



Second Quarter
2026

Technology Industry Update: Services & Software

July 9, 2026

HOSTED BY

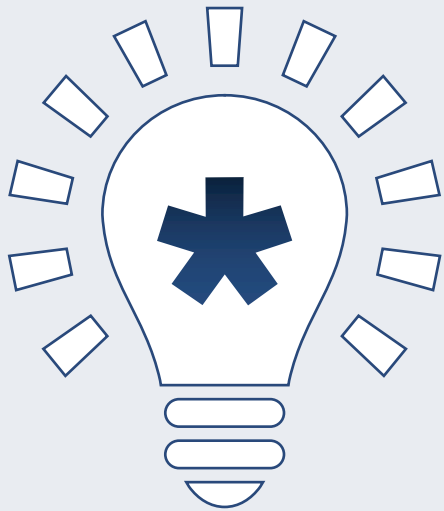


Rishi Jhunjunwala

Head of Technology Research

IIFL Capital

Market Level Set



- 1 Combined market is up 43% YoY, but the growth is more concentrated than the headlines suggest.
- 2 New scope ACV has become the clearest indicator of how enterprises are reshaping sourcing portfolios.
- 3 AI is changing where transformation dollars are being spent, shifting from technology-led to process-led transformation.
- 4 Technology providers are no longer just competing against one another—they're competing against entirely new operating models.
- 5 AI is changing the objectives and the economics of outsourcing.

Global Broader Market

Combined Market

- **2Q:** Up 43%; highest growth rate on record
- **1H:** Growth accelerated from 18% in 1H25

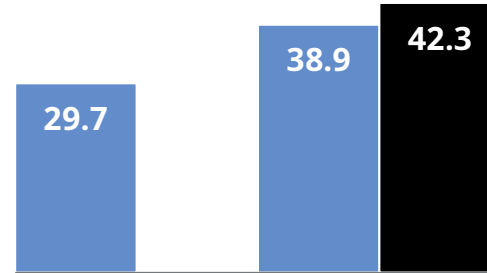
Managed Services

- **2Q:** Up 2.7% on strong growth in new scope activity
- **1H:** Growth decelerated from 3.9% in 1H25

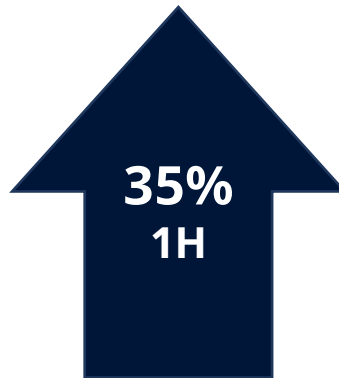
As-a-Service

- **2Q:** Up 65%; highest growth rate on record
- **1H:** Growth accelerated from 28% in 1H25

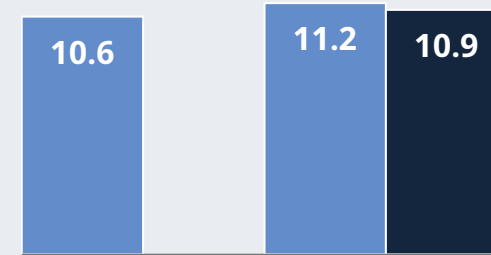
ACV \$B



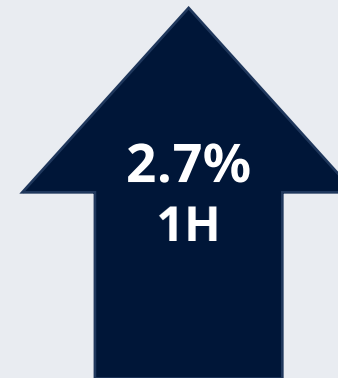
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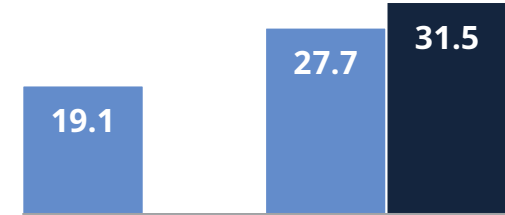
Combined Market



