



First Quarter
2026

Technology Industry Update: Services & Software

April 16, 2026

HOSTED BY



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IIFL Capital

Market Level Set



- 1 Managed services remains steady as TCO deals proliferate.
- 2 SaaS growth stays positive despite fears of AI-led disruption.
- 3 IaaS growth continues to accelerate while capital spending surges.
- 4 Enterprise AI demand remains exceptionally strong.
- 5 2026 outlook: managed services steady, XaaS accelerates.

Global Broader Market

Combined Market

- ACV grew nearly 30% Y/Y
- Reached nearly \$40B for first time ever

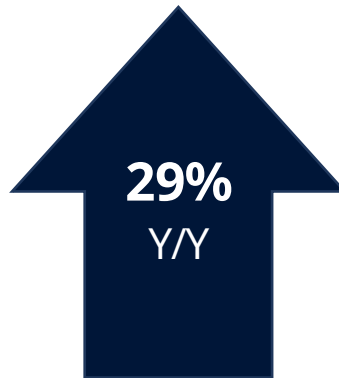
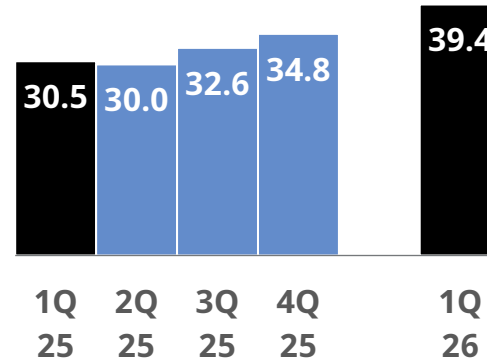
Managed Services

- Second-best quarter ever
- 18 of 21 last quarters have trended positive

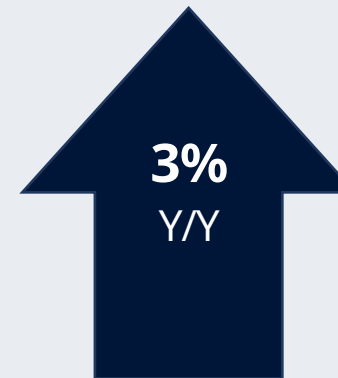
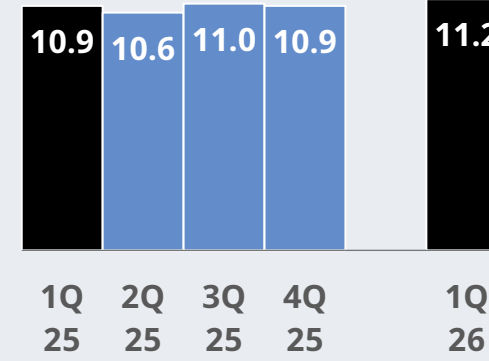
As-a-Service

- Best quarter ever, up 44% Y/Y
- Seventh consecutive quarter with double-digit Y/Y gains

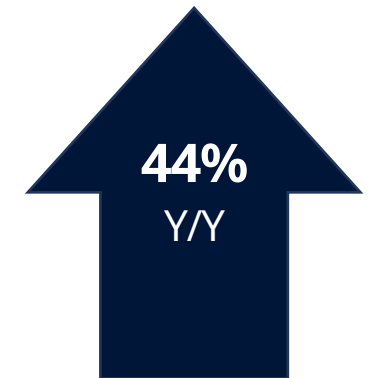
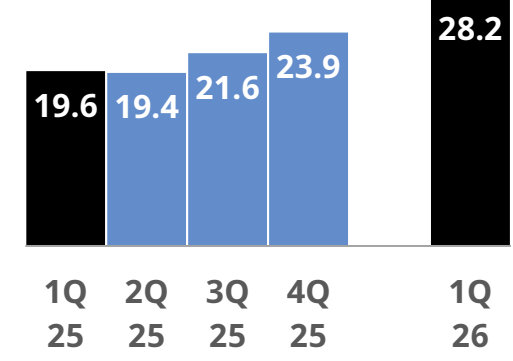
ACV \$B



Combined Market



Managed Services

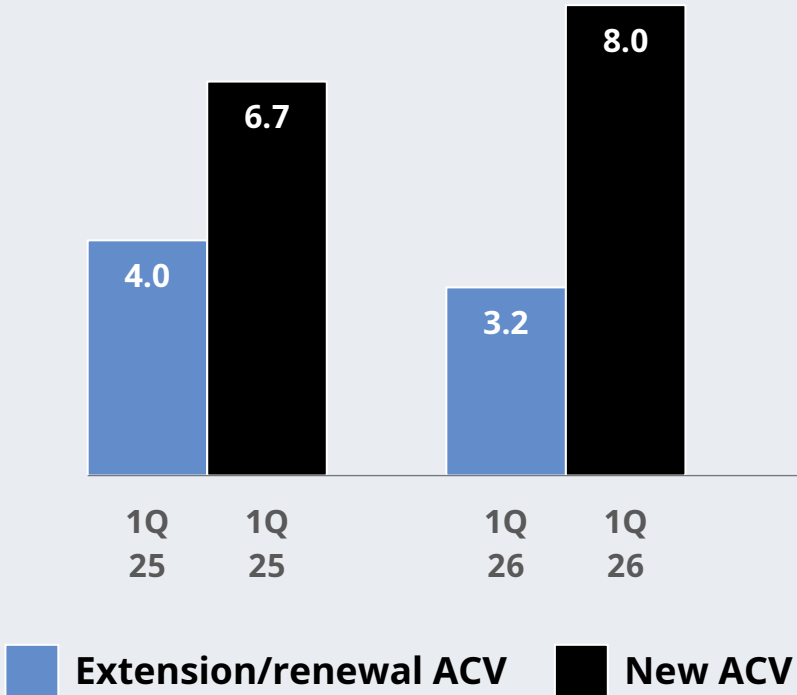


As-a-Service

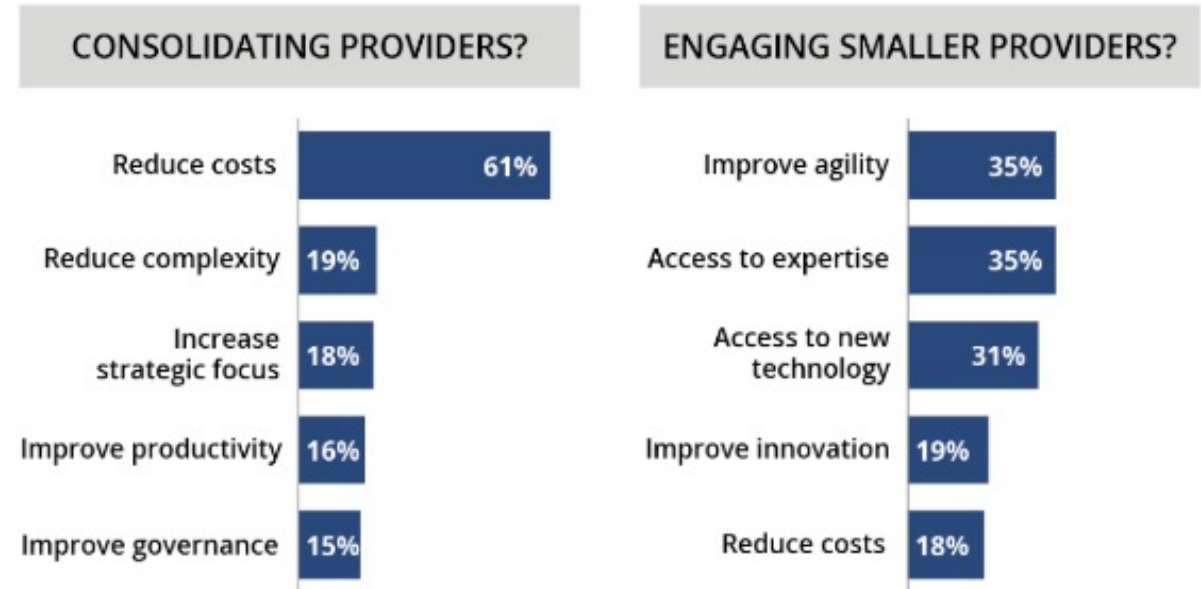
Managed Services Deal Composition Changes

