Provider Standouts

Our ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months

THE ISG **15**

The **Big** 15

The **Building** 15

The **Breakthrough** 15

The **Booming** 15

Managed Services Market

Accenture	**HCL ****
Atos	IBM Global Services
Capgemini	Infosys
Cognizant	TCS
DXC Technology	

As-a-Service Market

Alibaba	Google
Amazon Web Services	Microsoft
China Telecom *	Salesforce

* New to leaderboard in 1Q21 • ** Promoted to the Big 15 from the Building 15

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

THE ISG 15

Global Market

The Big 15

Revenues > $10B

Our ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months

Managed Services Market

Conduent *	Serco *
Genpact	Sopra Steria
Global Payments	Tech Mahindra
OptumInsight *	T-Systems
Orange Business Services	Wipro

As-a-Service Market

Citrix *	ServiceNow
Equinix	VMware
	Workday

* New to leaderboard in 1Q21

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THE ISG 15

Global Market

The Building 15

Revenues $3B-$10B

Our ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months

Managed Services Market

EPAM Systems	TietoEvry
LTI	TTEC *
Mindtree	Unisys
Mphasis	

As-a-Service Market

Autodesk	Rackspace
Digital Realty	Shopify *
Dropbox	Twilio
Palo Alto Networks	UKG *

* New to leaderboard in 1Q21

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THE ISG 15

Global Market

The Breakthrough 15

Revenues $1B-$3B

Our ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months

Managed Services Market

Birlasoft	L&T Technology Services
Ensono	Persistent Systems
EXL	Softtek *

As-a-Service Market

Atlassian	Cyxtera *	Snowflake Computing *
Coresite	DocuSign	Veeva Systems
Crowdstrike	OVH *	Zoom Video

* New to leaderboard in 1Q21

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

THE ISG 15

Global Market

The Booming 15

Revenues <$1B

Our ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months

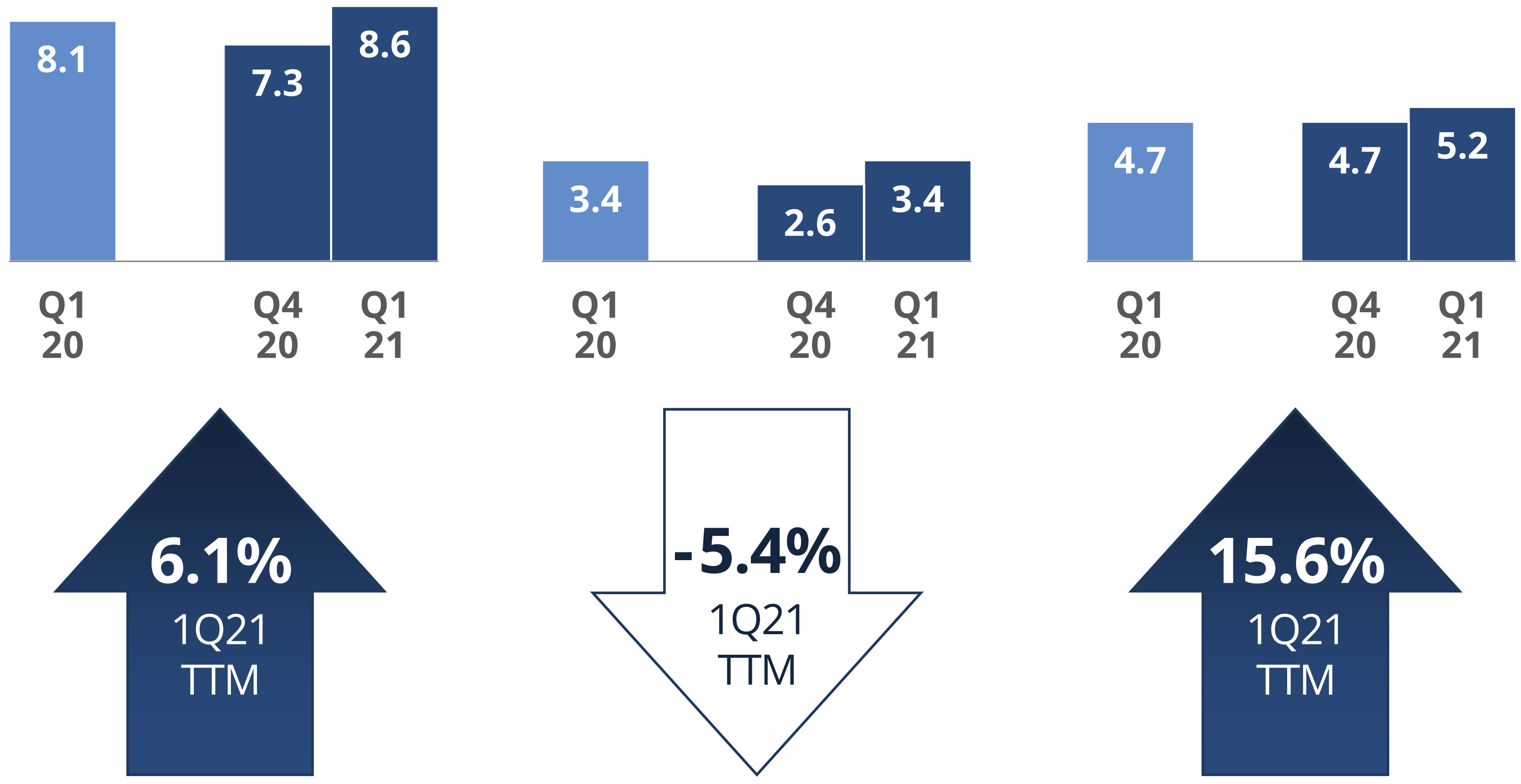
Americas Broader Market Results

Quarterly Trends

Highest Combined Market quarterly ACV, up 6% Y/Y

Managed Services rebounded sequentially in what has been an uneven market during the past 12 months