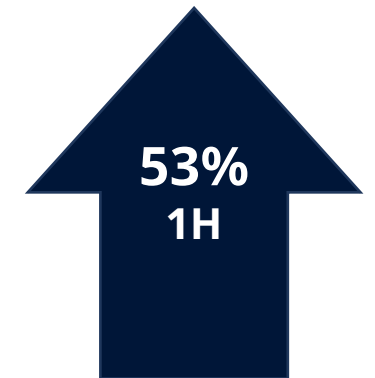
2Q 25 1Q 26 2Q 26



Managed Services



2Q 25 1Q 26 2Q 26

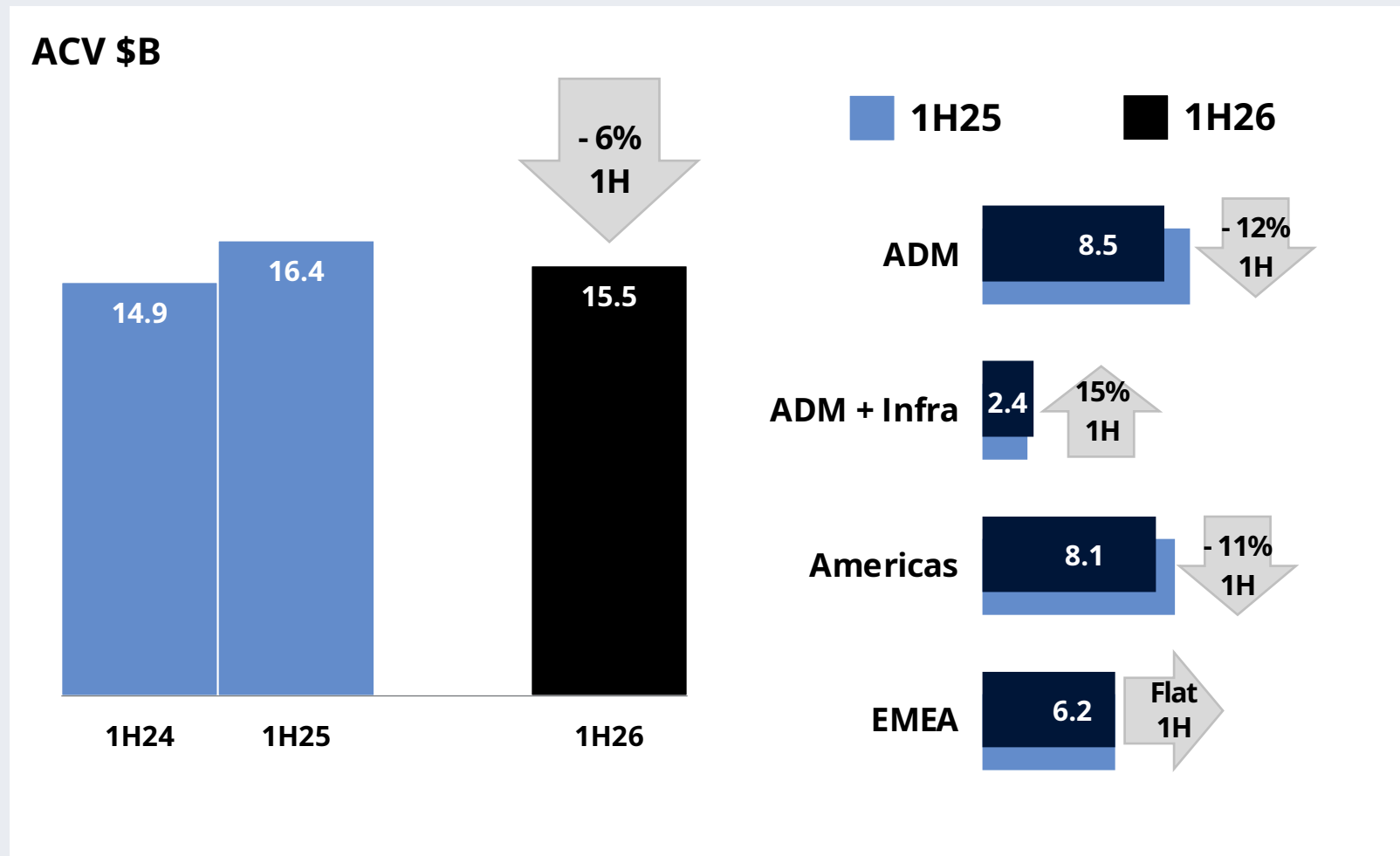


As-a-Service

Managed Services ITO Results

1H Results

- 6% decline is first 1H decline since 2022
- Total awards down 4%; small awards (\$5-\$9M) down 7%
- 8 mega deals, ACV down 36%
- ADM down 12%; bundled ADM + infra up 15%
- Americas down 11%; EMEA flat

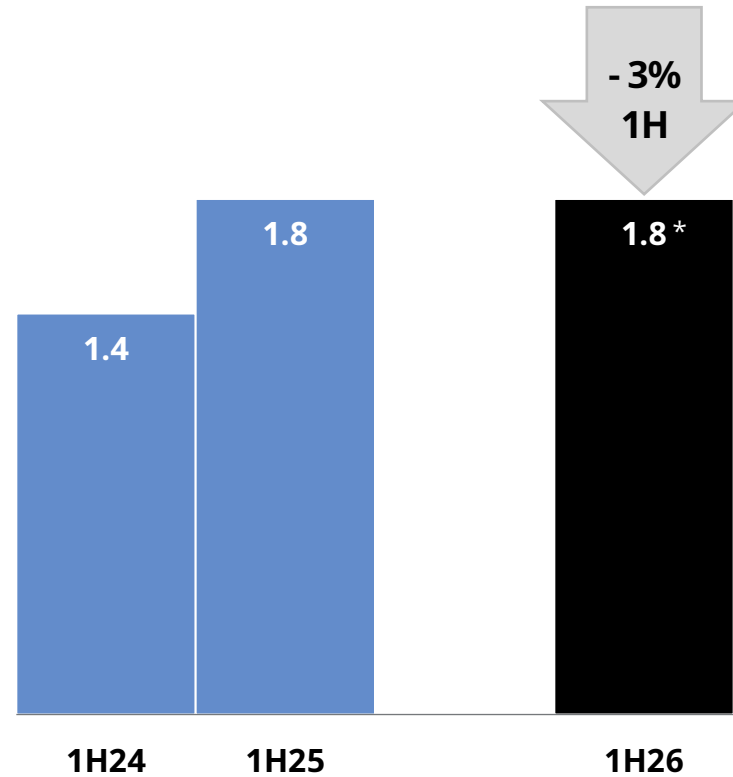


Managed Services Engineering Results

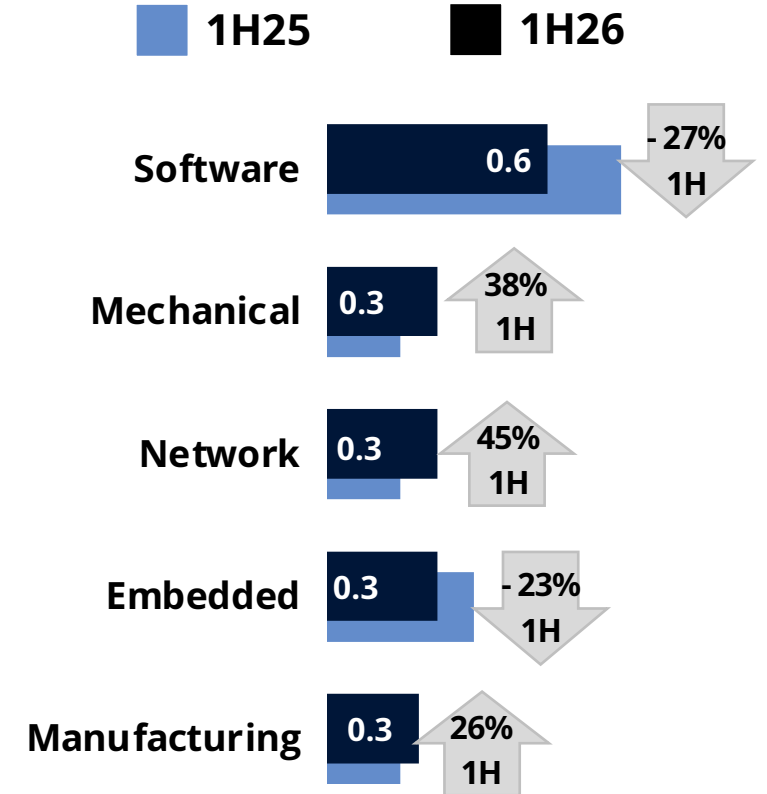
1H Results

- Engineering ACV down 3%, however, award activity up 18%
- Software engineering down 27% and embedded down 23%
- Network, mechanical and manufacturing reached all-time 1H highs