Growth in New Scope Activity Another Signal of Provider & Services Consolidation

ACV \$B



Enterprises Expect Savings From Consolidation; Innovation From Smaller Providers



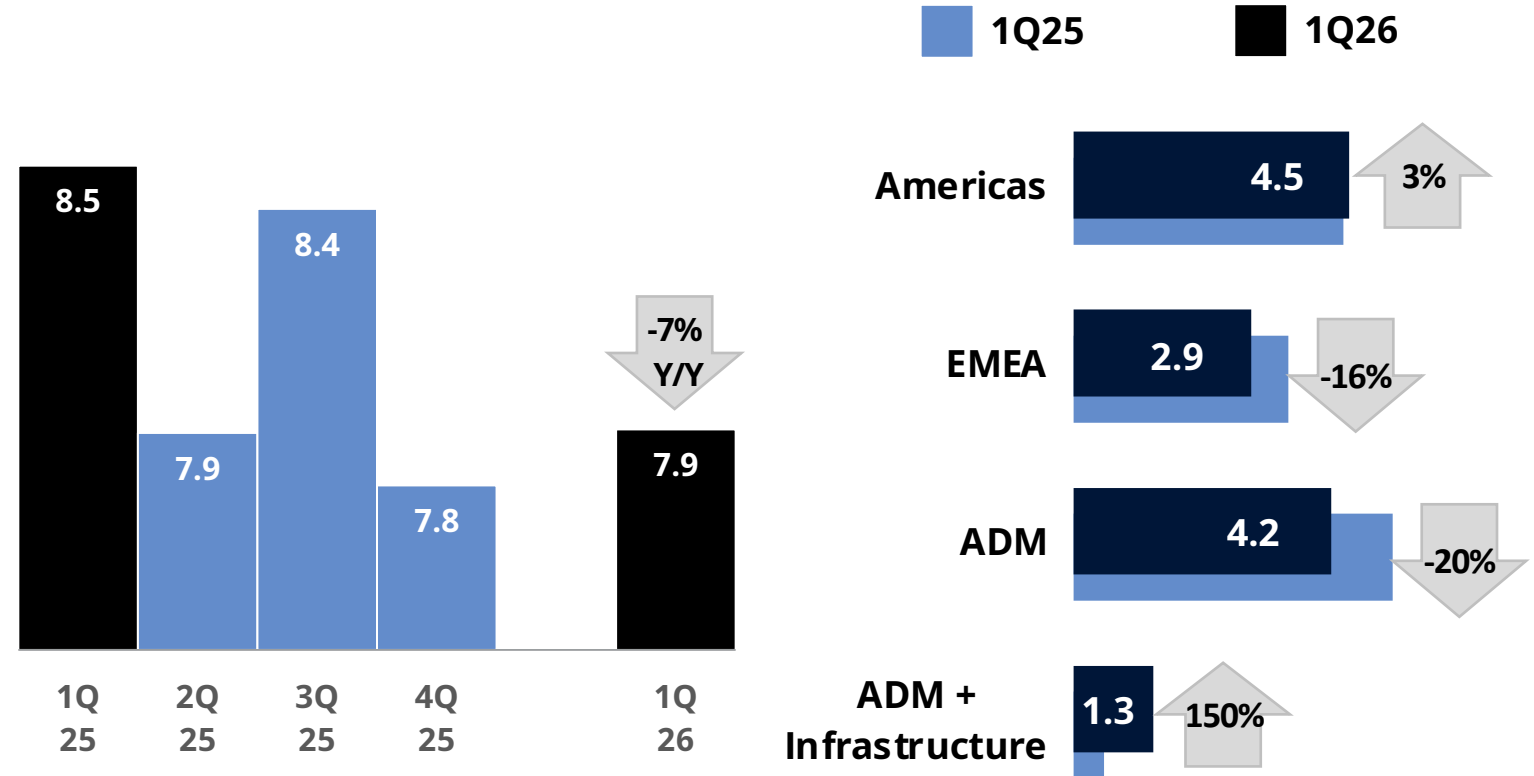
Source: ISG IT Budgets & Spending Study, 2026; n=300

Managed Services ITO Results

1Q26 Results

- ACV down Y/Y for third consecutive quarter
- Americas accounted for all the growth in ITO
- ADM down 20%
- ADM bundled with Infrastructure up triple digits

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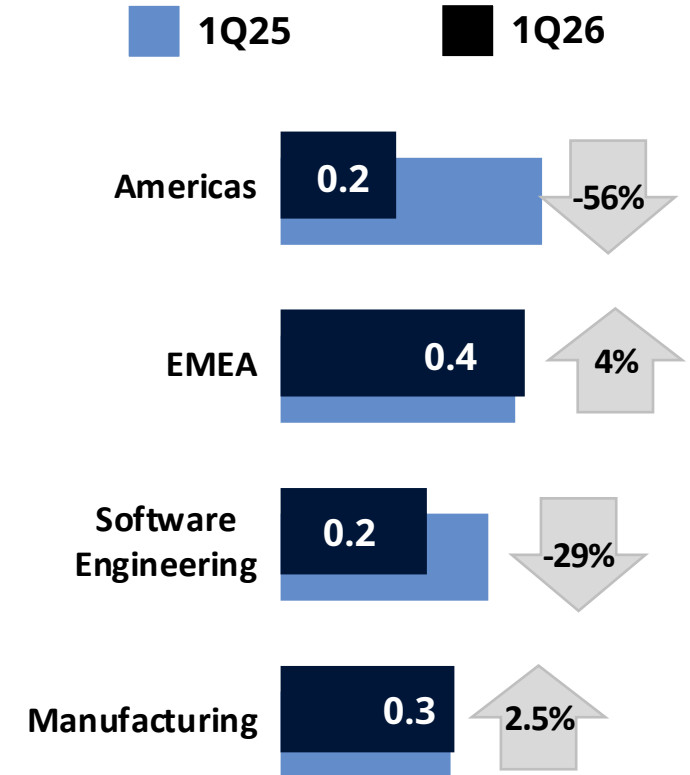
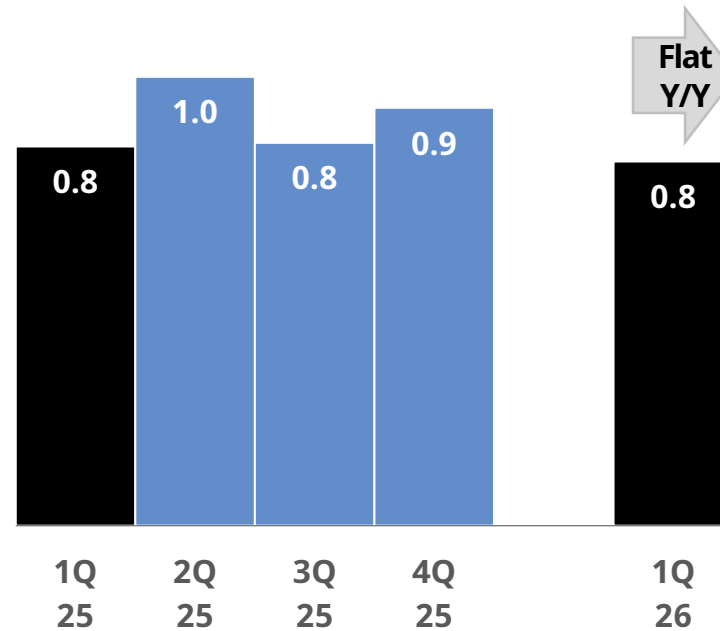


Managed Services Engineering Results

1Q26 Results

- Engineering growth decelerates
- ACV flat Y/Y, with Americas falling sharply in Q1
- Manufacturing remained steady
- Segment can be sensitive to discretionary spending pressure