Both IaaS and SaaS drove the upside in As-a-Service market



Combined Market **Managed Services** **As-a-Service**

TTM = Trailing 12 Months ACV = Annual Contract Value

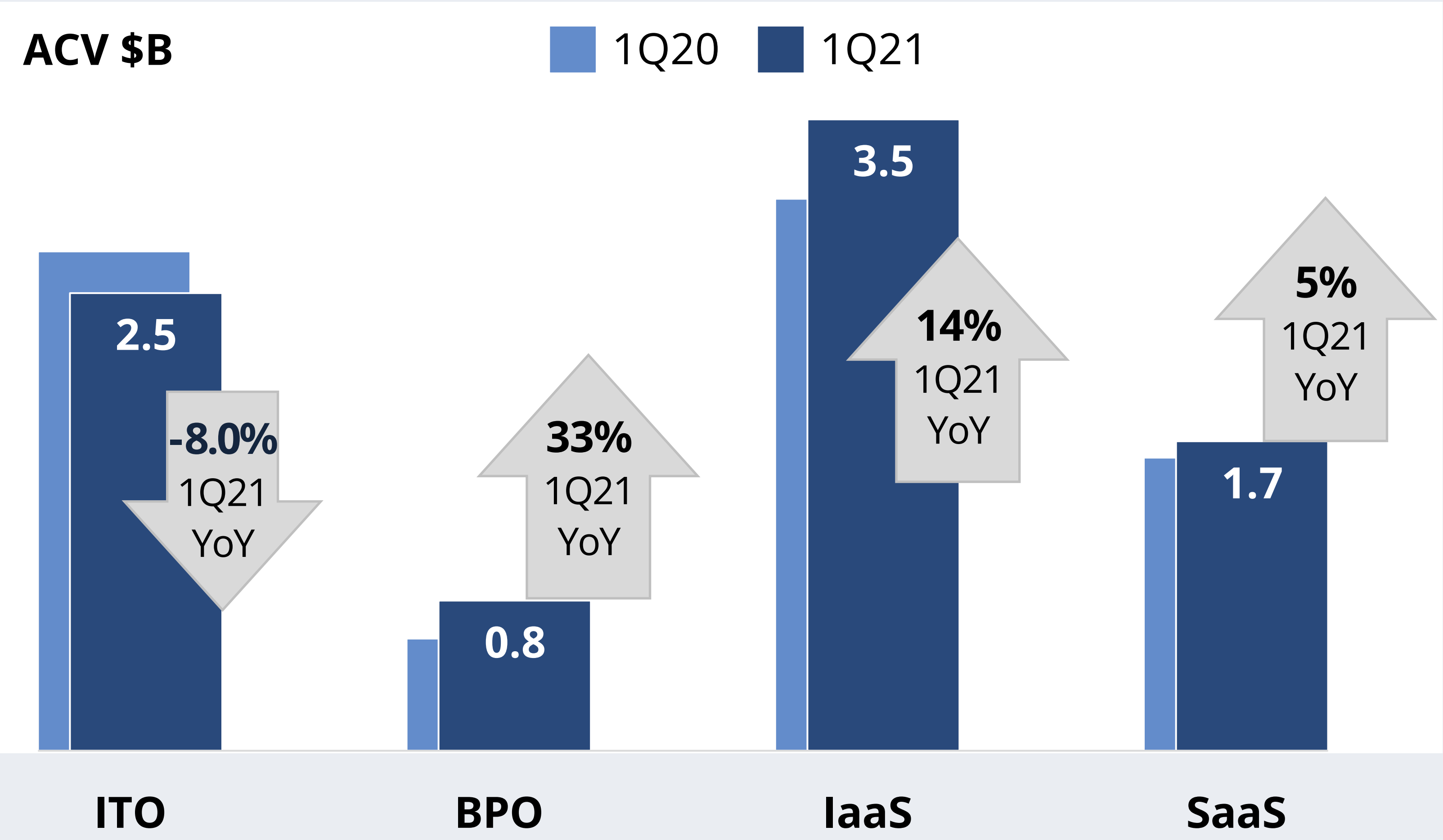
Americas Results by Function

Quarterly Trends

ITO down moderately Y/Y, but ADM activity was up

BPO moved in parallel with the global market with Y/Y gains and sequential declines

IaaS and SaaS both achieved all-time highs in ACV; however, Y/Y growth for SaaS/IaaS was the lowest of all three regions



