ISG Index™

SECOND QUARTER 2019

Global Sourcing and As-a-Service Market Insights

Hosted by:
Sami Badri of Credit Suisse

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Welcome to the 67th Quarterly

ISG Index™

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

At a Glance

Global Combined Market

Rose 5% Y/Y; As-a-Service ACV hit second highest result; Managed Services dipped 3% Y/Y against a difficult 2Q18 compare.

Americas

Up 6% Y/Y; As-a-Service surpassed 55% of Combined Market ACV; Managed Services retreated 10% as ACV fell under $3B level.

EMEA

Advanced 3% Y/Y; double-digit growth in As-a-Service; Managed Services had back-to-back quarters over $3B; Nordics, Benelux and Southern Europe compensated for uneven results in largest markets.

Asia Pacific

Grew 6% as larger transactions pushed up Managed Services ACV; As-a-Service growth paused due to choppy results in China.

** Managed Services, formerly called Traditional Sourcing, is defined as ITO/BPO, Infrastructure, ADM and Network markets which we've always reported on.

Scorecard	**2Q19 ACV ($B)***	2Q Y/Y Change	**1H19 ACV ($B)***	1H19 Change
Global Commercial Combined Market	13.7	5%	27.7	10%
By Type				
Managed Services **	7.0	-3%	14.0	0%
As-a-Service	6.7	14%	13.7	23%
By Region				
Americas Combined	6.5	6%	13.4	6%
EMEA Combined	5.0	3%	10.0	12%
Asia Pacific Combined	2.2	6%	4.3	19%

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

Global Commercial Sector

Contracting Trends

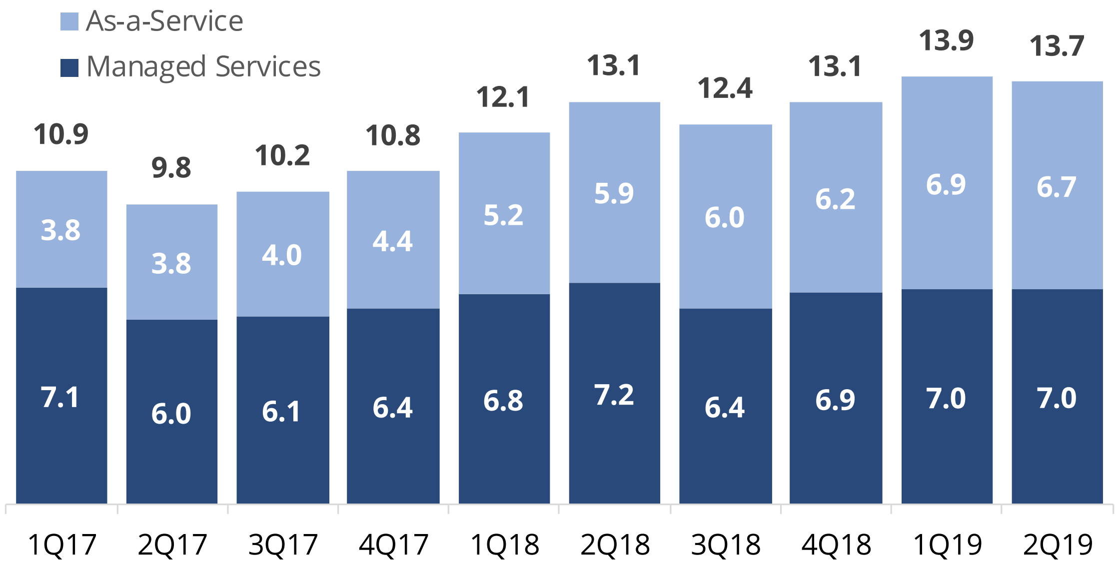
- Activity in infrastructure renewals made up for softer ADM results
- IaaS ACV has more than doubled since 1H17