ACV \$B

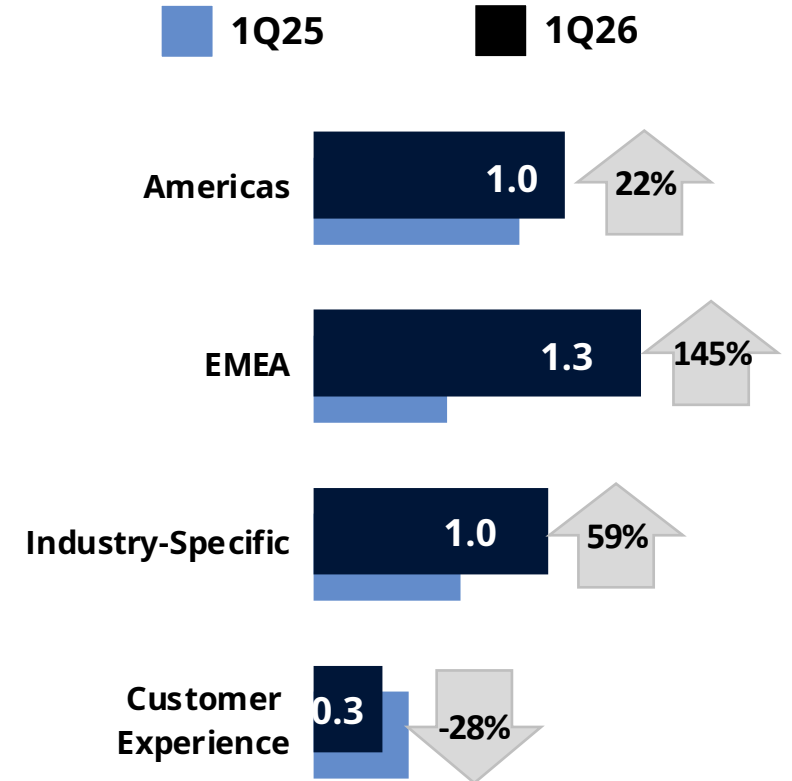
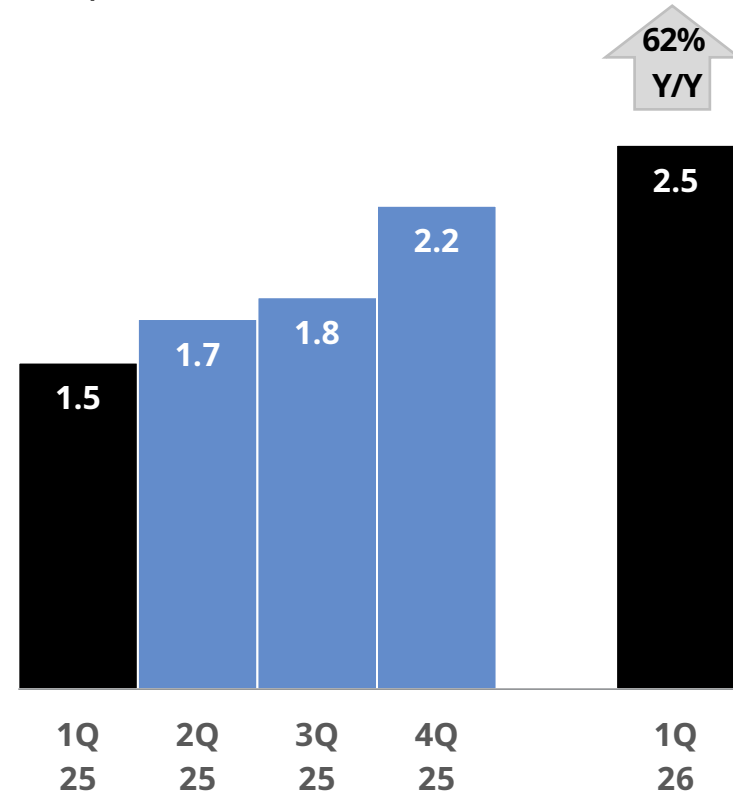


Managed Services BPO Results

1Q26 Results

- ACV up 62% Y/Y; best quarter growth since 1Q22
- Award volume up 36% Y/Y
- Driven primarily by EMEA but Americas also finished positive
- Strength in industry-specific BPO; customer experience continues to lag

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Managed Services Regional Results

Americas

- ACV up 5 of past 6 quarters
- BFSI and Manufacturing drove growth

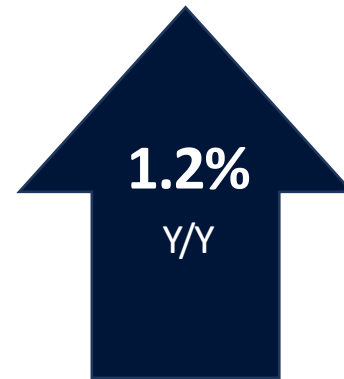
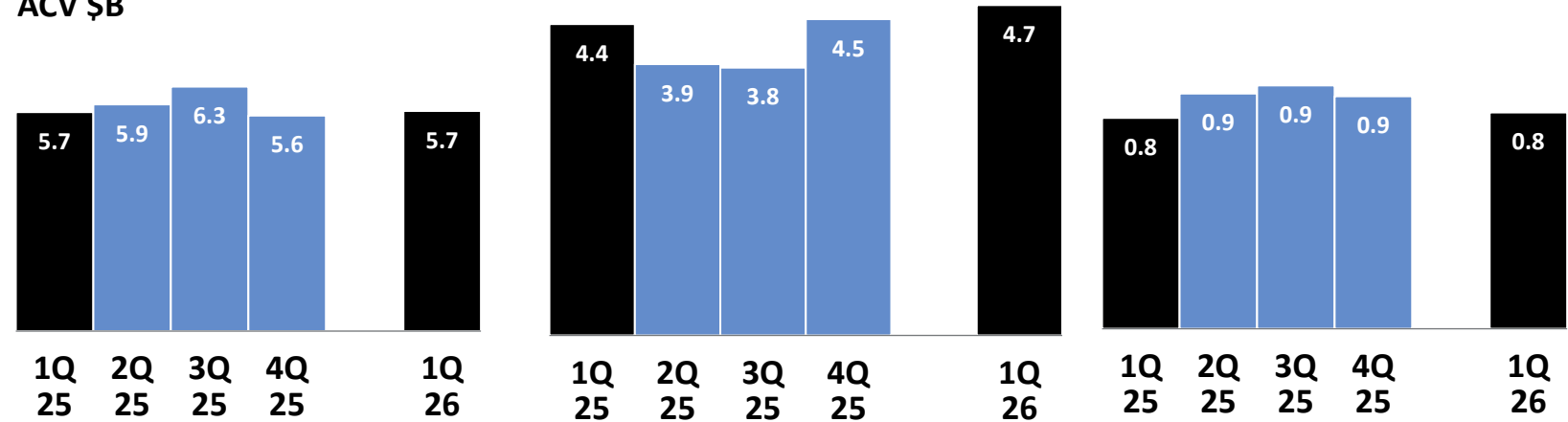
EMEA

- ACV exceeded \$4B for second consecutive quarter
- UK and France up moderately; DACH and Nordics weighed on results

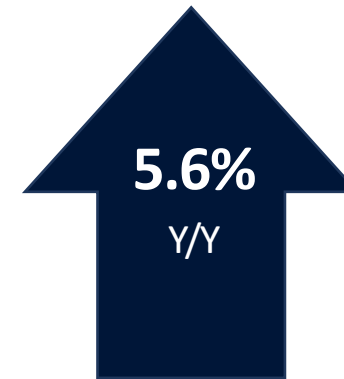
Asia Pacific

- ACV growth broke four-quarter decline
- Smaller regional markets supported growth; ANZ and India declined

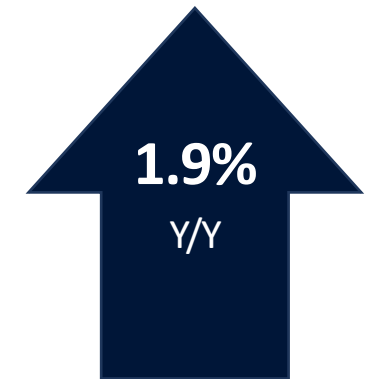
ACV \$B



Americas



EMEA



Asia Pacific

Managed Services Industry Results

BFSI

- Difficult compare created \$300 million shortfall for the quarter
- Strong sequential results

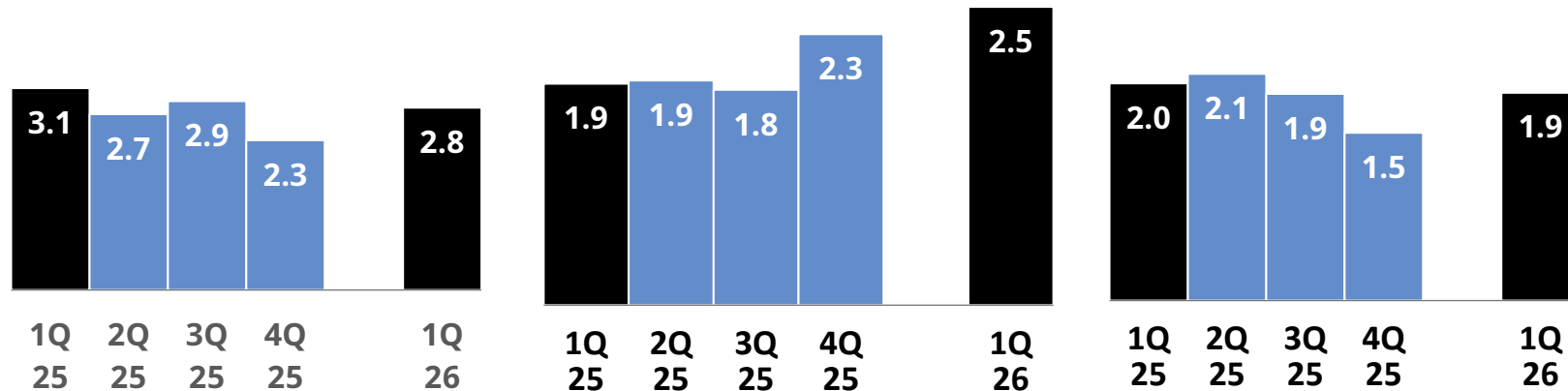
Consumer Industries

- Consumer industries up 32% Y/Y
- 5 of last 7 quarters have seen \$1B of ACV in Travel & Transportation sector