ACV = Annual Contract Value

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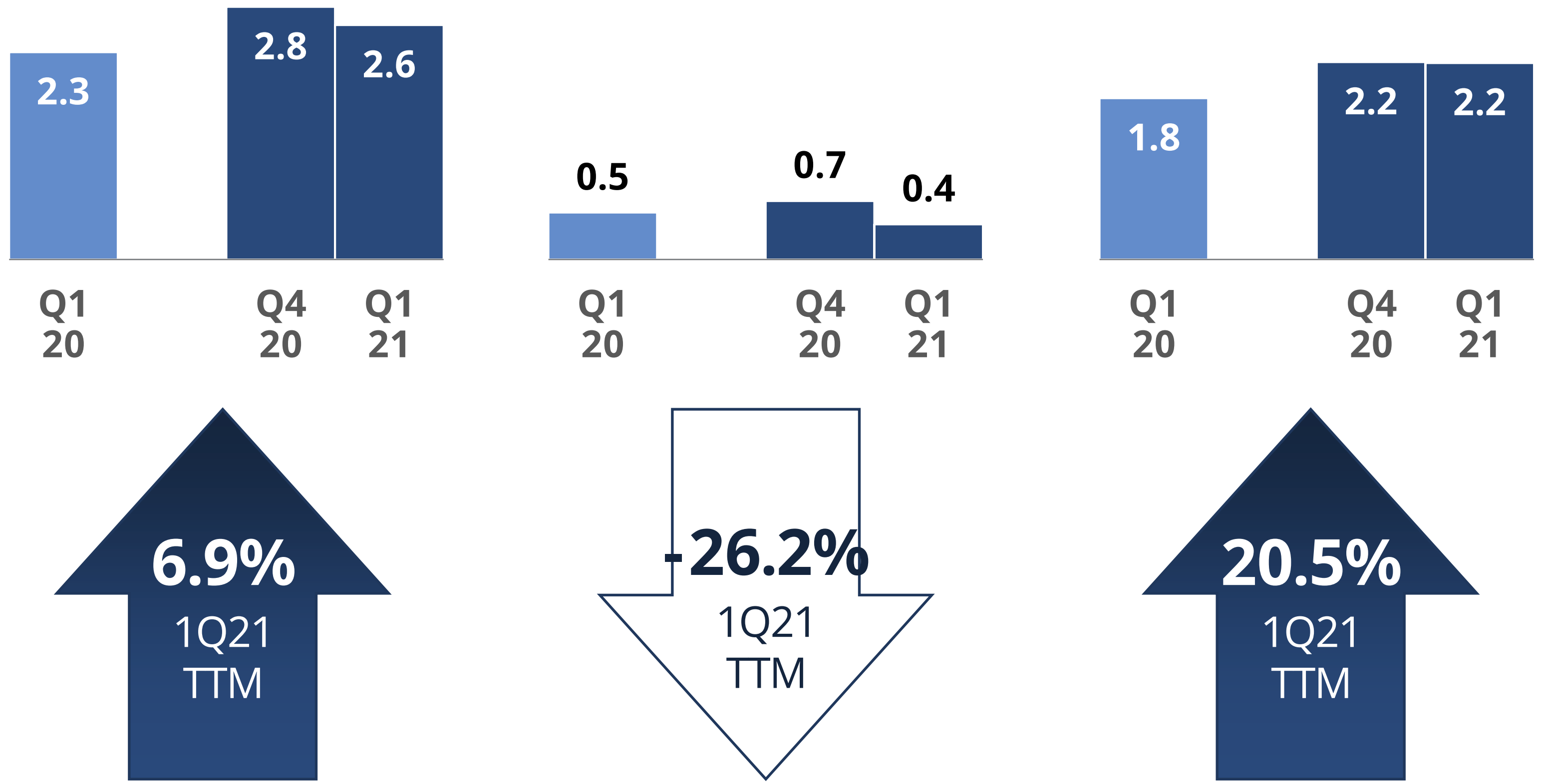
Asia Pacific Broader Market Results

Quarterly Trends

Combined Market ACV up 11% Y/Y, but with a pullback sequentially

Sluggish results returned to Managed Services sector with a sub $400M quarter

As-a-Service remained above the $2B level and accounted for nearly 85% of Combined Market ACV



Combined Market **Managed Services** **As-a-Service**

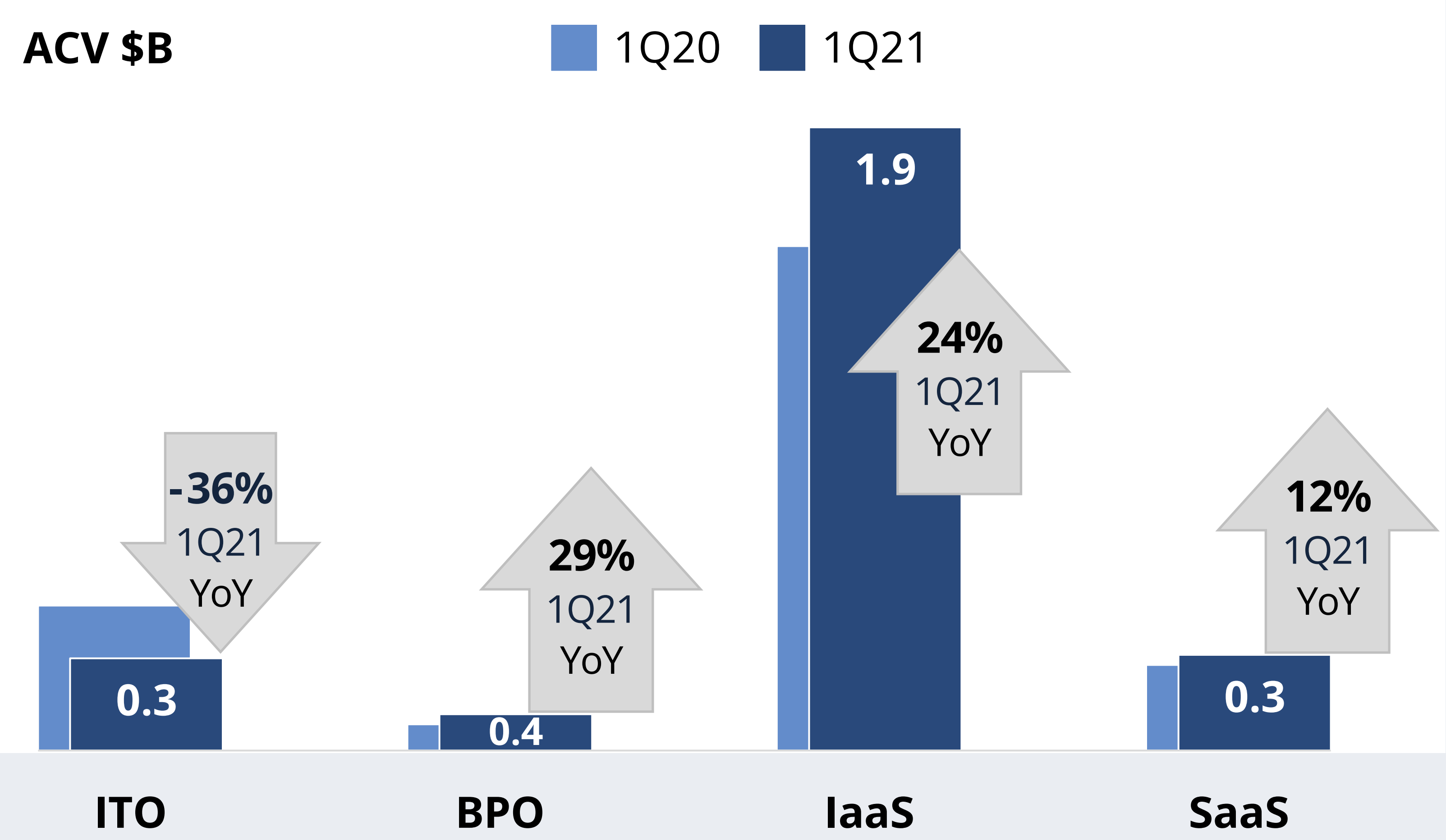
TTM = Trailing 12 Months ACV = Annual Contract Value