Combined Market ACV **10%** 1H19

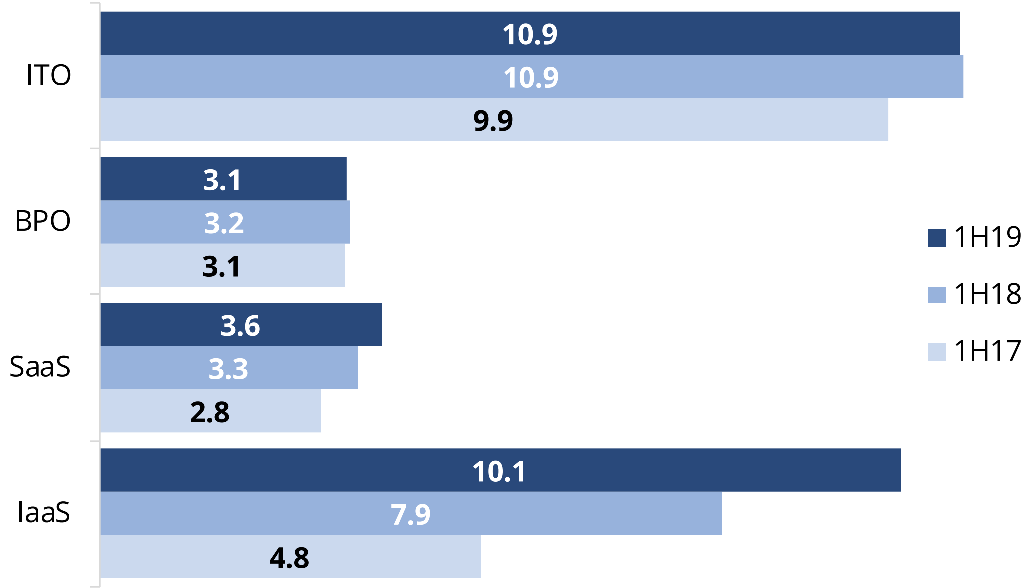
Managed Services **0%** 1H19

As-a-Service Market ACV **23%** 1H19

Combined Market Quarterly ACV ($B)



Global Commercial Sector ACV by Function ($B)



ISG Index™ 2Q19

the ISG 15

Technology Provider Standouts – GLOBAL

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	The Building 15	The Breakthrough 15	The Booming 15
	Revenues > $10B	**Revenues $3B-$10B**	**Revenues $1B-$3B**	**Revenues <$1B**
Managed Services Market	Accenture, Atos, Capgemini, CBRE, Cognizant, DXC Technology, IBM Global Services, Infosys, NTT Data*, TCS	Amdocs, Bechtle, Concentrix*, Conduent, First Data, Genpact, HCL, Tech Mahindra, T-Systems*, Wipro	Altran, Atento*, Axians*, Diebold Nixdorf, EPAM Systems*, JLL, LTI, Mphasis, Sutherland Global Services, TTEC, Unisys, Virtusa*, Webhelp*	ChinaSoft*, Ensono*, Mindtree, Posco ICT, Reply SpA*, Startek*, WNS, Zensar Technologies
As-a-Service Market	Amazon Web Services, Google, Microsoft, Salesforce	Adobe Systems, Equinix, ServiceNow*, SS&C Technologies*, United Internet	Autodesk, Digital Realty	Atlassian, CyrusOne, DocuSign*, IPSoft, OVH, Peak 10, Proofpoint

* New to leaderboard in 2Q19

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

Americas Commercial Sector

Contracting Trends

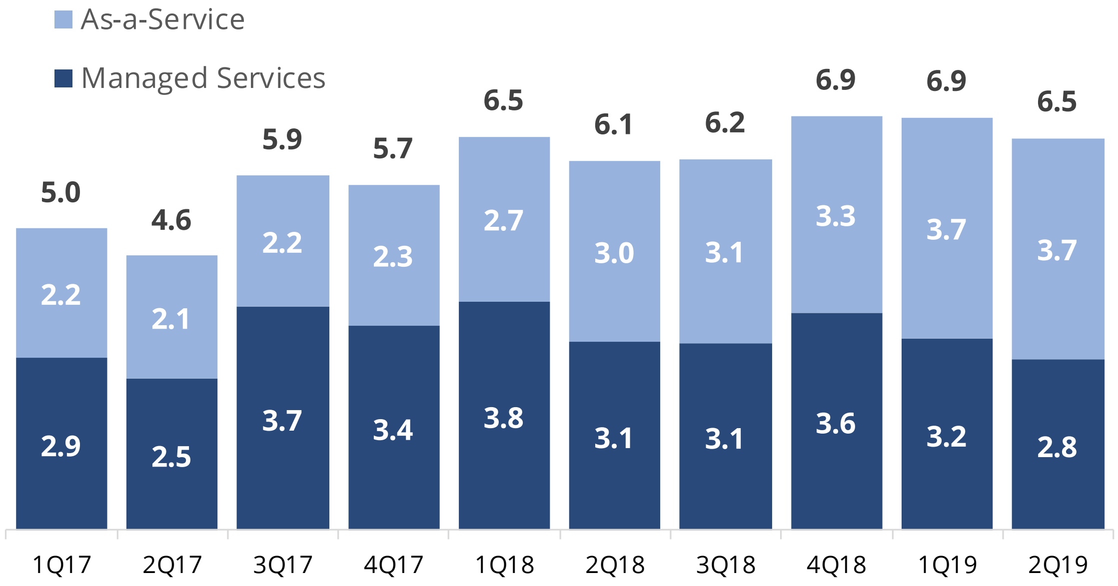
- Managed Services fell below $3B in ACV for the first time since 2017
- Mirroring market segments: Decrease in ITO ACV more than offset by increase in IaaS ACV