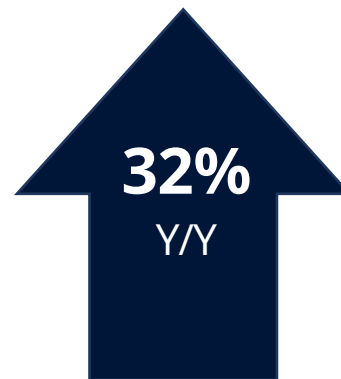
Manufacturing

- Manufacturing strong in Americas, weak in EMEA and flat in Asia Pacific
- Strong sequential results

ACV \$B



BFSI



Consumer Industries

CPG, Retail & Travel



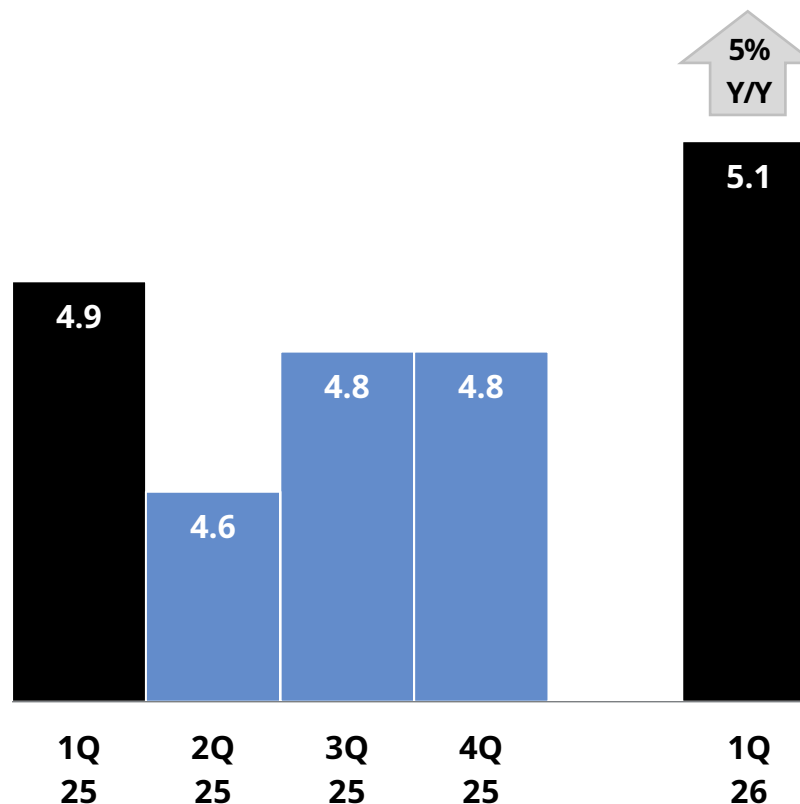
Manufacturing

SaaS Results

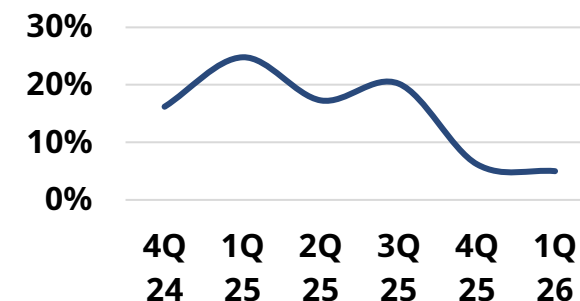
1Q26 Results

- ACV exceeded \$5B for first time at 5% Y/Y growth
- Y/Y growth rate decelerated 120 bps from 4Q25
- Top 10 SaaS providers decelerated to -.6% ACV Y/Y
- Industry growth varied with Energy down -7% ACV Y/Y

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SaaS Y/Y ACV Growth



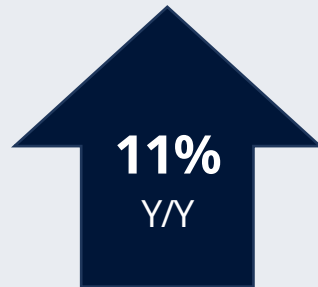
Software Trends (SaaS)

AI & Data Platforms



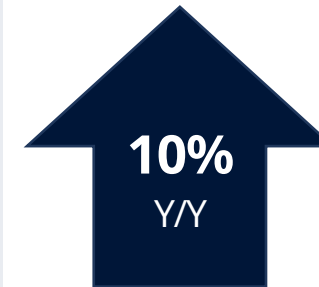
Continued strength in data platforms despite rapid advances in LLM-based agents.

Applications



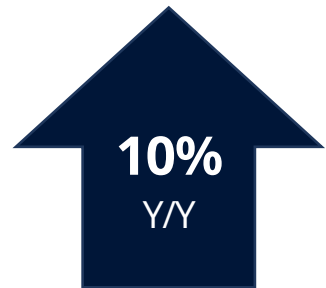
Strong broad-based growth and leading vendors expand AI advantage.

Front Office



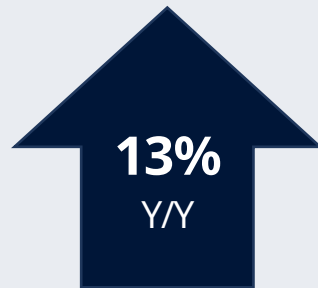
Led by CRM and CX, while commerce and sales declined 9%.

Middle Office



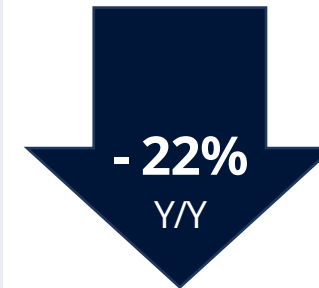
Collaboration up 2%, driven by AI innovation from Salesforce and Zoom.

Back Office



Nearly doubling from Q4, led by HCM and ERP operations.

IT



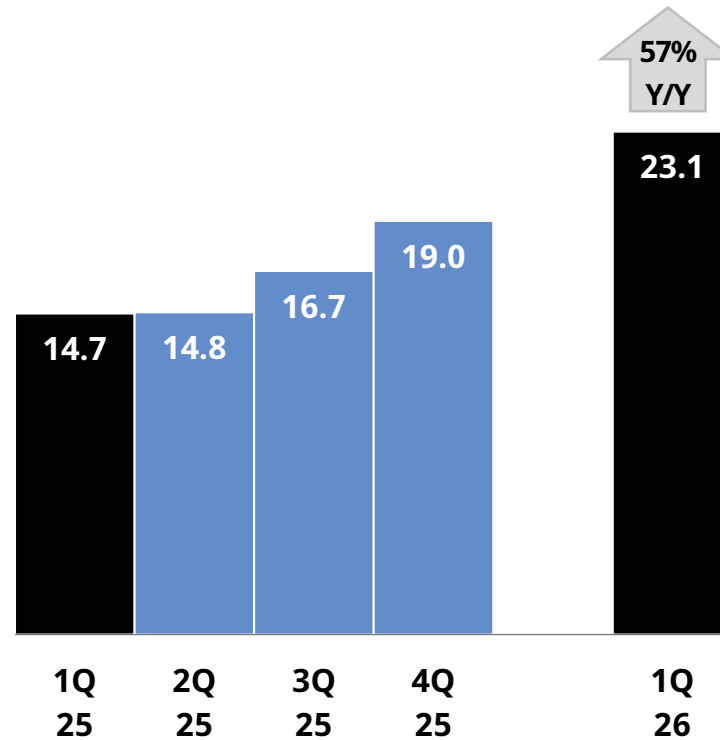
Lowest level since '24, AI pricing pressures, while top 10 cyber providers grew 4%.

IaaS Results

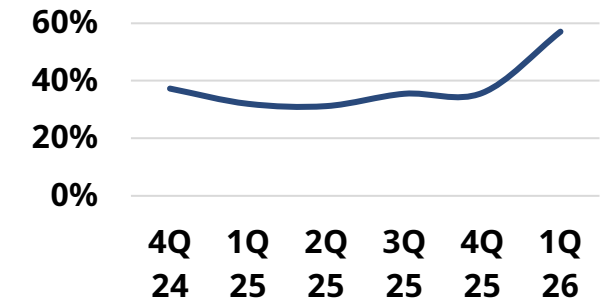
1Q26 Results

- ACV surpassed \$23B first time ever
- 57% Y/Y growth rate best since 4Q21
- \$8B of quarterly incremental ACV added Y/Y
- Americas and EMEA were both up significantly
- Big 4 hyperscalers outperformed broader market growth by 1.3x

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IaaS Y/Y ACV Growth



Infrastructure Trends (SaaS)

AI demand is outpacing capacity, and power constraints are accelerating investment in AI chips to maximize existing data center compute.

AWS

AWS is set to surpass Microsoft in Q2 ACV, driven by sovereign cloud expansion and agentic AI platforms like Bedrock and AgentCore.

Oracle

Oracle OCI grew on hybrid flexibility and rising AI demand from Fusion applications.