Asia Pacific Results by Function

Quarterly Trends

ITO fell significantly Y/Y and Q/Q with weakness in both Infrastructure and ADM transactions

IaaS reached a new quarterly high in ACV; SaaS rebounded from challenging 2020



ACV = Annual Contract Value

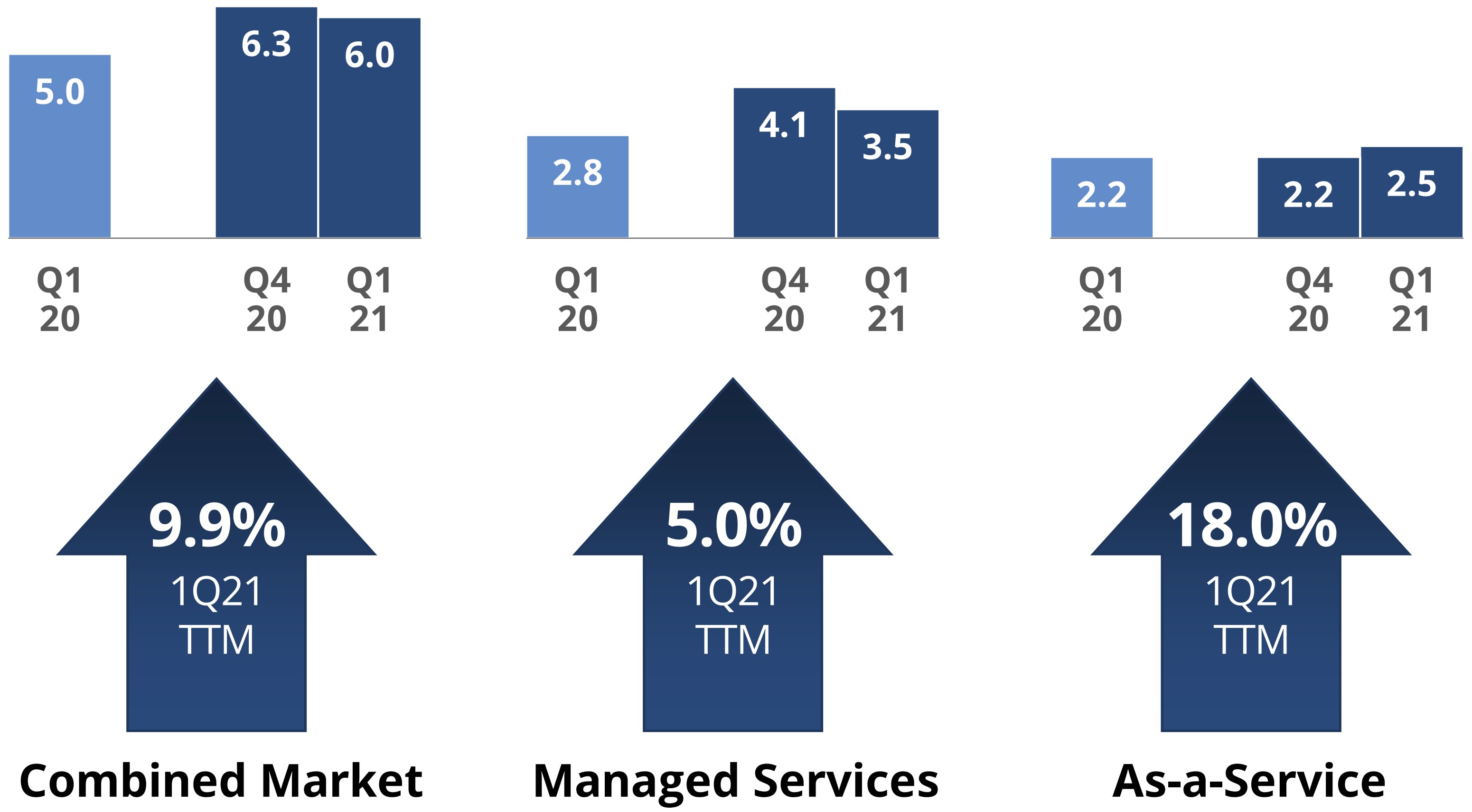
EMEA
Broader Market Results

Quarterly Trends

Combined Market ACV was up 20% Y/Y but did have a slight sequential pullback

Managed Services generated its second straight $3B+ quarter, strength in the largest markets of UK, DACH and France