ACV \$B



* Value has been rounded



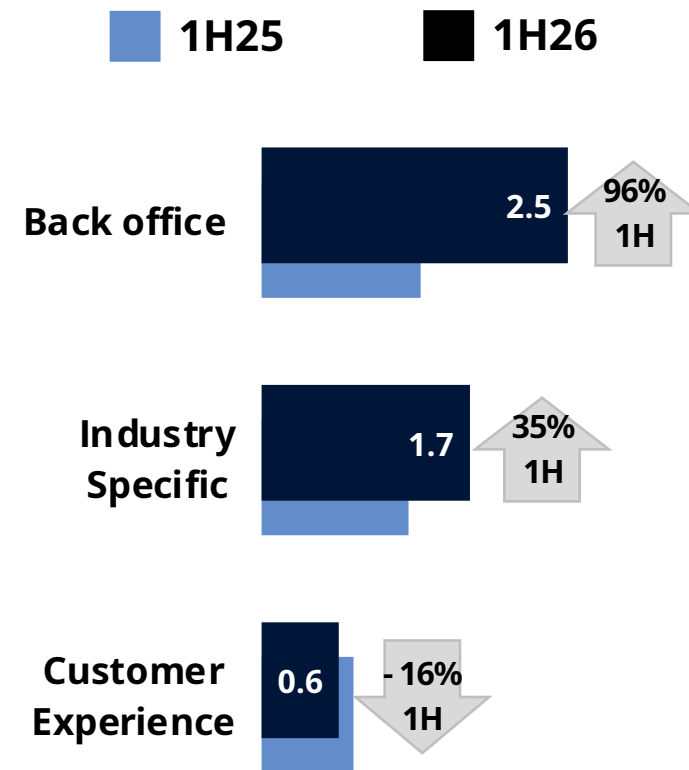
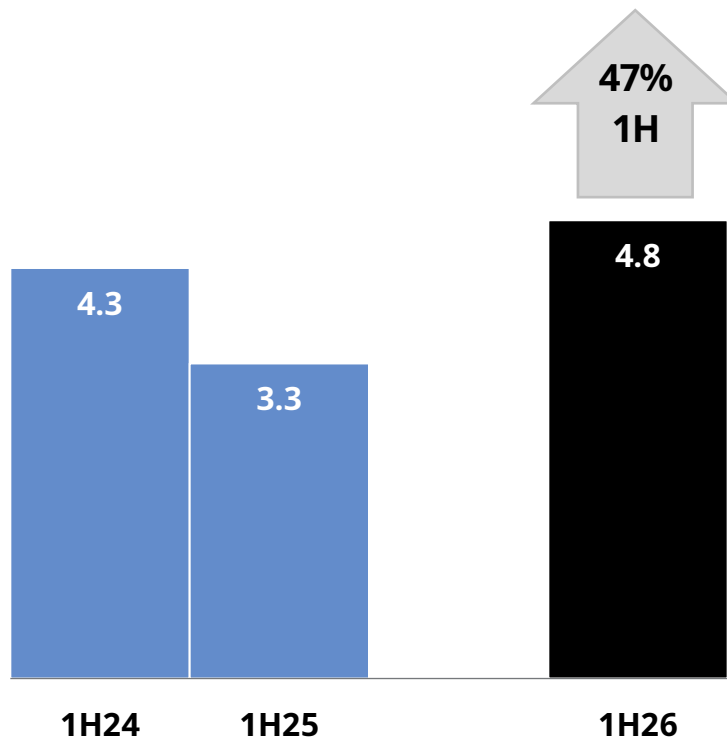
Managed Services BPO Results

1H Results

- Best 1H growth for BPO since 2022
- Back office up nearly 100% on strength in supply chain, HR and facilities
- Industry specific up 35% but down sequentially
- Customer experience down 16%; lowest 1H since 2020

For a deeper dive into the BPO sector, download the 2026 State of BPO report [here](#).

ACV \$B



Managed Services Regional Results

Americas

- **2Q:** ACV down 12%; 2 of last 3 quarters have trended negative
- **1H:** First time since 1H19 since ACV has trended negative

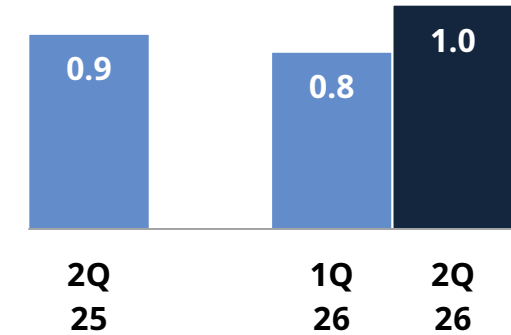
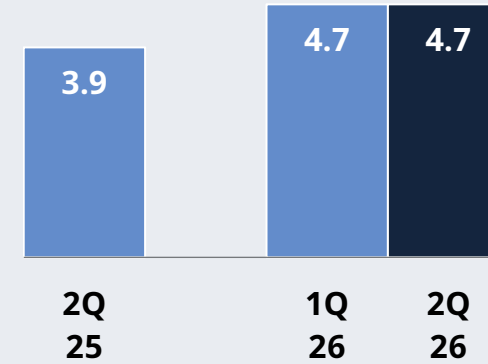
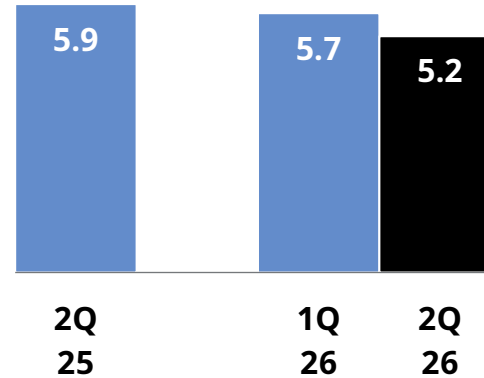
EMEA

- **2Q:** ACV up 21%; new scope ACV up 32%
- **1H:** Best growth rate since 2021

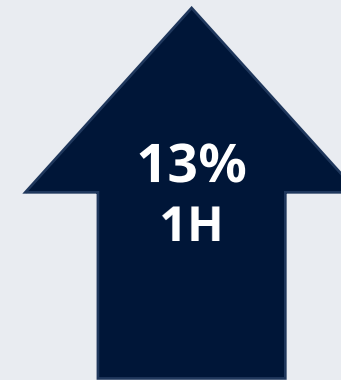
Asia Pacific

- **2Q:** ACV up 18%; first \$1B quarter in six quarters
- **1H:** ACV up 10% but below record 2024 pace

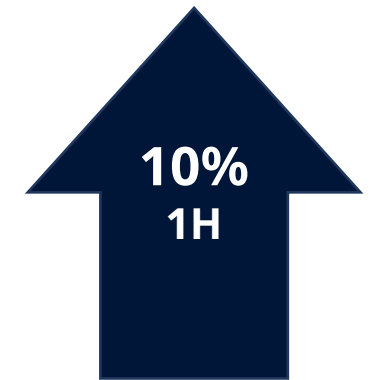
ACV \$B



Americas



EMEA



Asia Pacific

Managed Services Industry Results

BFSI

- **2Q:** ACV up 17%
- **1H:** ACV up 2%; best 1H result since 2023

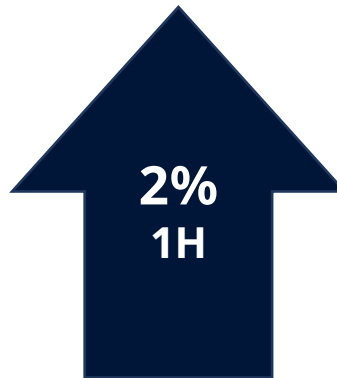
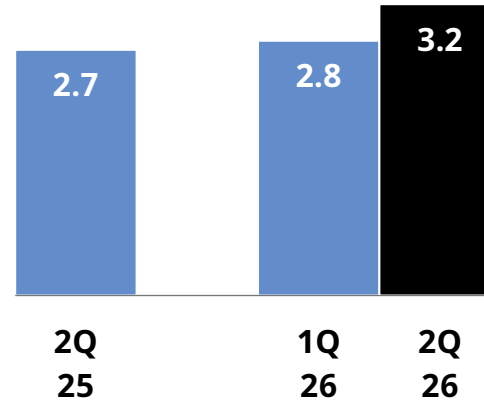
Energy