Combined Market ACV **6%** 1H19

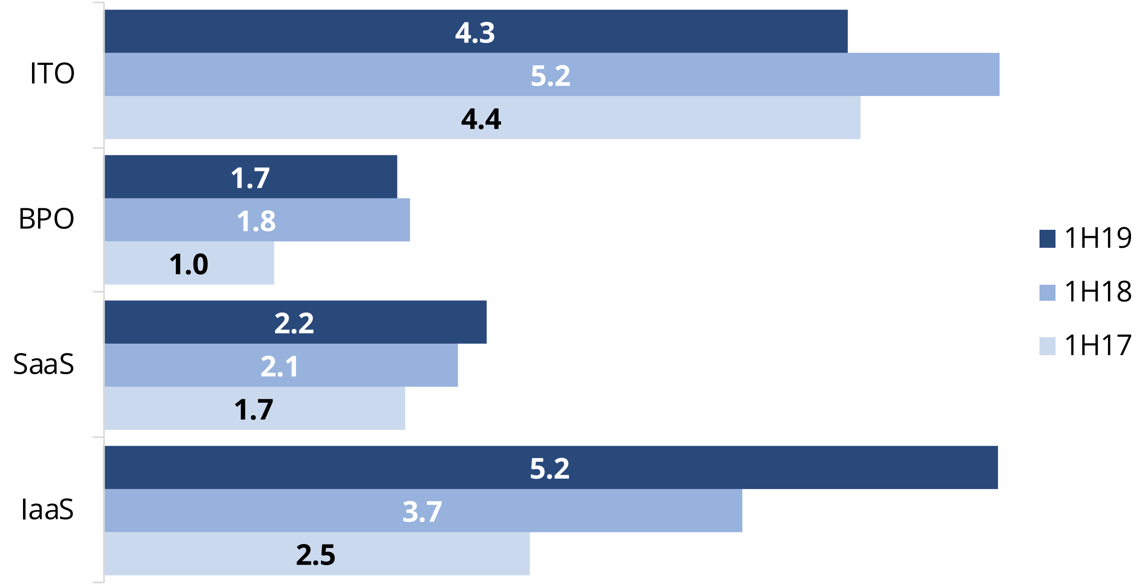
Managed Services **-13%** 1H19

As-a-Service Market ACV **28%** 1H19

Combined Market Quarterly ACV ($B)



Americas Commercial Sector ACV by Function ($B)



Asia Pacific Commercial Sector

Contracting Trends

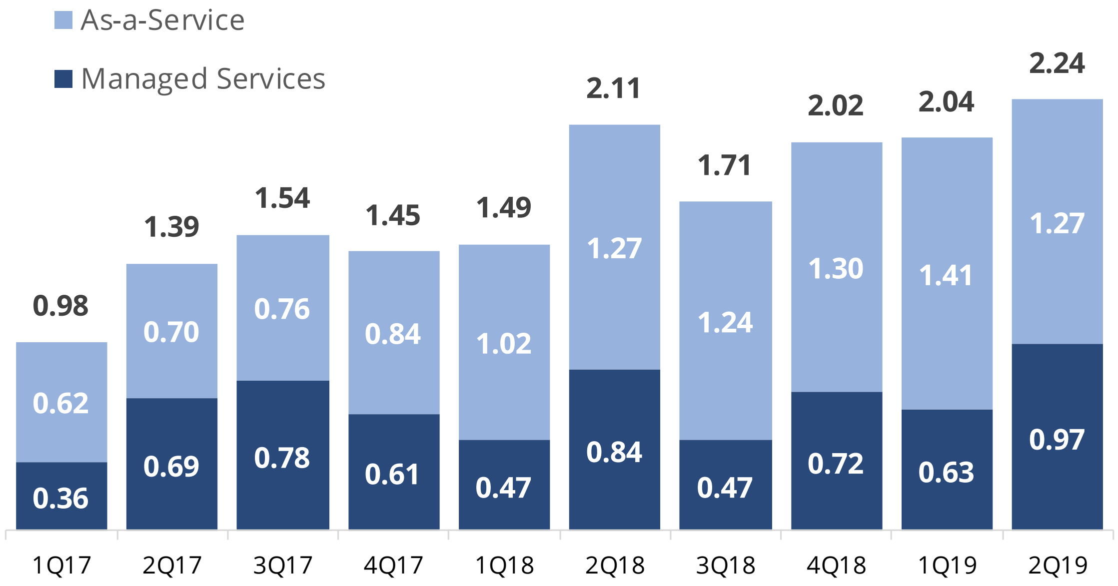
- Managed Services had best quarter since 2014 due to uptick in larger awards over $20M in ACV
- As-a-Service pulled back sequentially due to some uneven activity in China