Google

Google Cloud growth is fueled by aggressive pricing and Vertex AI and Gemini, with more agentic AI and security expected at Google Next.

NVIDIA

NVIDIA expanded ecosystem at GTC with Vera Rubin, full-stack AI compute and the NemoClaw agent framework.

Microsoft

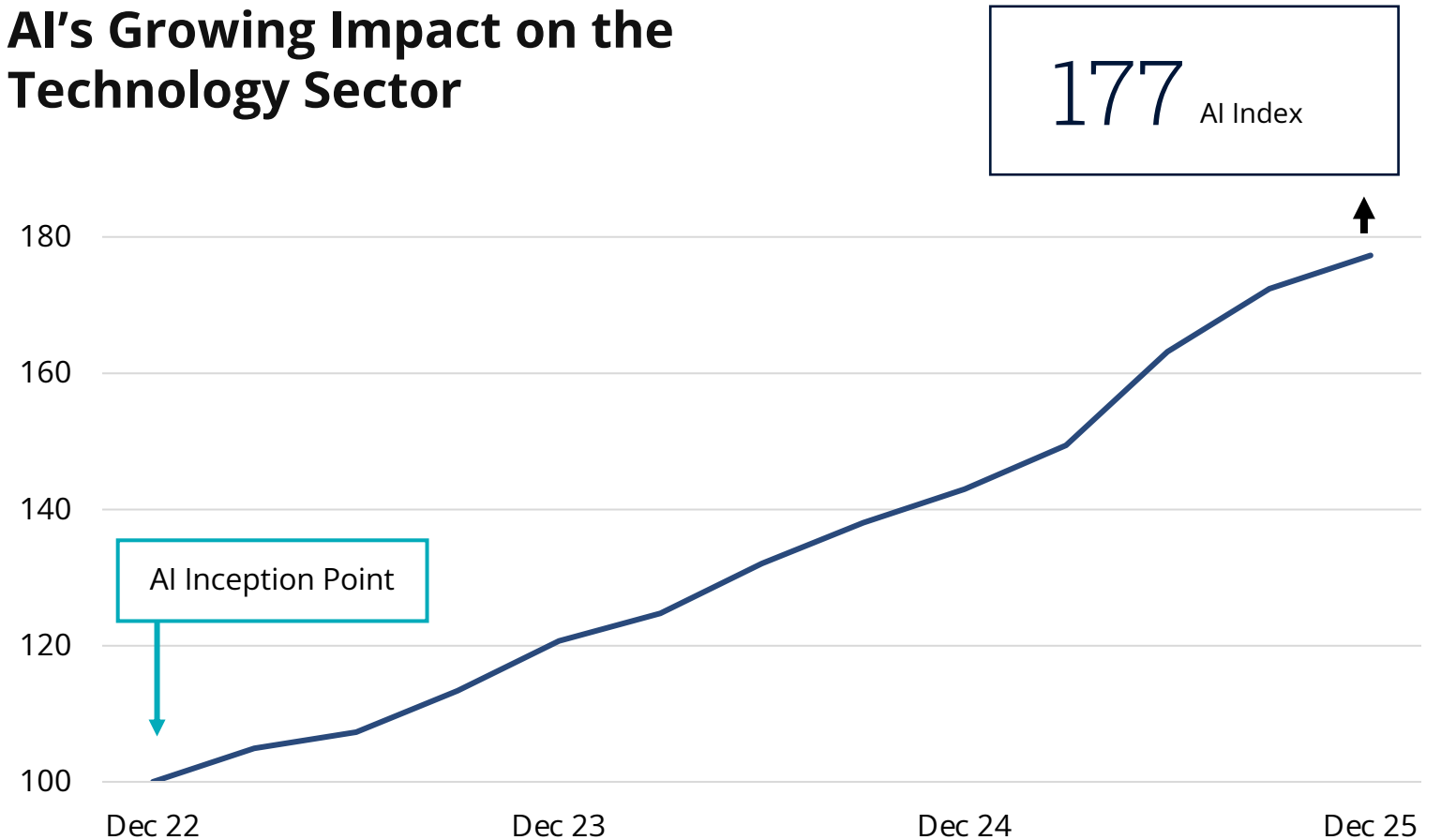
Microsoft growth continued in Q1, supported by Fabric, Foundry Agent Service and Azure Confidential Computing.

The New ISG AI Index

Why a New AI Index

- Data is anchored to the Dec. 2022 AI inflection point and tracked quarterly across infrastructure, software and services.
- Each segment blends revenue, profitability and stock performance with one forward AI indicator:
 - **IaaS:** Capex
 - **SaaS:** cRPO
 - **Services:** Revenue per Employee

AI's Growing Impact on the Technology Sector

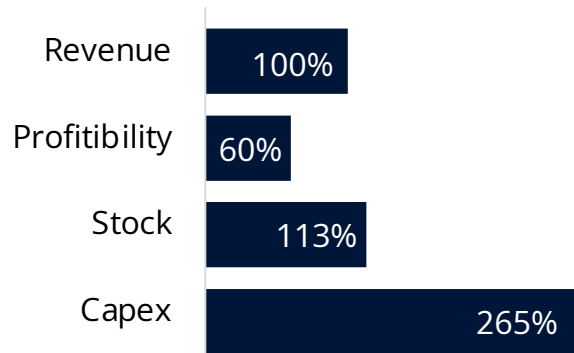


The ISG AI Index by Segment

IaaS

+160%

since AI inception

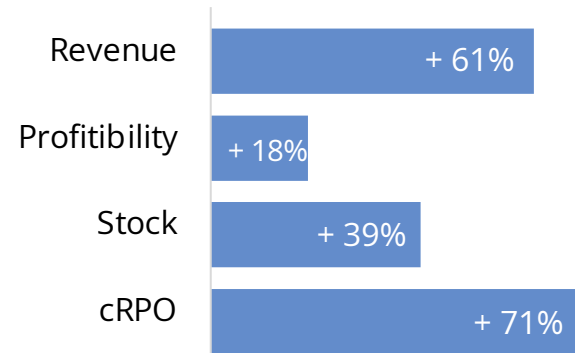


CapEx spend is the clearest signal of the growth of AI with hyperscalers.

SaaS

+53%

since AI inception

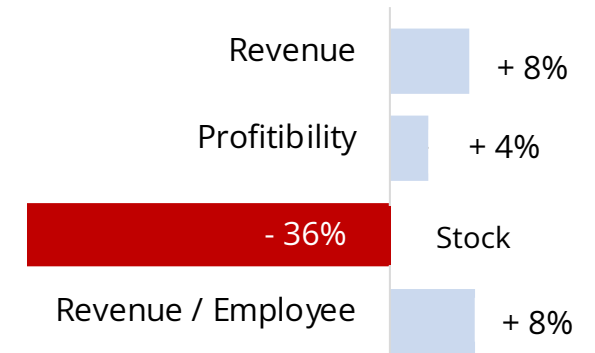


Demand is holding as indicated by the current remaining performance obligations (cRPO), and revenue remains stronger than equity sentiment.

Managed Services

+0.3%

since AI inception



Revenue per employee is increasing despite pressure on growth and margin. Stock index for sector is impacting overall AI Index.

What the New ISG AI Index Tells Us

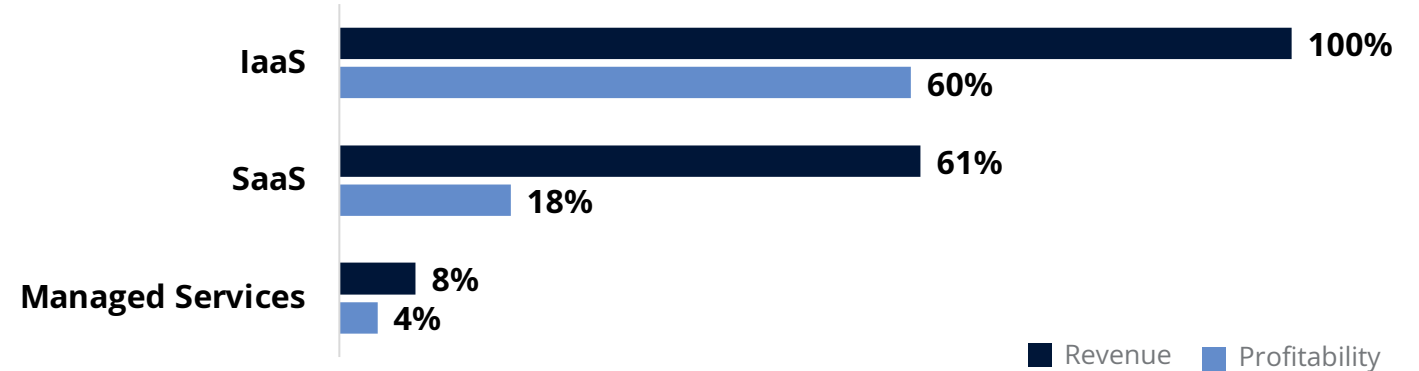
Overall Takeaways

- Revenue growth is ahead of profitability in every segment. AI is showing up in top-line growth before margins.
- Operational indicators are better forward signals than stock prices. CapEx is up 265%, cRPO 71% and revenue per employee 8.5%.