- **2Q:** ACV up 21%
- **1H:** ACV up 11%; most ever 1H ACV

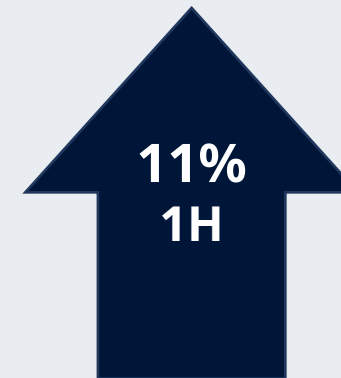
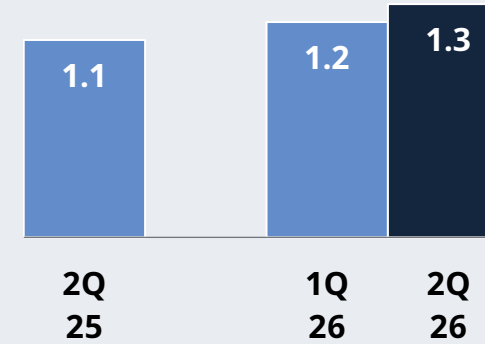
Manufacturing

- **2Q:** ACV down 11%
- **1H:** ACV down 8% due to weakness in ITO and engineering

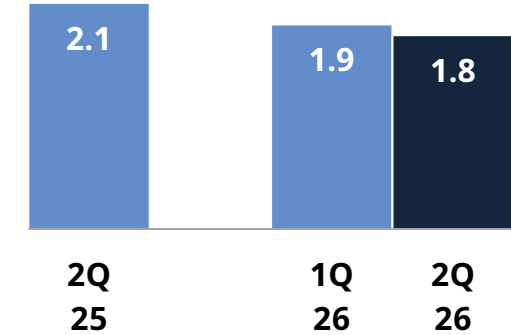
ACV \$B



BFSI



Energy



Manufacturing

Enterprises Are Consolidating for Cost and Using Smaller Providers for Speed

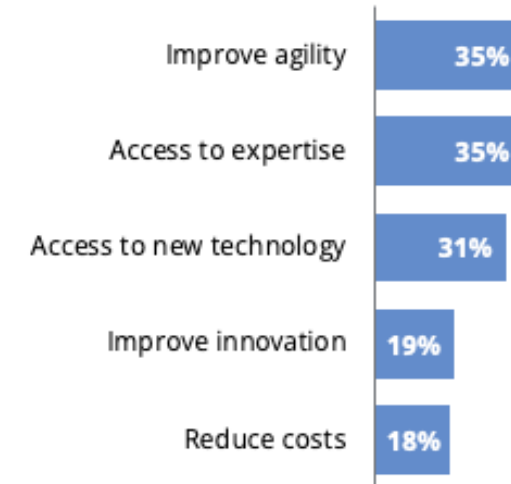
- Consolidation is primarily a cost-reduction move
- Smaller providers are being used for agility, expertise and new technology
- The provider portfolio is moving in two directions at once

What are the main outcomes you expect from...

Consolidating providers?



Engaging smaller providers?



Source: ISG Market Lens, 2026; 93 respondents expecting to consolidate their ecosystem; 128 expecting to increase their use of smaller providers; Top 5 responses shown.

TCO and IRR Deals Solve Different Buyer Problems

Total Cost of Ownership (TCO) Deals

- Consolidate larger scopes
- Reduce long-term run cost
- Fund transition over time

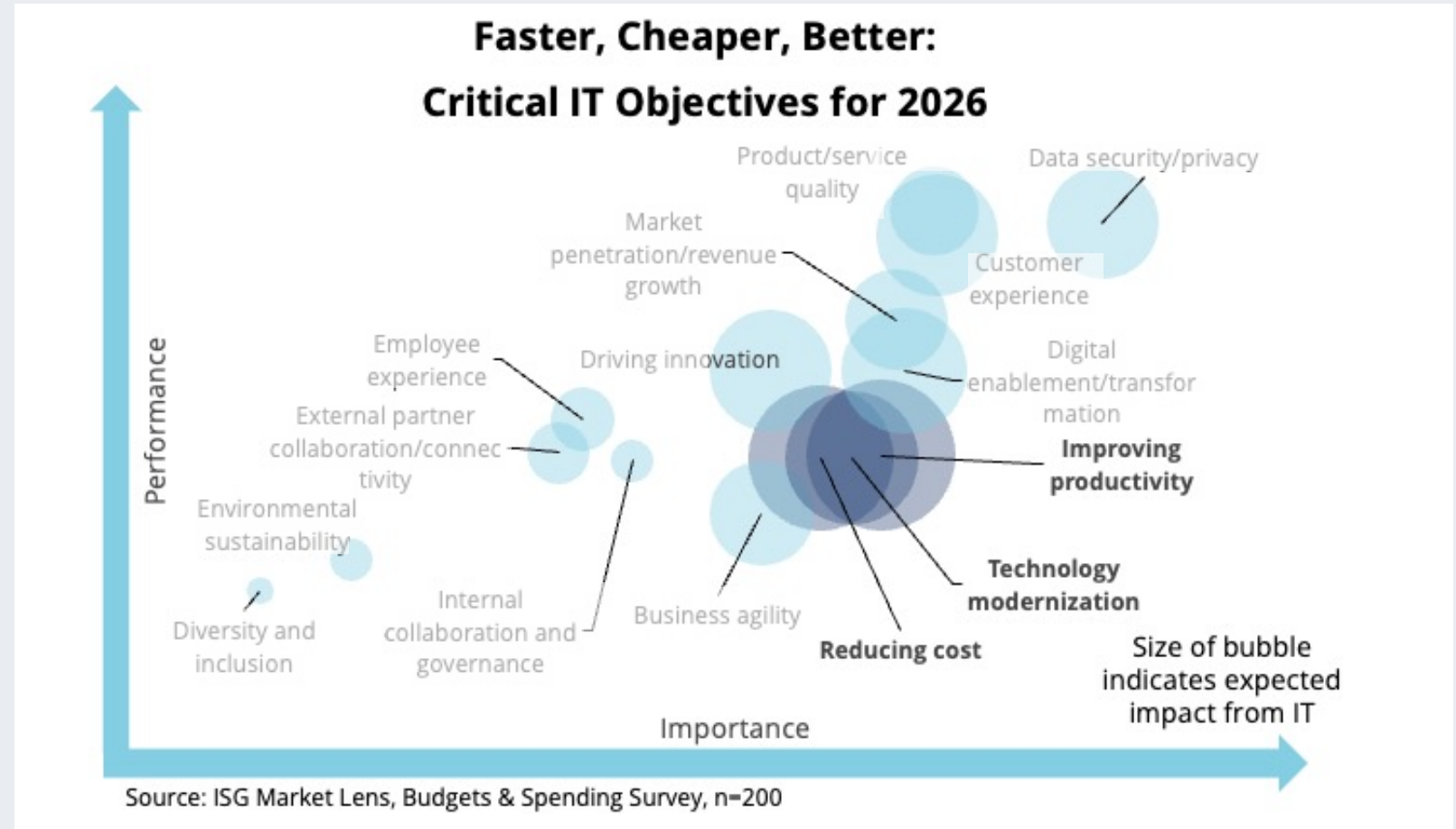
Internal Rate of Return (IRR) Deals

- Move faster
- Deliver fixed-price outcomes
- Prove value project by project

Both deal types tie provider spend to measurable objectives.