Combined Market ACV **19%** 1H19

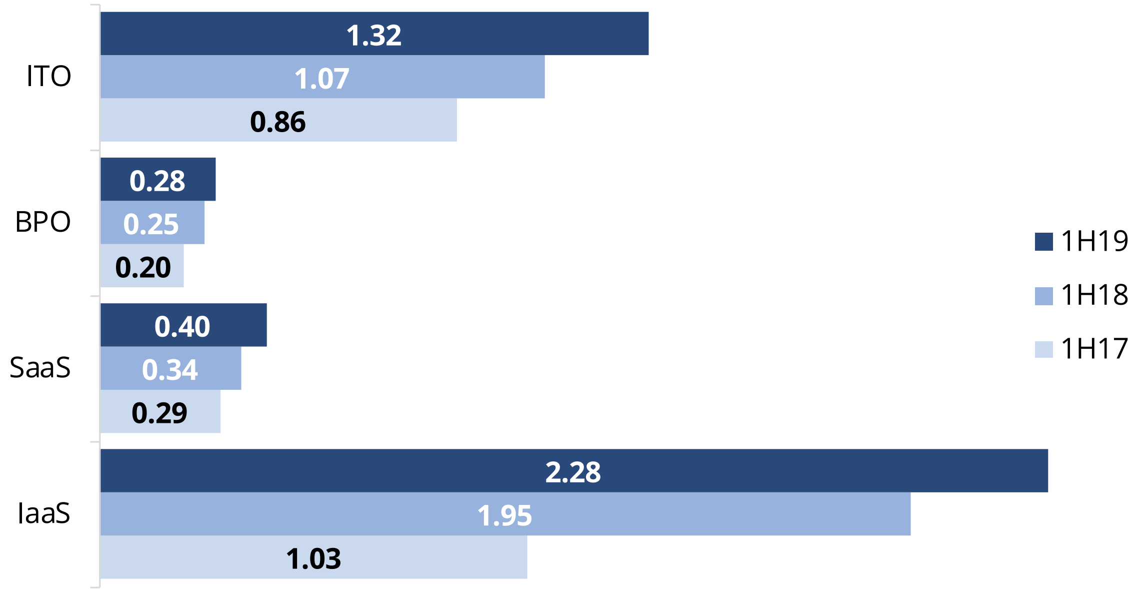
Managed Services **22%** 1H19

As-a-Service Market ACV **17%** 1H19

Combined Market Quarterly ACV ($B)



Asia Pacific Commercial Sector ACV by Type ($B)



EMEA Commercial Sector

Contracting Trends

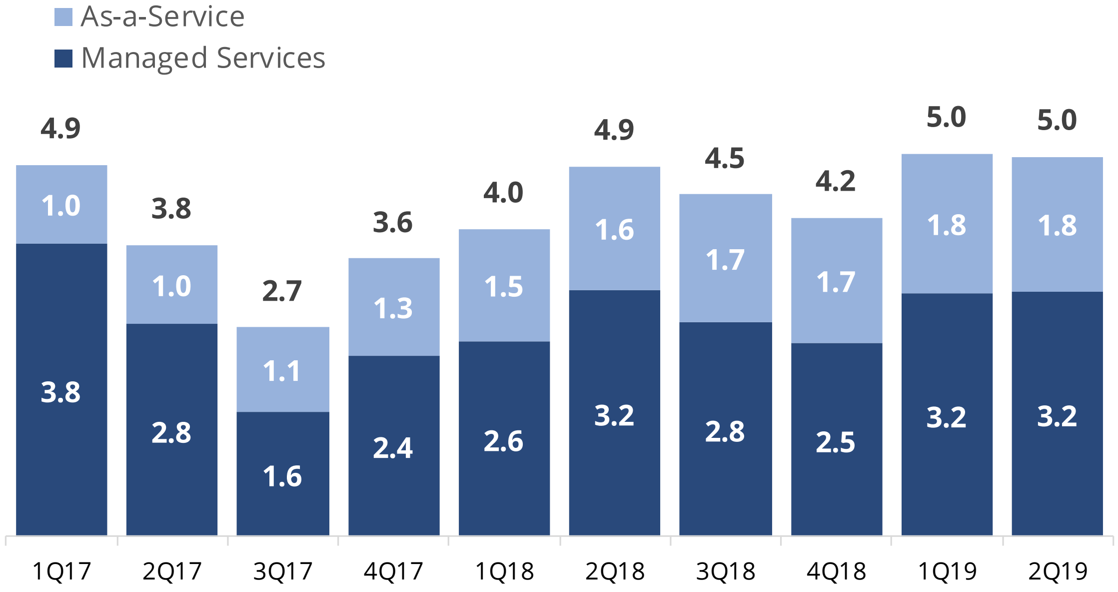
- Managed Services posts two consecutive $3B quarter for the first time since 2015
- Infrastructure is transitioning to become the digital foundation of enterprise businesses