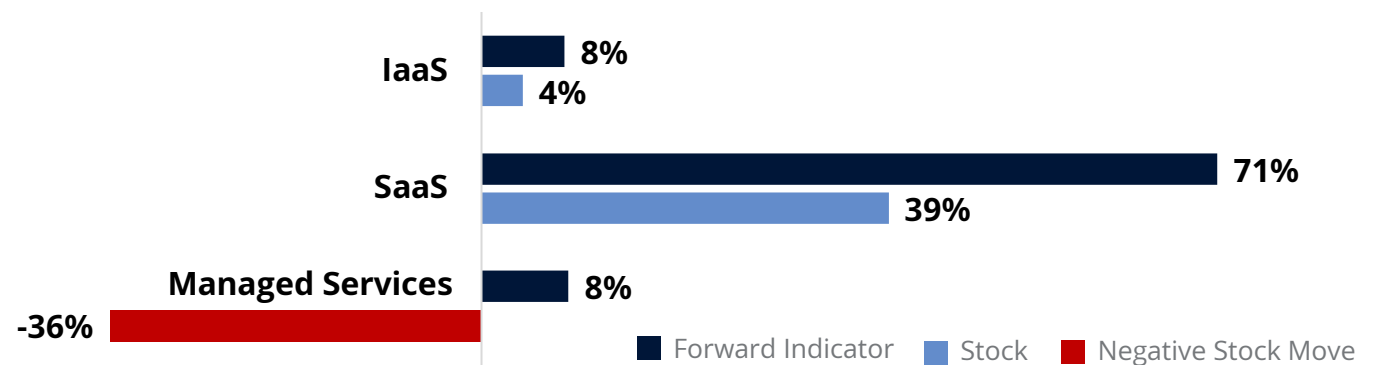
Services Focus

- AI is creating pricing pressure on commodity work.
- But also net new demand is focused on AI integration and transformation.
- Pure labor-based economics will be challenged.

Revenue Growth vs Profitability



Forward Indicator vs Stock Response



Global Service & Software Provider Standouts

Our ISG Contracts Database 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

Service & Software Provider Standouts – Global



The ISG Contracts Database 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 Deloitte HCLTech	IBM Consulting Infosys NTT Data TCS Wipro	Amdocs Capita EPAM Systems Genpact	LTM Limited Sopra Steria Tech Mahindra	Coforge EXL Hexaware L&T Technology Mphasis	Neusoft* Persistent Systems Stefanini TTEC	Birlasoft Etel Networks Ensono Firstsource Solutions KPIT Technologies Mastek	Pomeroy Softtek Sonata Software TATA Elxsi Tata Technologies Transcom Worldwide*
As-a-Service Market	Amazon Web Services Google Cloud	Microsoft Oracle SAP*	Autodesk CrowdStrike Databricks* Equinix	Iron Mountain Palo Alto Networks Snowflake Workday	CloudFlare Hubspot Rubrik	Shopify Veeva Systems Visma	DigitalOcean Nemetschek	Vantage Data Centers

* New or returning to leaderboard in quarter

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

Summary & Outlook

Summary

Managed Services

- Managed services: mostly continued trends observed throughout 2025 with a few exceptions
- BPO accelerated with increased activity in FM/CRE, industry-specific BPO and back-office BPO
- ITO experienced third consecutive quarter of decline, weighed down by ADM and lack of small, discretionary awards
- ER&D performance plateaued, challenged by difficult Y/Y comps and pullback in software engineering

XaaS

- XaaS segment delivered record-breaking first-quarter results, driving high double-digit growth
- SaaS generated best quarter ever, but bookings growth decelerates amid a sharp valuation reset
- IaaS fundamentals remain exceptionally strong with near-term risks confined to the pace and clarity of AI monetization and ongoing supply constraints

Market Outlook

Macro Recap

- Environment of persistent uncertainty and volatility, which creates dislocations
- Geopolitical tensions remain elevated with recurring flare-ups ranging from trade disputes to Iran conflict
- AI's stimulative impacts – capital spending, jobs, power demand and data centers – may come with disruptive outcomes

2026 Forecast by Market Segment

2.1%

Managed Services

25%

As-a-Service

Thank you!

The 94th Quarterly
***ISG** Index™



Appendix



Americas Global Broader Market Results

Combined Market

Combined Market up 35% Y/Y;
surpassed \$20B level for first time

Combined Market added \$5B in
incremental ACV versus 1Q25

Managed Services

Managed services up 1.2% Y/Y

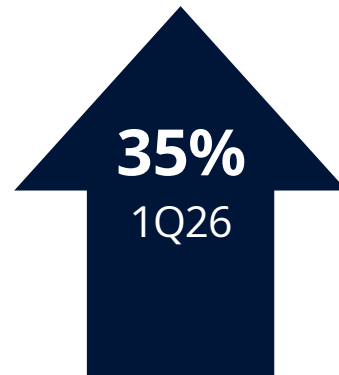
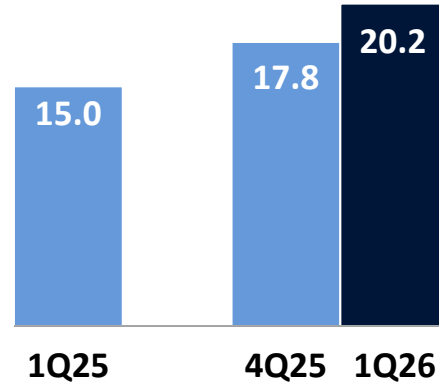
Managed Services positive Y/Y
growth in 5 of the past 6 quarters

As-a-Service

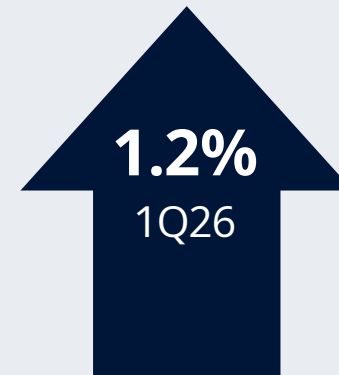
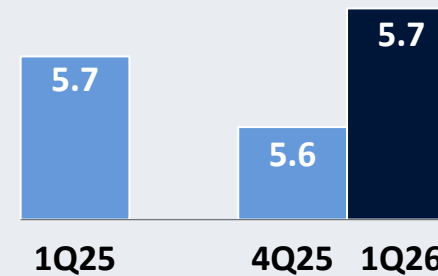
XaaS ACV surpassed \$14B first
time ever

55% Y/Y XaaS growth, highest since
3Q15

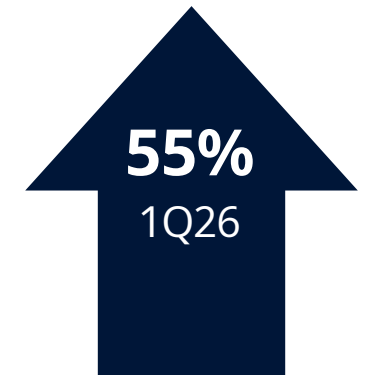
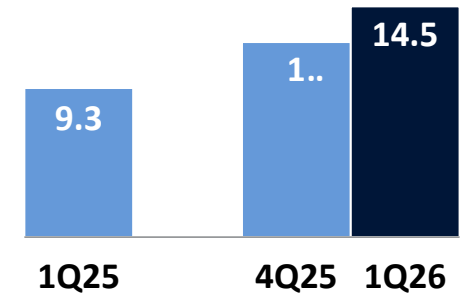
ACV \$B



Combined Market



Managed Services



As-a-Service

Service & Software Provider Standouts – Americas



The ISG Contracts Database 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	IBM Consulting	ABM Industries	Genpact	Coforge	Mphasis	Birlasoft	Mastek
	Capgemini	Infosys	Alight Solutions	LTM Limited	EXL	Persistent Systems	Ensono	Pomeroy
As-a-Service Market	Cognizant	NTT Data	Amdocs	Tech Mahindra	Hexaware	Stefanini	Firstsource Solutions	Softtek
	Deloitte	Salesforce	EPAM Systems		L&T Technology Services	TTEC	HGS	Sonata Software
As-a-Service Market	HCLTech	TCS					HTC	Zensar
		Wipro						
As-a-Service Market	Amazon Web Services	Microsoft	CrowdStrike	Iron Mountain	CloudFlare	Rubrik	Compass Datacenters	ServiceTitan
	Google Cloud	Oracle	Databricks	Palo Alto Networks	HubSpot	Shopify	Guidewire	Vantage Data Centers
			Datadog	Snowflake	MongoDB	Veeva Systems		Workiva
			Equinix	Workday	Okta			