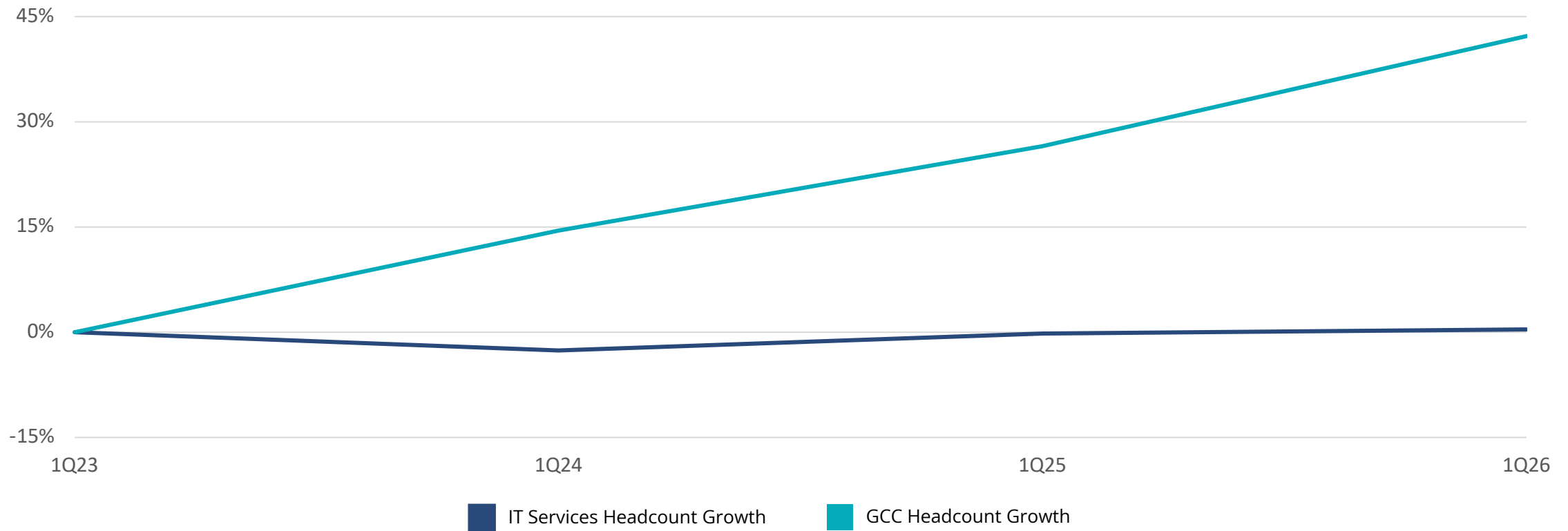
Cost Reduction Can Create Room for Productivity and Modernization Work

- Buyers are focused on cost, productivity and modernization
- Flat IT Budgets mean many projects need to be self-funding
- IRR deals can help convert backlog into faster projects



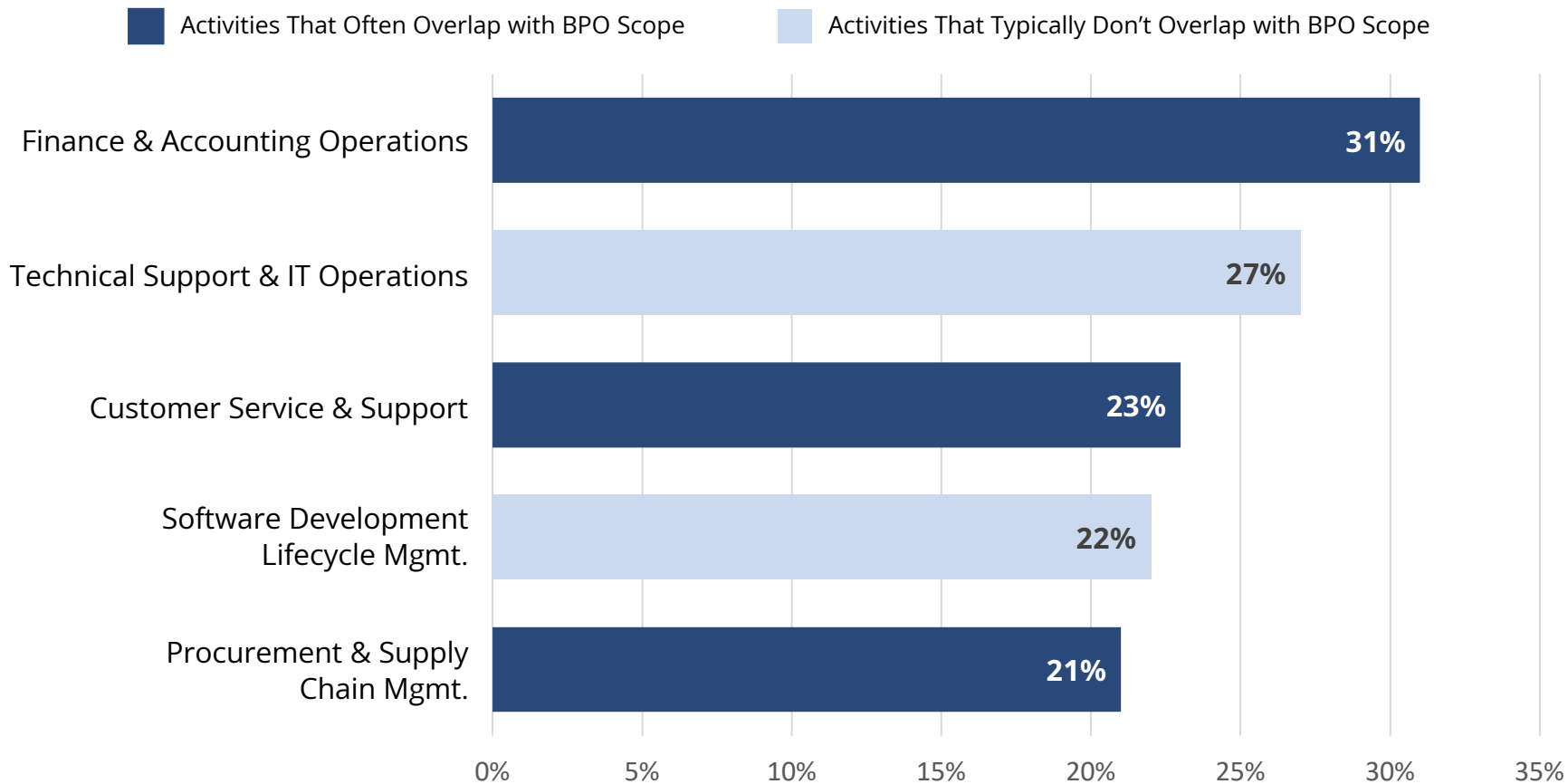
Enterprises Have Been Expanding GCC Footprint Faster than IT Services Headcount

Headcount Growth in IT Services & GCCs, 1Q23 – 1Q26



Enterprises Are Using GCCs Across the Front, Middle and Back Office

Percentage of Respondents that Perform Activities at Their GCC



GCCs move beyond technical delivery.