Combined Market ACV **12%** 1H19

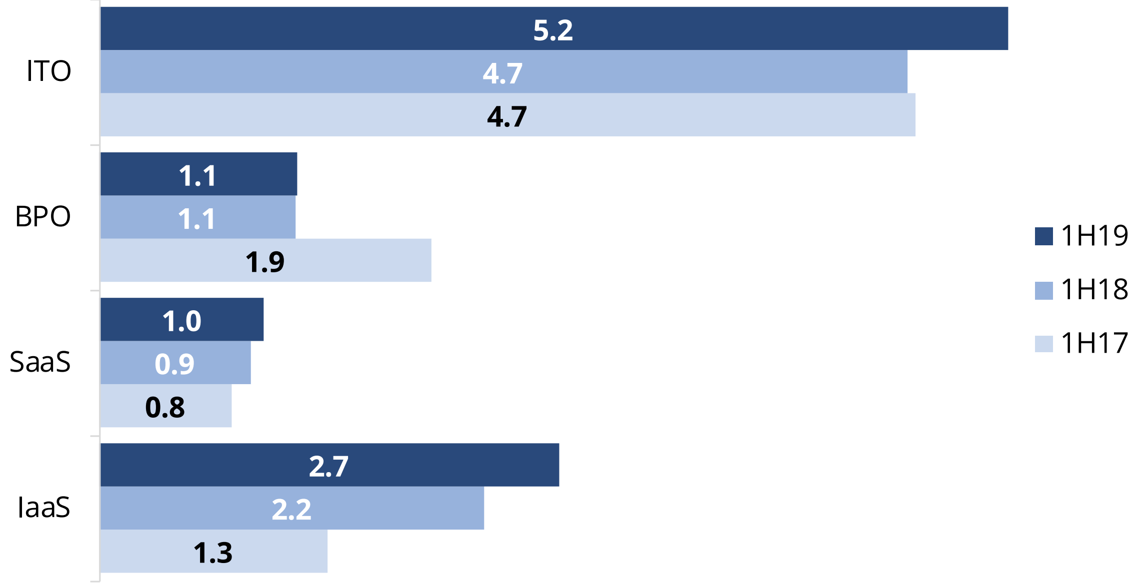
Managed Services **10%** 1H19

As-a-Service Market ACV **17%** 1H19

Combined Market Quarterly ACV ($B)



EMEA Commercial Sector ACV by Type ($B)



Global Commercial Sector Industry Award Trends

Some industries are further along on their digital journey than others. In BFSI, we continue to observe strong growth in digital banking, cybersecurity asset management, FinTech, and card payment and processing.

1H 2019	Business Services	Retail & Consumer Packaged Goods	Energy	Financial Services	Healthcare & Pharma	Manufacturing	Telecom & Media	Travel, Transport & Leisure
	$4.6B ACV	$3.1B ACV	$1.8B ACV	$6.1B ACV	$2.5B ACV	$4.3B ACV	$2.7B ACV	$2.6B ACV
Combined Market	17%	5%	-15%	5%	-5%	32%	20%	13%
Managed Services	0%	-19%	-26%	-1%	-20%	38%	27%	-1%
As-a-Service	22%	26%	23%	21%	24%	25%	12%	31%
Americas	17%	7%	3%	-4%	-14%	22%	3%	27%
EMEA	18%	-11%	-28%	29%	9%	24%	40%	12%
Asia Pacific	13%	36%	11%	-21%	55%	106%	35%	-15%

ISG Index™ Insider

> *If you had a 10-year, $1 billion deal, what does that look like as it gets re-constituted as a public cloud or hybrid cloud deal? And does the incumbent have a chance to pick up the new piece of business?*

What Happened to the Billion-Dollar Deal?