As-a-Service ACV rebounded from mid-2020 low points and posted a new high, up 16% Y/Y



TTM = Trailing 12 Months ACV = Annual Contract Value

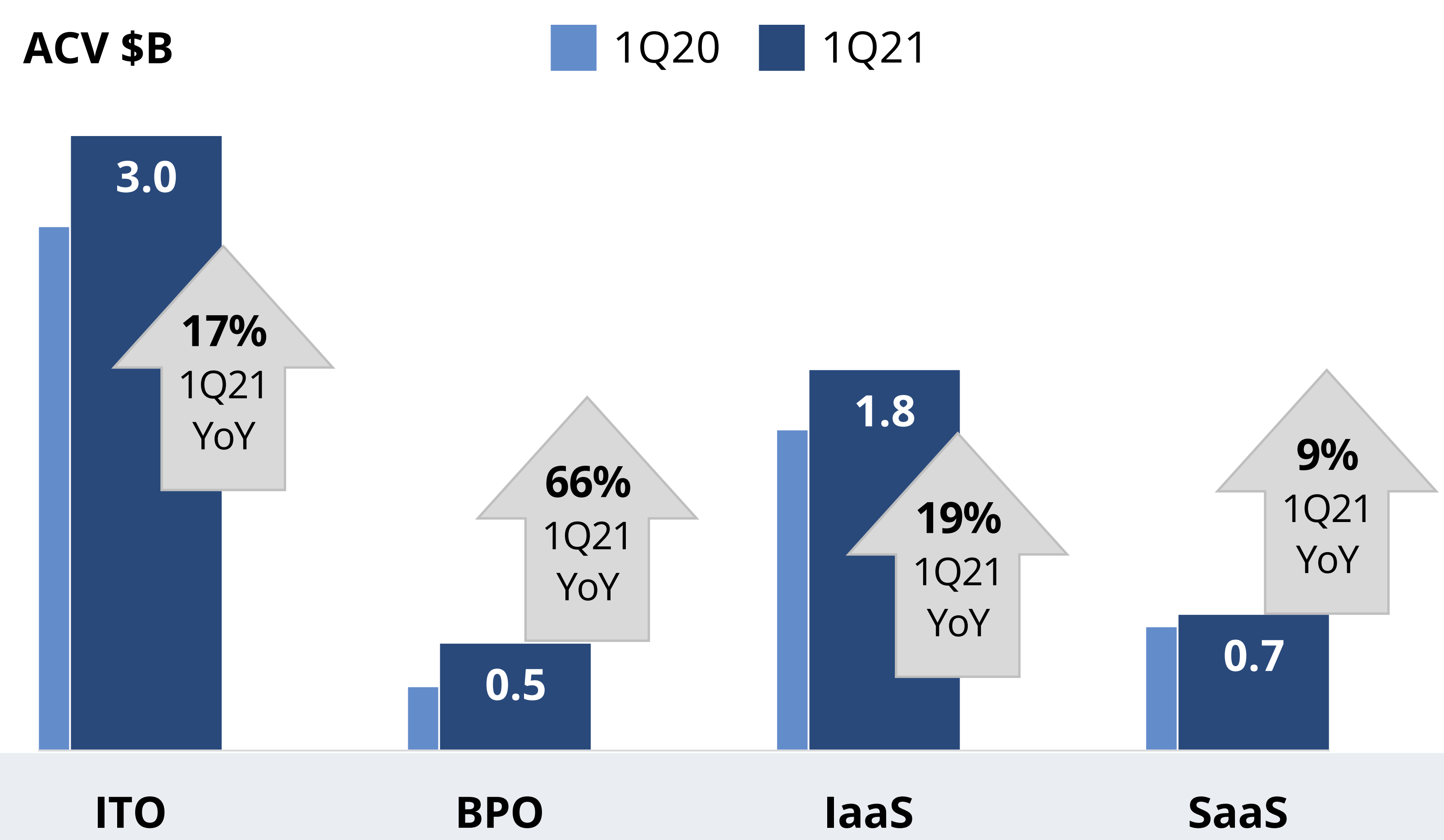
EMEA Results by Function

Quarterly Trends

ITO ACV up 17% Y/Y as both ADM and Infrastructure posted strong gains

BPO activity rebounded from weaker 2020 on stronger results across most functional areas

Both segments of As-a-Service reached new quarterly highs in ACV; SaaS Y/Y growth has accelerated from 4Q20 while IaaS Y/Y growth has slowed



ACV = Annual Contract Value

Global Technology Services Industry Award Trends

Trailing 12 Months Growth	Business Services $11.8B ACV	Retail & Consumer Packaged Goods $7.9B ACV	Energy $4.1B ACV	Financial Services $12.6B ACV	Healthcare & Pharma $4.9B ACV	Manufacturing $10.4B ACV	Telecom & Media $5.3B ACV	Travel, Transport Leisure $5.5B ACV
Combined Market	13%	17%	16%	9%	-20%	19%	-10%	11%
Managed Services	-3%	14%	15%	.2%	-45%	23%	-29%	5%
As-a-Service	17%	19%	17%	24%	15%	14%	15%	16%

ACV = Annual Contract Value

Trends in Energy (Oil & Gas and Chemicals)

"Pandemic and post-pandemic strategic playbooks are emerging."