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EMEA Global Broader Market Results

1Q26 Results

Combined market up 30% Y/Y;
surpassed \$12B level for first time

Combined market added \$2.5B in
incremental ACV versus 1Q25

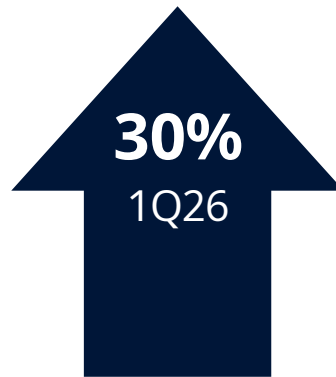
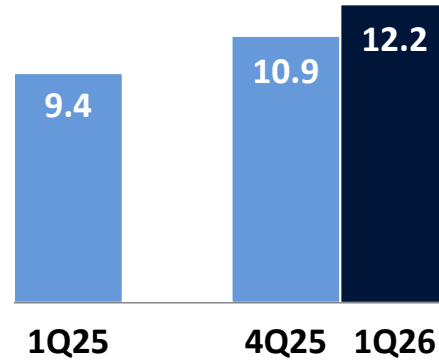
Managed services up 6% Y/Y

Managed services ACV exceeded
\$4B for second consecutive
quarter (very rare)

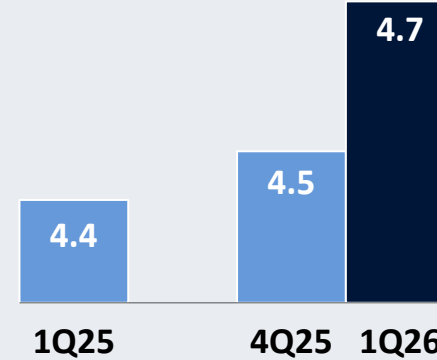
XaaS ACV surpassed \$7B for first
time ever

52% Y/Y XaaS growth, highest since
3Q21

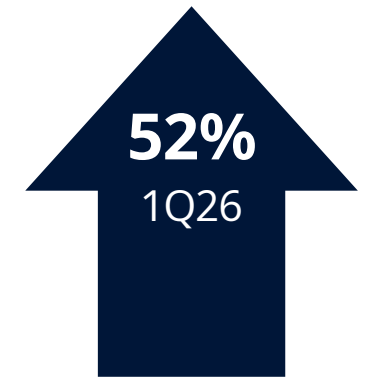
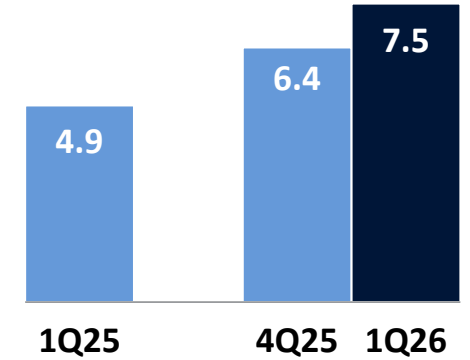
ACV \$B



Combined Market



Managed Services



As-a-Service

Service & Software Provider Standouts – EMEA



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Managed Services Market	Accenture	IBM Consulting	Arvato	MITIE	adesso	Konecta	Alexander Mann Solutions	
	BT	Infosys	Bechtle AG	SoftwareONE	AFRY	L&T Technology Services	Aubay Technology	QuEST Global
As-a-Service Market	Capgemini	NTT Data	Capita	Sopra Steria	Atea ASA	Netcompany	EDAG	Tata Elxsi
	Cognizant	TCS	EPAM Systems	Tech Mahindra	Coforge	Persistent Systems	Eltel Networks	Tata Technologies
	HCLTech	Wipro	Genpact	Tieto	EXL	Reply SpA	Firstsource Solutions	Transcom Worldwide
			Indra Sistemas	T-Systems	Hexaware		GFT Technologies	
			LTM Limited				KPIT Technologies	
							Mastek	
							Nemetschek	
	Amazon Web Services	Microsoft			Fortinet	Sage		
	Google Cloud	Oracle	Autodesk	Databricks	OVH	Visma	DigitalOcean	Vantage Data Centers
		SAP						

Asia-Pacific Global Broader Market Results

Combined Market

- Up 18% Y/Y; surpassed \$7B level for first time
- Added \$900M in incremental ACV versus 1Q25

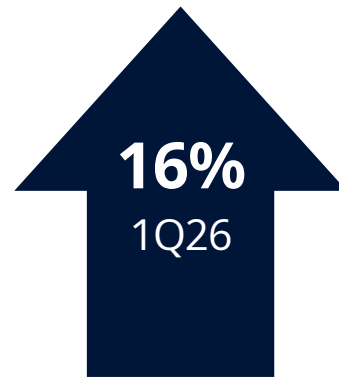
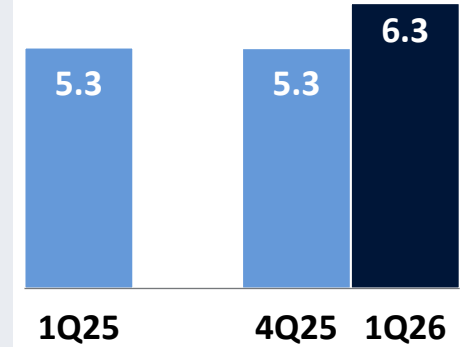
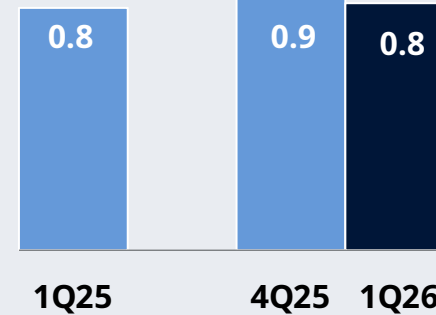
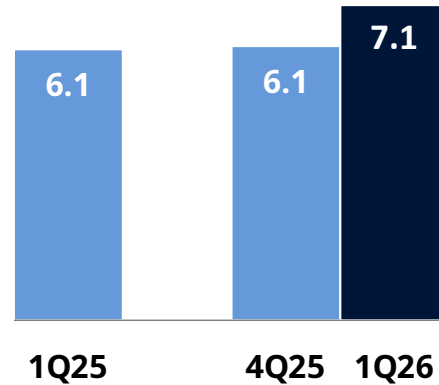
Managed Services

- Up 1.9% Y/Y
- Broke a four-quarter streak of losses that averaged -22.5% per quarter

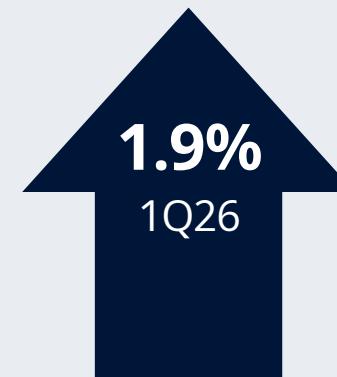
As a Service

- ACV surpassed \$6B first time ever
- 18% Y/Y growth, highest since 1Q24

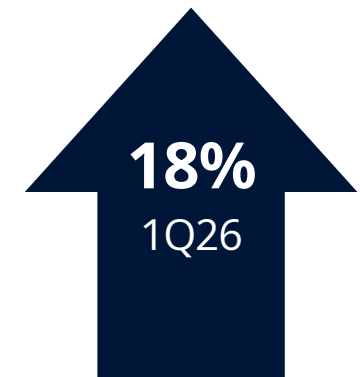
ACV \$B



Combined Market



Managed Services



As-a-Service

Service & Software Provider Standouts – Asia Pacific



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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	Infosys	Amdocs	Sumitomo SCSK	Biprogy	Neusoft	BayCurrent Consulting	KPIT Technologies
	Cognizant	NTT Data	Datadog		Coforge			
As-a-Service Market	HCLTech	TCS	Downer Group	Tech Mahindra	Digital China	Persistent Systems	Firstsource Solutions	Tata Elxsi
	IBM Consulting	Wipro	Genpact	Telstra Enterprise	FPT Software	SK C&C	ITCenEntec	Transcom
			ITOCHU Techno-Solutions	transcosmos	MongoDB	Taskus		
			LTM Limited		NCS			
			Nomura Research					
	Alibaba	Google Cloud					CtrlS Datacenters	Kingsoft Cloud
	Amazon Web Services	Microsoft	Applovin	Autodesk	21Vianet	Veeva Systems	Global Switch	NextDC
	Baidu	Oracle	Atlassian	Iron Mountain	CloudFlare	Xero	Keppel DC	Temenos
		Tencent					Kingdee	

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



Global Software Market: Q1

1Q26 Y/Y Results

XaaS: Over \$28B for first time ever in Q4 and large growth quarter, up 44% Y/Y

SaaS: ACV up 5% Y/Y, six consecutive quarters of Y/Y with slightly lower growth.