2Q19 ISG Index™ Inside Track from

ISG Insights™

Stanton Jones
Director &
Principal Analyst
ISG Research

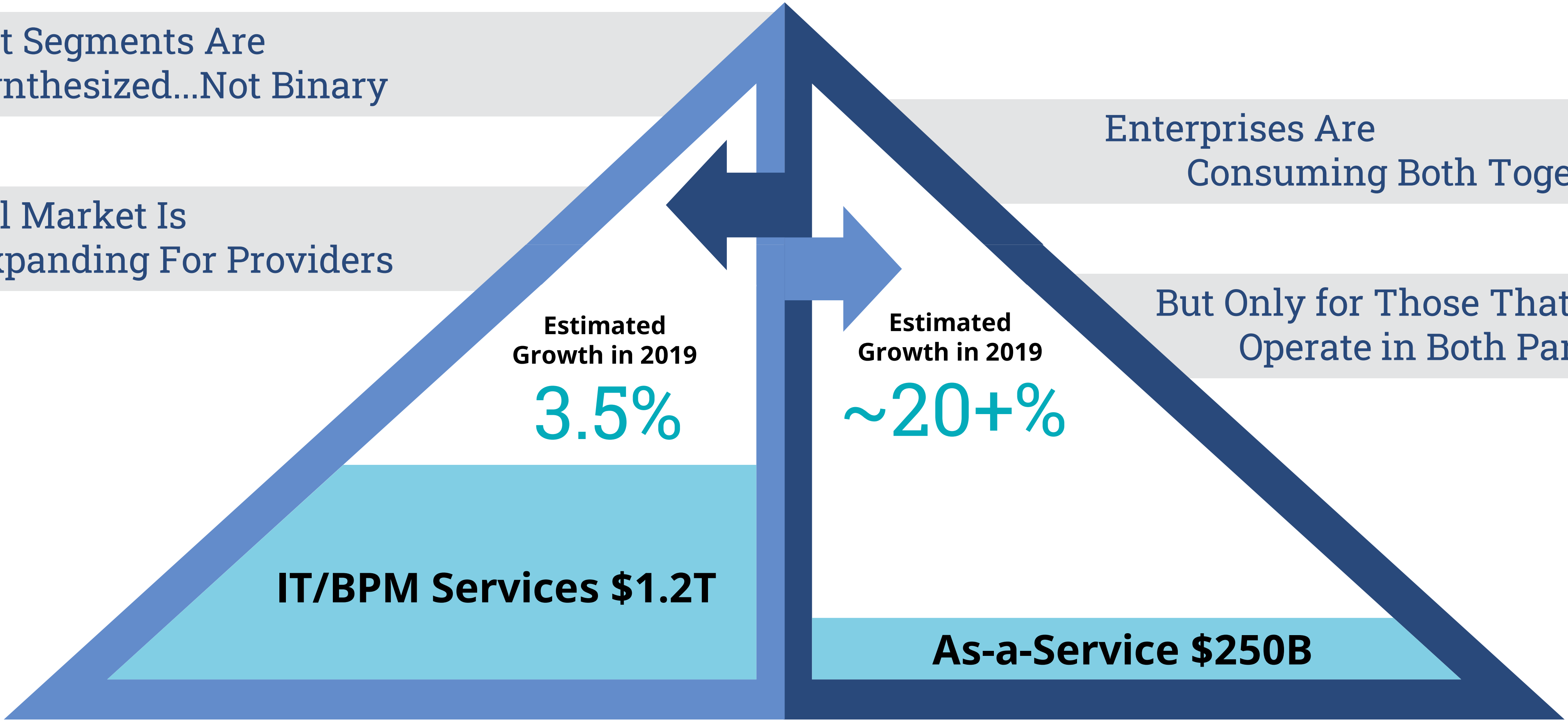
Combination of Market Segments Have Evolved Into a New Paradigm

Market Segments Are Synthesized...Not Binary

Overall Market Is Expanding For Providers

Enterprises Are Consuming Both Together

But Only for Those That Can Operate in Both Paradigms



The Billion-Dollar Deal Through the Years

	Generation 1 1999-2006	Generation 2 2007-2014	Generation 3 2015-2018
Average Number of $1B Deals Signed Per Year	19	14	8

Broader Market Averages for Managed Services Transactions

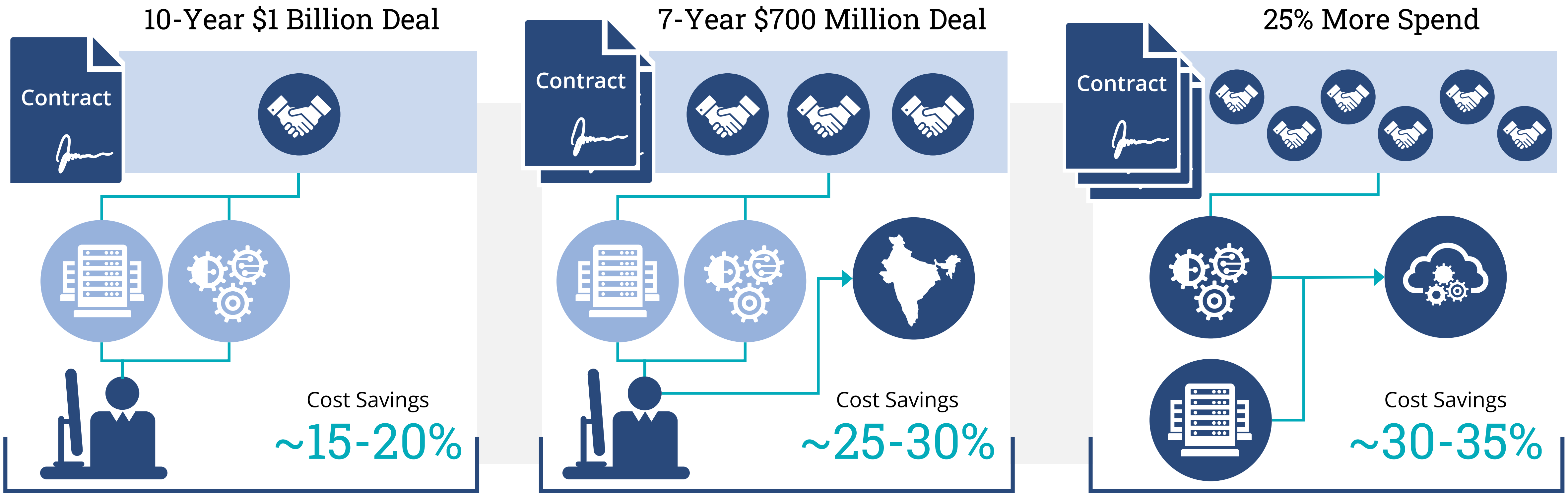
	Generation 1	Generation 2	Generation 3
Average ACV ($M)	$32	$20	$15
Contract Duration (years)	5	4.25	3.25

This Is Not Your Father's Outsourcing Deal!