Finance and accounting operations, customer service and support and procurement and supply chain management are all among the top five current GCC activities.

More work moves to the GCC.

90% of respondents say they plan to increase the scope of work handled by their GCC within the next 12 months.

GBS models are becoming the coordination layer.

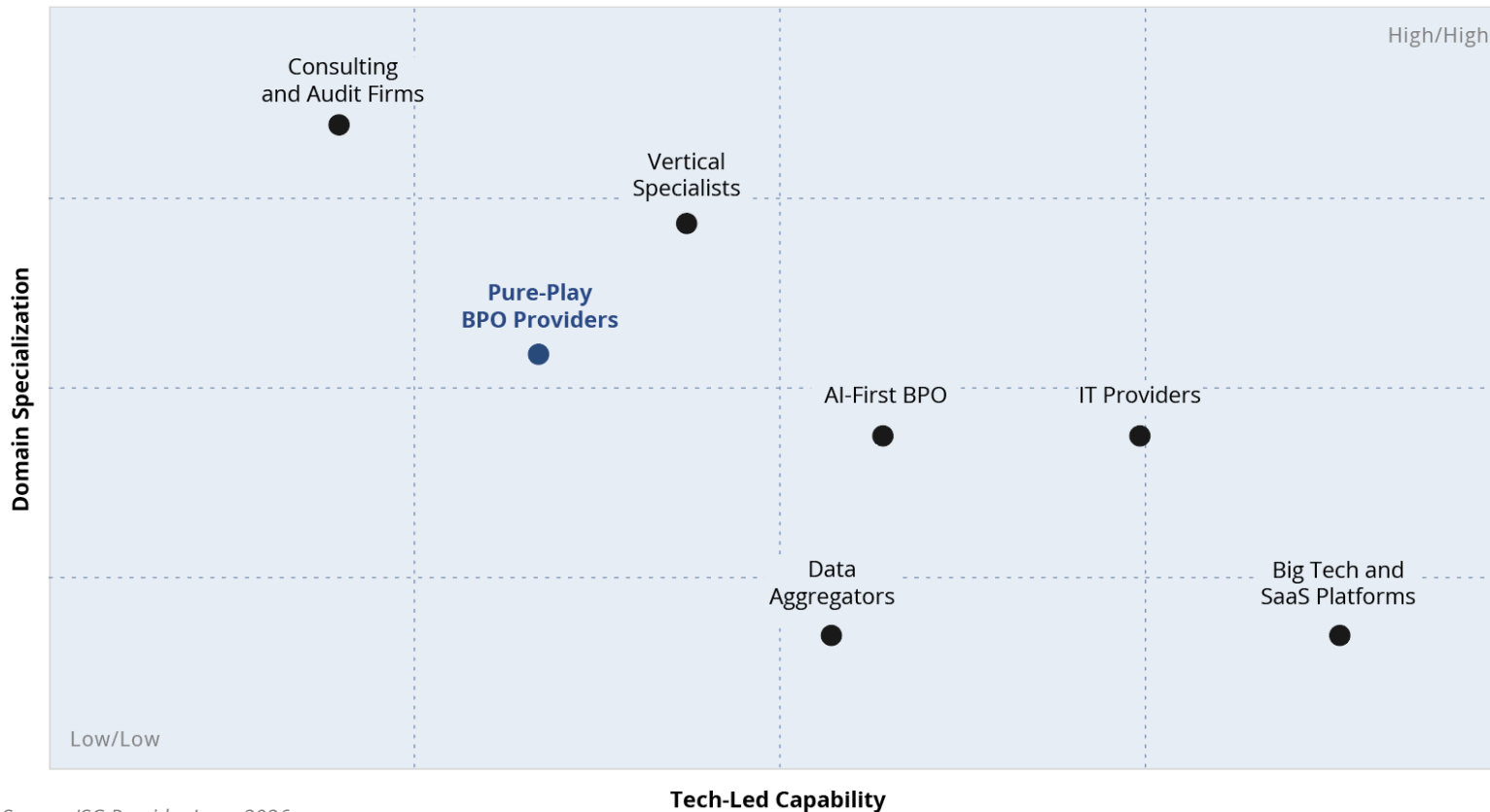
Enterprises are increasingly moving toward integrated GBS models that coordinate work across GCCs, internal teams, software platforms and external providers.

Source: ISG Market Lens™ GCC Study, 2025; n=200; Firms that have set up a GCC within the last two years or plan to within the next two years.

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BPO Providers Face Competition from Every Side of the Delivery Ecosystem

Provider Archetypes by Domain Specialization and Tech-led Capability in 2026



Source: ISG Provider Lens, 2026

Domain pressure

Consulting and audit firms and vertical specialists bring advisory depth and industry context into business operations work.

Technology pressure

IT providers and AI-first BPO firms bring automation-heavy delivery, integration capability and accelerators into process operations.

Platform pressure

Big Tech and SaaS platforms are increasingly focusing on workflow automation outside of IT.

Data pressure

Data aggregators bring mature data, analytics and AI capability but usually with narrower delivery breadth.

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	IBM Consulting	Amdocs	LTM Limited	Coforge	Neusoft	B+N Referencia*	Pomeroy
	Capgemini	Infosys	Capita	Tech Mahindra	EXL	Persistent Systems	Eltel Networks	Softtek
As-a-Service Market	Cognizant	NTT DATA	Genpact	T-Systems*	Hexaware	Stefanini	Ensono	Sonata Software
	Deloitte	TCS	EPAM Systems		L&T Technology Services	TTEC	GFT Technologies*	Tata Technologies
	HCLTech	Wipro			Mphasis		KPIT Technologies	Zensar*
			Atlassian*	Iron Mountain			Mastek	
	Amazon Web Services	Oracle	Autodesk	Palo Alto Networks	21Vianet*	MongoDB*		Nemetschek
	Google Cloud	SAP	CrowdStrike	Snowflake	CloudFlare	Shopify	DigitalOcean	Vantage Data Centers
	Microsoft		Databricks	Workday	HubSpot	Visma	Guidewire*	
			Equinix					

* New or returning to leaderboard in quarter

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

ISG AI Index™

Three Complementary Lenses Create One Consistent View of the AI market

1 Economic Analysis

Measures where AI is creating value through revenue, profitability, market performance and segment-specific forward indicators

2 Confidence Analysis

Tracks how management tone is shifting as AI moves from possibility to execution in earnings commentary

3 Market Assessment

Connects economics and sentiment to measure the overall market value and direction of AI