IaaS: ACV up 57% Y/Y; over \$23B for first time ever, seventh consecutive quarter of 24%+ Y/Y growth

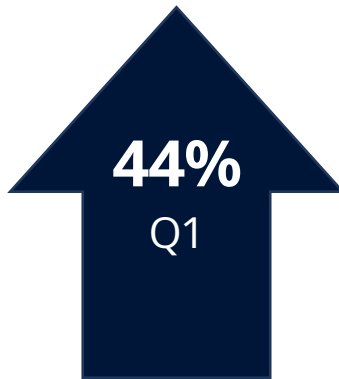
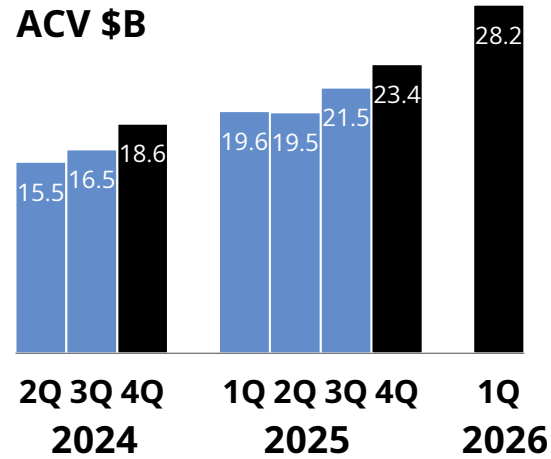
1Q26 Q/Q Results

XaaS ACV growth of 18%, growth across all three regions

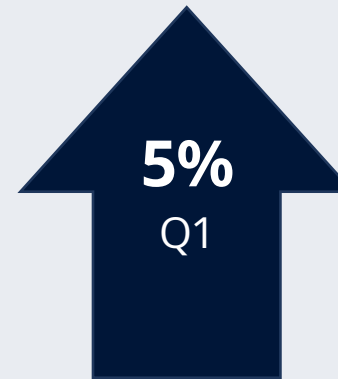
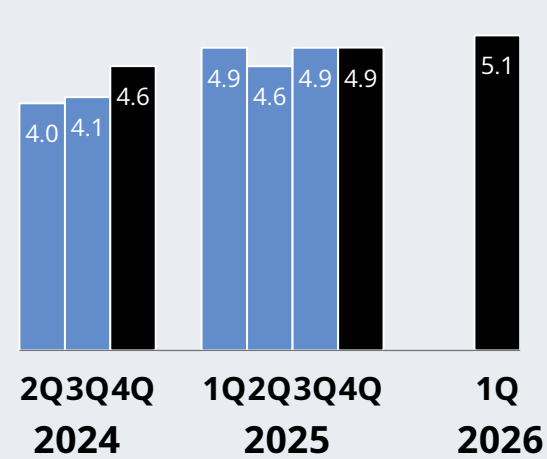
SaaS ACV up 5.3%, growth across all three regions

IaaS ACV up 21% YTD, growth across all three regions

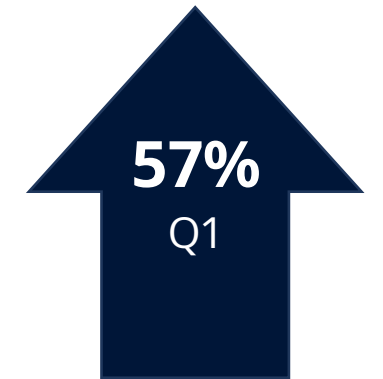
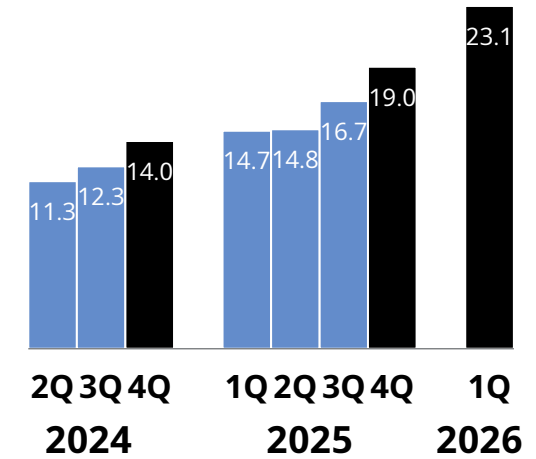
ACV \$B



Overall Software-as-a-Service (XaaS)



Software-as-a-Service (SaaS)



Infrastructure-as-a-Service (IaaS)



As-a-Service Selected Industry Q1 Results

Business Services

1Q: ACV up 51% Y/Y

4Q25: ACV up 37% Y/Y

Healthcare

1Q: ACV up 49% Y/Y

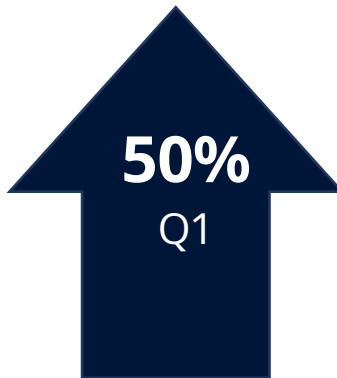
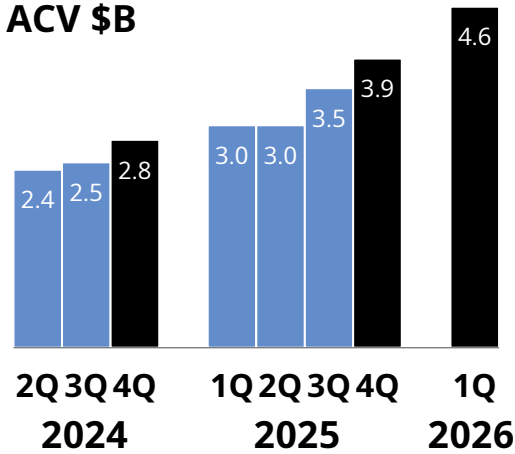
4Q25: ACV up 32% Y/Y

Consumer Industries

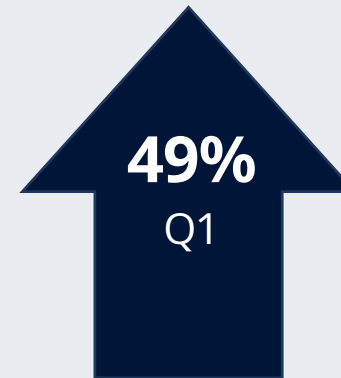
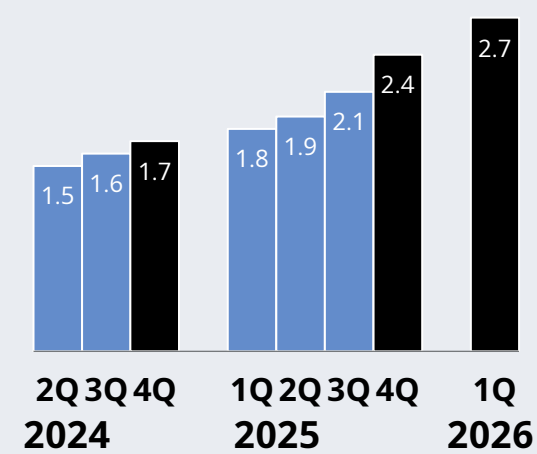
1Q: ACV up 50% Y/Y

4Q25: ACV up 31% Y/Y

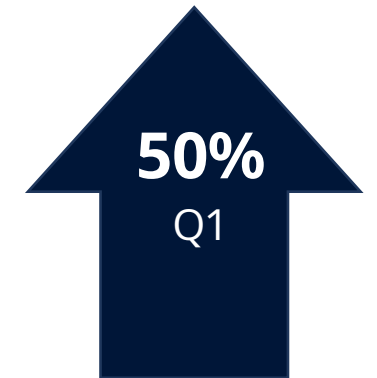
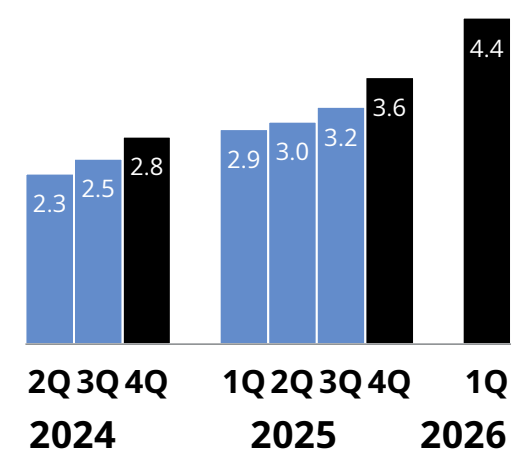
ACV \$B



Business
Services



Healthcare



Consumer Industries
CPG, Retail & Travel



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