Generation 1: 1999-2006

Generation 2: 2007-2014

Generation 3: 2015-2018



Generation 1:

One Throat to Choke
Asset Transfer
Keep the Lights on

Generation 2:

Best of Breed
Labor Arbitrage
Cost Reduction & Process Excellence

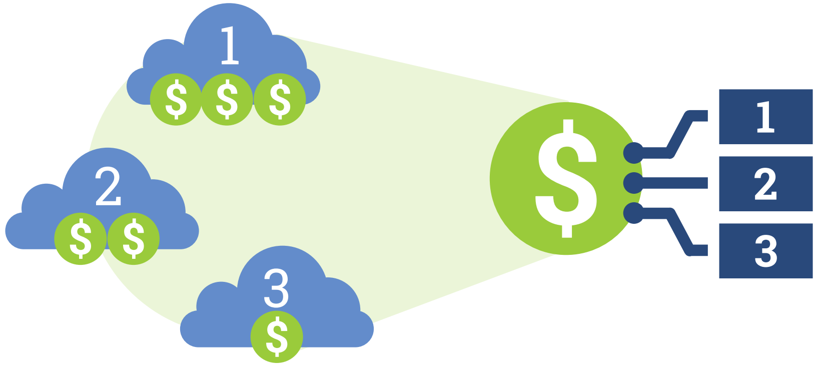
Generation 3:

Multiple Providers, Multiple Buyers
Cloud, Automation, Agile
Faster Growth & Increased Speed

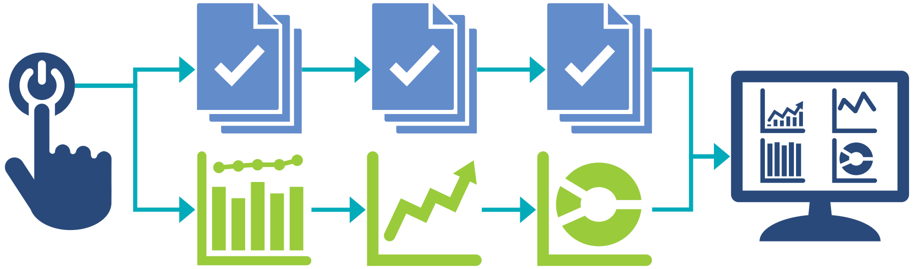
Clients and Providers – A Shared Vision for the Future

Shared Risk and Reward for Continuous Innovations

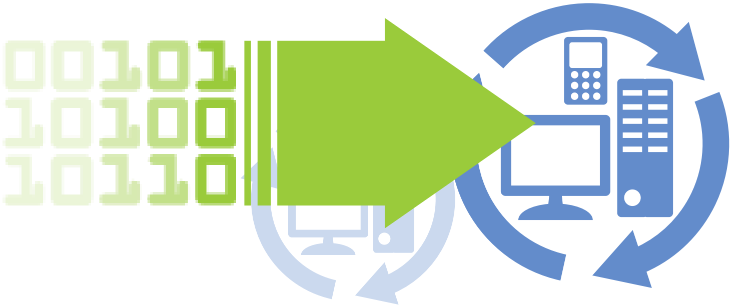
Incent Cost Variability and Rapid Movement to the Cloud



Demand Significant Levels of Automation Analytics



Sustain Agile Development, Flexible Demand, and Accelerate Development of New Digital Products



2Q 2019 ISG Index – Summary and Outlook

Summary

Global Macro Perspective

Market is in a more neutral position versus six-months ago. Technology spending sentiment remains positive in the near term.

Combined Market

Double-digit growth year to date with flat award trends in Managed Services offset by 20%+ growth in As-a-Service.

Regional Observations

Each region was up in 1H19 by varying degrees, with Asia Pacific growing at the fastest pace.

Both Asia Pacific and EMEA saw double digit increases in Managed Services while the Americas fell back 13%.

As-a-Service is growing fastest in the Americas, surpassing 50% of Combined Market ACV for the first time.

Outlook

As-a-Service Market Forecast

Slightly more optimistic view of SaaS while factoring in uncertainty in the IaaS market that may impact China and the Asia Pacific region.

22%
2019e

Services Market Forecast

Forecast raised by 30 basis points; closely monitoring negative commentary from the largest firms in the sector as that could represent downside to forecast.