ISG AI Index

One integrated quarterly read on AI economics, confidence and proof of value

IaaS

Infrastructure-as-a-Service

SaaS

Software-as-a-Service

Managed Services

Technology and business services

Dec. 2022 AI inflection point

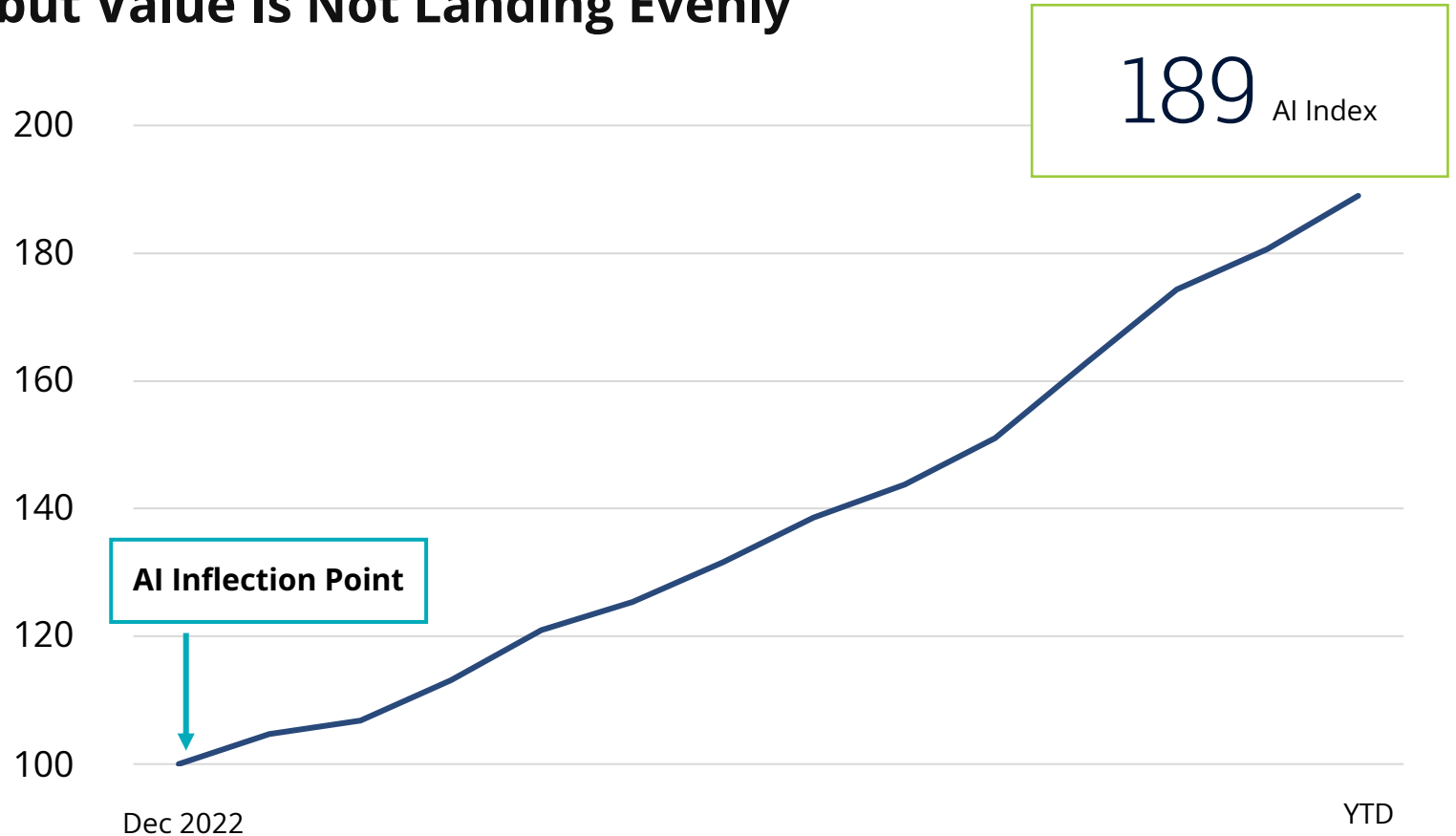
Updated every quarter

ISG AI Index: 2Q 2026

About the AI Index

- Anchored to the Dec. 2022 AI inflection point
- Tracks infrastructure, software and services
- Blends revenue, profitability, stock performance and one forward indicator
- Index is up 89% since inception point, up 4.6% QoQ and up 25.1% Y/Y

AI's Market Impact Is Expanding, but Value Is Not Landing Evenly

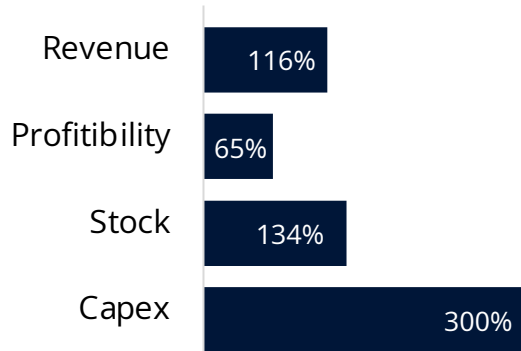


ISG AI Index: Economic Analysis by Segment

IaaS

+182%

since AI inflection



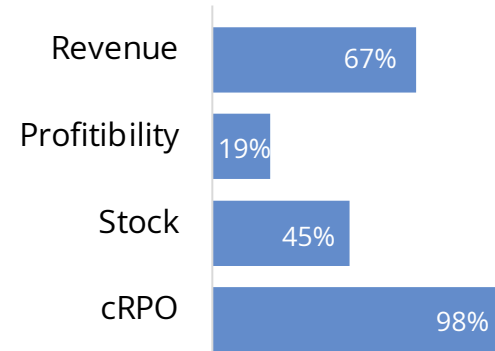
Up 6% Q/Q and 43% Y/Y as revenue increases with AI spend and CapEx spending surges on strong demand for training and inferencing.

Since AI Inflection, Dec. 2022

SaaS

+66%

since AI inflection

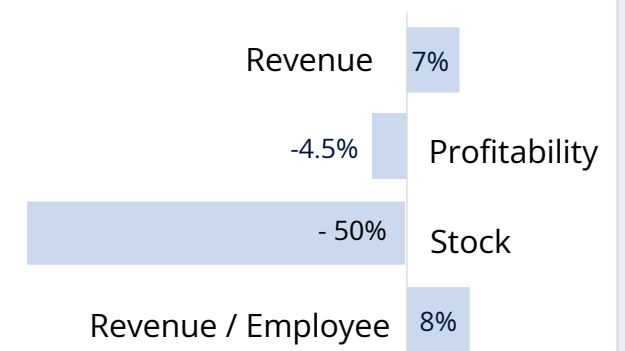


Up 7% Q/Q and 15% Y/Y as revenue and current remaining performance obligations (cRPO) metrics sees strong growth.