Dale Hearn
Partner, Energy

Robert Stapleton
Director, Energy

Energy Trends*

Global Technology Services Industry Award Trends

1 In the trailing 12 months, Energy vertical has generated over $4B in ACV awards, a five-year high

2 As-a-Service segment accounts for 34% of Combined Market ACV, up from 29% two years ago

Energy

$4.1B ACV

Americas	EMEA	Asia Pacific	ITO	BPO	SaaS	IaaS
8%	24%	6%	24%	-18%	-3%	26%

Trailing 12 Months Growth

* TTM = Trailing 12 Months ACV = Annual Contract Value

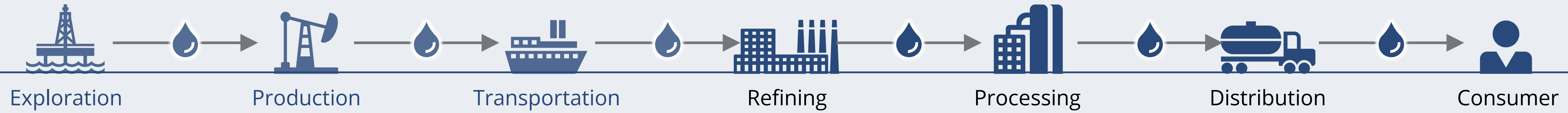
Oil & Gas Industry Outlook Remains Bleak With Uncertain Recovery

Revenue down

Employment losses have stabilized after a rough 2020

Bankruptcy and mergers/buyouts are a new norm

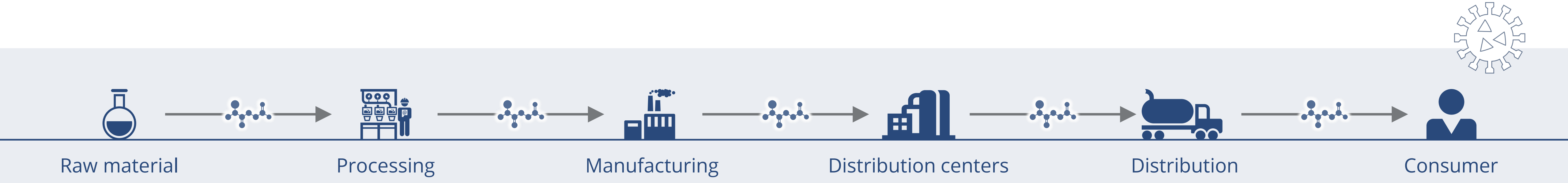
Oil demand is beginning to recover in 2021



Chemical Industry Has Remained Stable During the Pandemic

The chemical industry continues to navigate a volatile market landscape

Move to the cloud



Energy Focus: 1H 2021 – Survival 2H 2021 – Chance of Spending

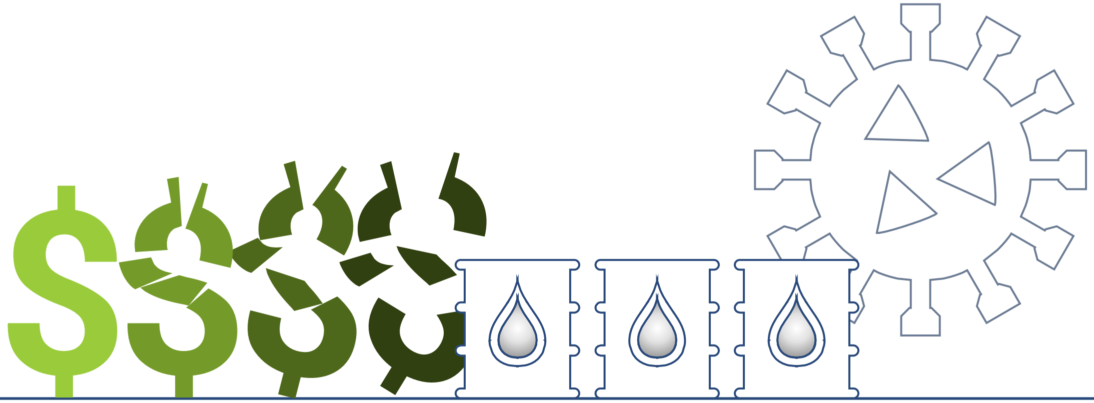
Oil & Gas is still in survive and recovery mode

Higher oil prices at the pump . . .

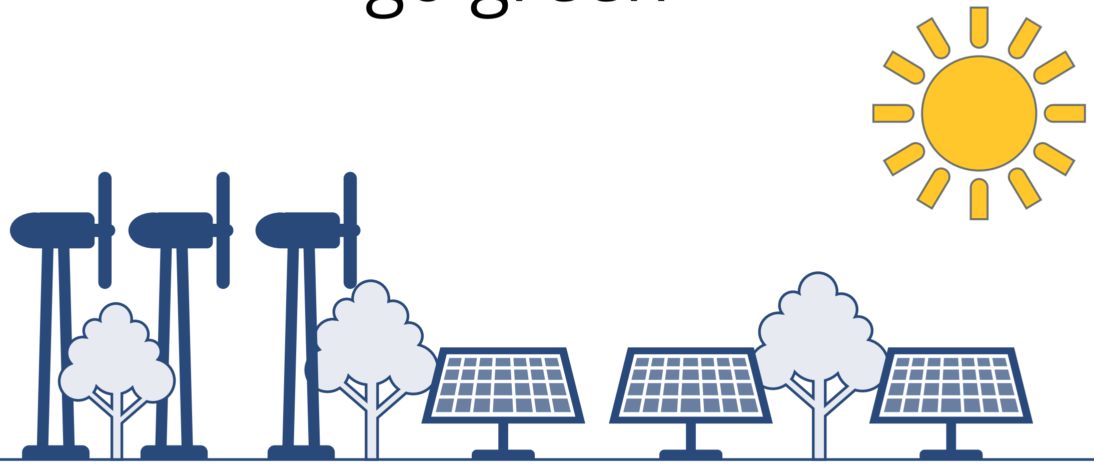
Chemical firms proving more insulated to pandemic effects