3.5%
2019e

Want to Ask a Question?

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 you for your name and company.
4. Now press *1 to be added to the queue.

Your Webcast Screen

Like to Learn More?

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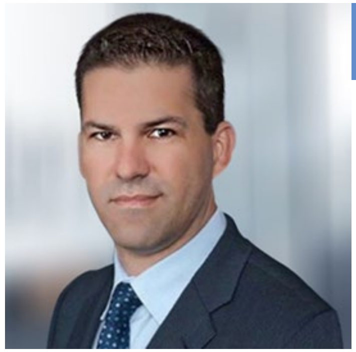

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Thank You

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SECOND QUARTER 2019

Appendix

- Technology Provider Standouts
- 2Q/1H 2019 TCV Scorecard

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the ISG 15

Technology Provider Standouts – AMERICAS

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	The Building 15	The Breakthrough 15	The Booming 15
	Revenues > $10B	**Revenues $3B-$10B**	**Revenues $1B-$3B**	**Revenues <$1B**
Managed Services Market	Accenture BONY Mellon Capgemini CBRE Cognizant DXC Technology IBM Global Services Infosys NTT DATA TCS	Concentrix Conduent First Data/Fiserv FIS Global Genpact HCL OptumInsight Tech Mahindra Wipro	Atento* Diebold Nixdorf EPAM Systems* InnerWorkings JLL* LTI Mphasis Sitel* Sykes* TTEC Unisys Virtusa*	Birlasoft* CSG Systems* Ensono* EXL Mindtree Startek WNS Global Services Zensar Technologies
As-a-Service Market	Amazon Web Services Google Microsoft Salesforce SAP*	Adobe Systems Equinix Iron Mountain ServiceNow* SS&C Technologies* Workday*	Autodesk Digital Realty Dropbox*	Blackbaud CyrusOne IPSoft Paycom Peak 10* Proofpoint RingCentral

* New to leaderboard in 2Q19

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the ISG 15

Technology Provider Standouts – EMEA

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	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 CBRE Cognizant DXC Technology IBM Global Services Infosys ISS Global A/S TCS	Alight Solutions* Bechtle Computacenter* HCL Kuehne & Nagel Orange Business Services SopraSteria Tech Mahindra Teleperformance T-Systems* Wipro	Alten Altran Asseco* Axians Cancom Diebold Nixdorf EVRY ASA Fiducia IT AG* Finanz Informatik* GFI Informatique JLL Tieto Unisys Webhelp	Adesso AG Allgeier SE Comarch Comparex Datagroup AG Devoteam Mindtree NNIT A/S QIWI QuEST Global Reply SpA SVA System Vertrieb Alexander GmbH WNS
As-a-Service Market			
Amazon Web Services Google Microsoft SAP	Adobe Systems Equinix SS&C Technologies* United Internet	Autodesk	Interxion OVH

* New to leaderboard in 2Q19

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Technology Provider Standouts – ASIA PACIFIC

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	The Building 15	The Breakthrough 15	The Booming 15
Revenues > $10B	**Revenues $3B-$10B**	**Revenues $1B-$3B**	**Revenues <$1B**
Managed Services Market			
Accenture CBRE* Cognizant DXC Technology Fujitsu Hitachi IBM Global Services Infosys NTT Data TCS	Amdocs Genpact HCL ITOCHU Techno-Solutions Nomura Research Institute Sabre* Samsung SDS Sodexo* Tech Mahindra Telstra TIS Intec* Wipro Limited	Diebold Nixdorf Digital China JLL Konica Minolta Mphasis Nihon Unisys NS Solutions SCSK Sutherland Global Services transcosmos Unisys WEX*	Beyondsoft ChinaSoft Fuji Soft* Hyundai Information Technology* Neusoft PLDT* Posco ICT Relia Shinsegae I&C Taiji Computer WNS*
As-a-Service Market			
Alibaba Amazon Web Services Google Microsoft Tencent	Adobe Systems Equinix ServiceNow*	Autodesk PTC Sage	Atlassian Kingdee Veeva Systems* Xero

* New to leaderboard in 2Q19

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2Q/1H 2019 TCV Scorecard

The ISG Index has moved to TCV 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	2Q19 TCV ($B)*	2Q Year-to-Year Change	1H19 TCV ($B)*	Year-to-Year Change
Global Commercial Combined Market	33.4	6%	65.2	0%
By Type				
Managed Services	23.0	-3%	44.4	-7%
As-a-Service	10.4	3%	20.8	18%
ITO	17.0	14%	33.9	-4%
BPO	5.9	-2%	10.5	-16%
IaaS	4.9	18%	10.1	28%
SaaS	5.5	14%	10.7	9%
By Region				
Americas Combined	14.9	9%	28.5	-10%
EMEA Combined	13.5	-3%	27.5	3%
Asia Pacific Combined	4.9	30%	9.2	31%

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

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