Oil & Gas Megatrend #1

O&G companies
are now shifting
to the new norm



Global government
pressure to
“go green”



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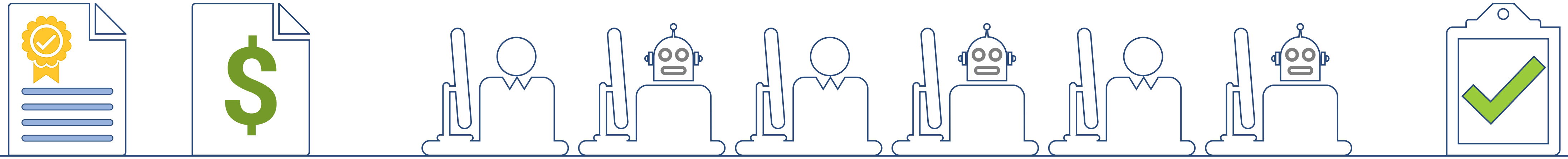
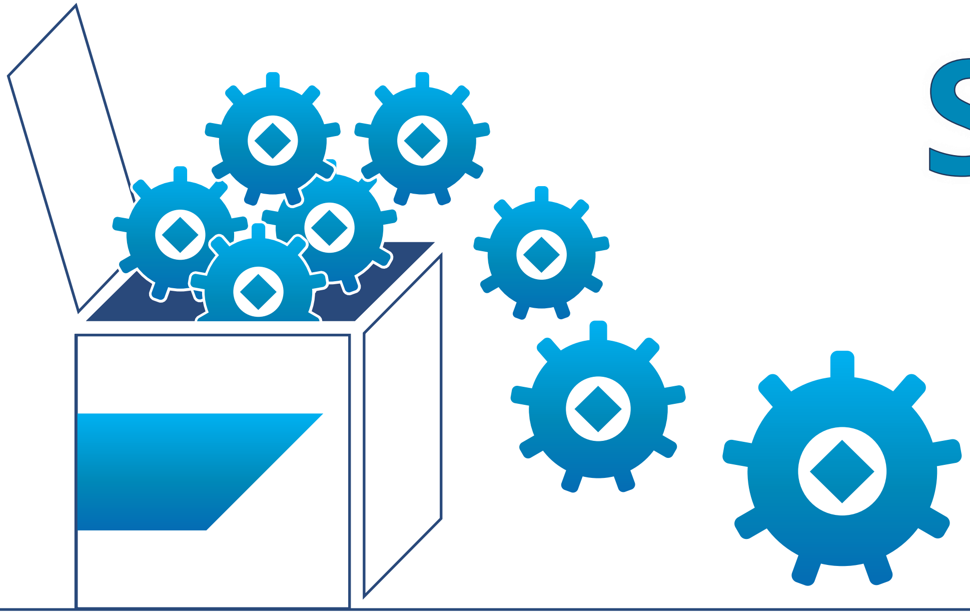
Oil & Gas Megatrend #2

ISG is observing
increased attention on

BPO



Chemical Megatrend #1



SAP Upgrade

Chemical Megatrend #2

Accelerating digitalization to improve safety, cost-efficiency and sustainability.

Cyber Security

Artificial Intelligence

Cloud Adoption

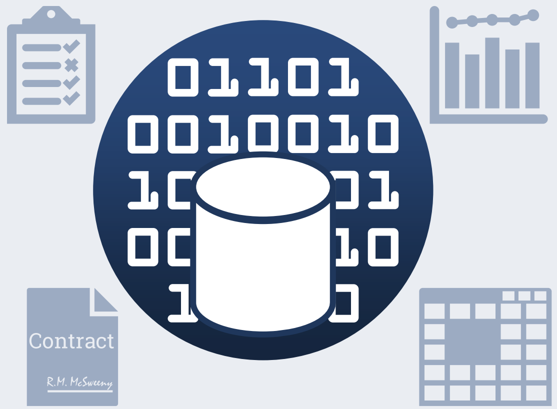
Energy IT Services Outlook

Reducing strains in IT as much as possible.

SAP Org Change

Cloud

Data



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What's Important in IT & Business Services 1Q21

Stanton Jones

Director & Principal Analyst
ISG Research

M&A Activity Heats Up

What's Important This Quarter

#5

- Atos approaches DXC
- IBM bolsters managed hybrid cloud
- Accenture focuses on cloud native & talent
- Wipro bets big on BFSI
- Hitachi targets digital engineering

ISG Index Insider™

RPA Market Consolidates . . . And Big Tech Takes Notice

What's Important This Quarter

#4

- ServiceNow acquires Intellibot
- UiPath acquires Cloud Elements
- Microsoft makes Power Automate free
- Automation Anywhere partners with Google

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Robust Hiring Plans Signal Digital Recovery

What's Important This Quarter

#3

- Capgemini hiring 30K; Cognizant 23K
- Infosys, HCL, NTT Data ramping up local hiring
- Strong focus on cloud, analytics, agile skills

ISG Index Insider™

Hyperscalers Continue to Win Over the Enterprise . . . And Enter New Markets

What's Important This Quarter

#2

- Google winning the enterprise
- Microsoft nets big wins in automotive, travel
- AWS gets a new CEO; wins commitments from BMW, Ford, AMP Bank

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Cybersecurity Breaches Becoming National Security Threats

What's Important This Quarter

#1

- Solar Winds breach infiltrates software builds
- Exchange flaw targets outdated systems
- Providers not immune!

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1Q21 ISG Index – Summary and Outlook

Summary

Managed Services Outperforms

- 1Q21 outperformed expectations as Europe generated its second consecutive strong quarter
- ITO posted a strong sequential result, while BPO recovered with strength in Industry-specific BPO and ER&D

New Highs in As-a-Service ACV; but IaaS Slows

- As-a-Service generated record-setting results, but Y/Y growth of 15% slowed from 26% growth last quarter
- SaaS saw accelerating growth with robust results in EMEA and Asia, while IaaS saw its Y/Y growth rate cut in half

Outlook

Managed Services Forecast

- High, sustained level of contracting in the industry along with accelerated decision-making
- Mega-deals could provide a boost to ACV growth by a factor of 5%-7% during the next two quarters

5.0%
2021e

As-a-Service Market Forecast

- IaaS providers will need to continue signing larger transactions to build scale and ultimately help with margin upside
- SaaS firms will need to strengthen their land-and-expand strategies within their client footprint with a focus on underpenetrated geographies

18%
2021e

Want to Ask a Question?

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2. The phone number and passcode will appear, and the web streaming to your computer will be automatically muted
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4. Now press *1 to be added to the queue

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ISG Index™ 2Q21

Broadcast Scheduled for July 7, 2021
Mark Your Calendars!

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Thank you!

The 74th Quarterly

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Appendix

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Service & Technology Provider Standouts – Americas

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

	The Big 15	The Building 15	The Breakthrough 15	The Booming 15
	Revenues > $10B	**Revenues $3B-$10B**	**Revenues $1B-$3B**	**Revenues <$1B**
Managed Services Market	Accenture, Capgemini, Cognizant, DXC Technology, FIS Global *, HCL **, IBM Global Services, Infosys, NTT DATA, TCS	Amdocs, Conduent, Cushman & Wakefield *, Genpact, Global Payments, OptumInsight, Tech Mahindra, Wipro	EPAM Systems, LTI, Mindtree, Mphasis, TTEC, Unisys, WEX	Birlasoft, Ensono, EXL, Globant, L&T Technology Services, Persistent Systems, Softtek *
As-a-Service Market	Adobe Systems *, Amazon Web Services, Google, Microsoft, Salesforce	Citrix Systems *, Equinix, Intuit, OpenText *, ServiceNow, VMware, Workday	Autodesk, Digital Realty, DropBox *, Palo Alto Networks, Rackspace, Shopify *, Twilio, UKG *	Coresite, Crowdstrike, Cyxtera *, Datadog *, Docusign, RingCentral, Snowflake Computing, Zoom Video

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Service & Technology Provider Standouts – EMEA

THE ISG 15

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	The Big 15	The Building 15	The Breakthrough 15	The Booming 15
	Revenues > $10B	**Revenues $3B-$10B**	**Revenues $1B-$3B**	**Revenues <$1B**
Managed Services Market	Accenture Atos BT Capgemini Cognizant DXC Technology HCL * IBM Global Services Infosys TCS	Bechtle CGI Computacenter * Global Payments Orange Business Services Serco Sopra Steria Tech Mahindra T-Systems Wipro Xerox Services	Asseco Cancom * EPAM Systems GFI * LTI Mindtree Mphasis TietoEvry Unisys Webhelp *	Atea ASA EXL HGS Kapsch Group NNIT A/S SIA-SSB * WIIT S.p.A. WNS
As-a-Service Market	Amazon Web Services Google Microsoft Salesforce SAP	Equinix ServiceNow United Internet * VMware	Autodesk AVEVA * Constellation Software * Digital Realty Rackspace	Atlassian Docusign OVH Veeva Systems Visma Zoom Video * Zscaler *

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Service & Technology Provider Standouts – Asia Pacific

THE ISG 15

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	The Big 15		The Building 15		The Breakthrough 15		The Booming 15	
	Revenues > $10B		Revenues $3B-$10B		Revenues $1B-$3B		Revenues <$1B	
Managed Services Market	Accenture Capgemini Cognizant DXC Technology	HCL * IBM Global Services TCS	Amdocs Canon * Genpact Global Payments * ITOCHU Techno-Solutions (CTC)	Nomura Research Institute Serco Tech Mahindra Wipro Xerox Services	Digital China * Mphasis SCSK Sutherland	transcosmos TTEC Unisys Worldline *	Beyonsoft ChinaSoft Data#3 Datacom	Empired Fuji Soft Relia Taiji Computer
As-a-Service Market	Adobe Systems * Alibaba Amazon Web Services China Telecom	Google Microsoft Salesforce Tencent	Citrix Systems * Dassault Systemes *	Equinix OpenText * ServiceNow	Akamai Autodesk Palo Alto Networks Rackspace *	Sage Splunk * Twilio	Atlassian Crowdstrike Kingdee	Veeva Systems Xero Zoho Zoom Video

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