Managed Services

-4.7%

since AI inflection



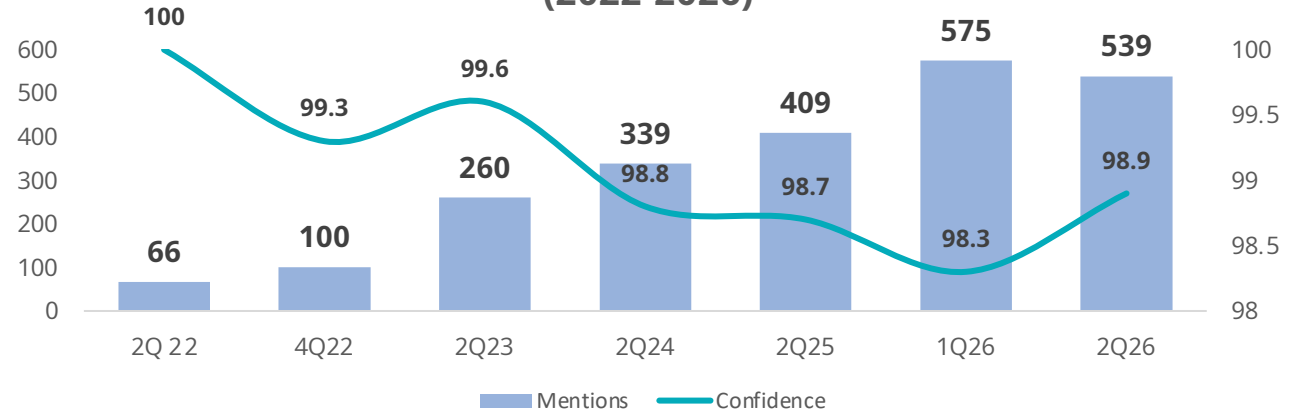
Down -5% Q/Q and down -3.2% Y/Y as revenue and revenue-per-employee metrics are offset by stock-price pressure and AI-deflation concerns.

ISG AI Index: Confidence Analysis

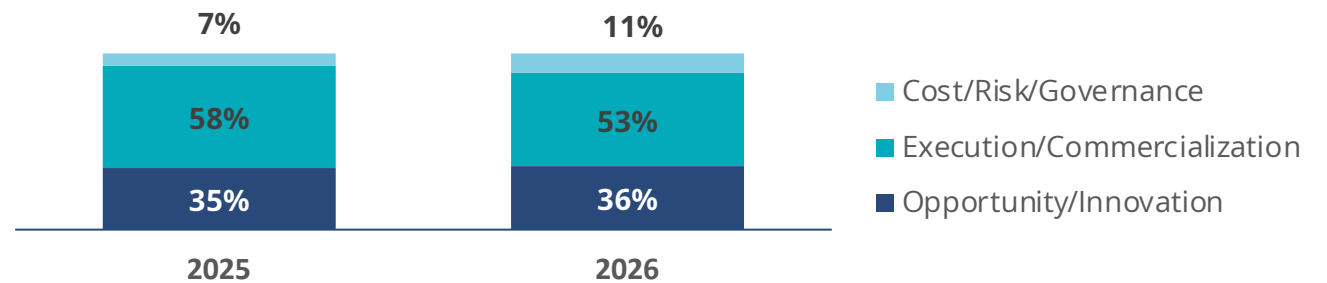
Key Findings

- AI discussions increased more than 6x since the ChatGPT inflection point, making AI a permanent boardroom topic
- Confidence declined through 2025 and into Q1 2026 as several large Managed Services providers became more cautious about the near-term economics of AI
- Q2 confidence rebounded as providers shifted the conversation from AI hype toward execution, productivity and measurable business outcomes
- The tone of the discussion has become noticeably more commercial, with greater emphasis on pricing, governance, ROI and delivery economics

AI Mentions Compared to Confidence Levels (2022-2026)



AI Narrative Is Moving from Opportunity to Risk and Commercial Discipline



ISG AI Index: Combined Market Assessment

OVERALL INDEX

189

+ 89%

ECONOMIC IMPACT IS EXPANDING

+ 4.6%
QoQ

+ 25.1%
Y/Y

MANAGEMENT TONE
STILL POSITIVE,
BUT SOFTER

IaaS

STAGE: Investment

"Can AI scale and deliver returns on massive investment?"

ECONOMIC PROOF

+182%

Since Dec 2022

SENTIMENT

98.3

↓0.96 pts vs baseline

INVESTMENT PROOF: PASSED

Demand is proven. The next test is capital efficiency.

SaaS

STAGE: Monetization

"Can AI create durable revenue and pricing power?"

ECONOMIC PROOF

+66%

Since Dec 2022

SENTIMENT

99.5

↓0.15 pts vs baseline

INVESTMENT PROOF: BEING PROVEN

Backlogs are strong. The next test is durable pricing.

Managed Services

STAGE: Reinvention

"Can AI create a profitable operating model at scale?"

ECONOMIC PROOF

-4.7%

Since Dec 2022

SENTIMENT

98.5

↓0.73 pts vs baseline

INVESTMENT PROOF: STILL IN TEST

Rev per employee is improving, but profitability is under pressure.

Summary & Outlook

Summary

Managed Services

- First-half ACV up 2.7%
- New scope reached record levels, showing active portfolio reset and share movement
- BPO rebounded; ITO declined; ER&D slowed after a strong 2025
- EMEA strengthened while the Americas declined

XaaS

- First half ACV up 53%
- SaaS and IaaS reached record ACV levels
- AI infrastructure demand continues to support hyperscaler growth, backlog and CapEx
- Software is shifting toward agentic architectures and consumption-based economics

Market Outlook

- Interest rates and geopolitics continue to create volatility
- Technology demand remains strong
- Managed Services growth remains muted but positive
- New scope shows activity is being created, moved and restructured
- AI-led deflation and services alternatives keep pressure on labor-based services

2026 Forecast by Market Segment

2.1%

Managed Services

No change from 1Q26

30%

As-a-Service

500bp increase from 1Q26

Thank you!

Join us October 8th for
the 3Q 2026 Call.

The 95th Quarterly
***ISG** Index™



Appendix

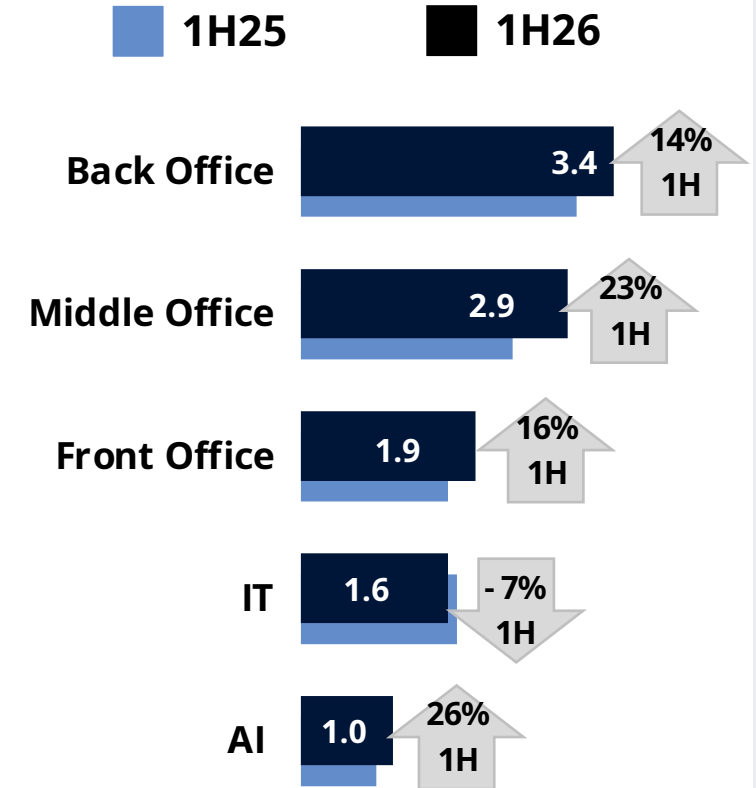
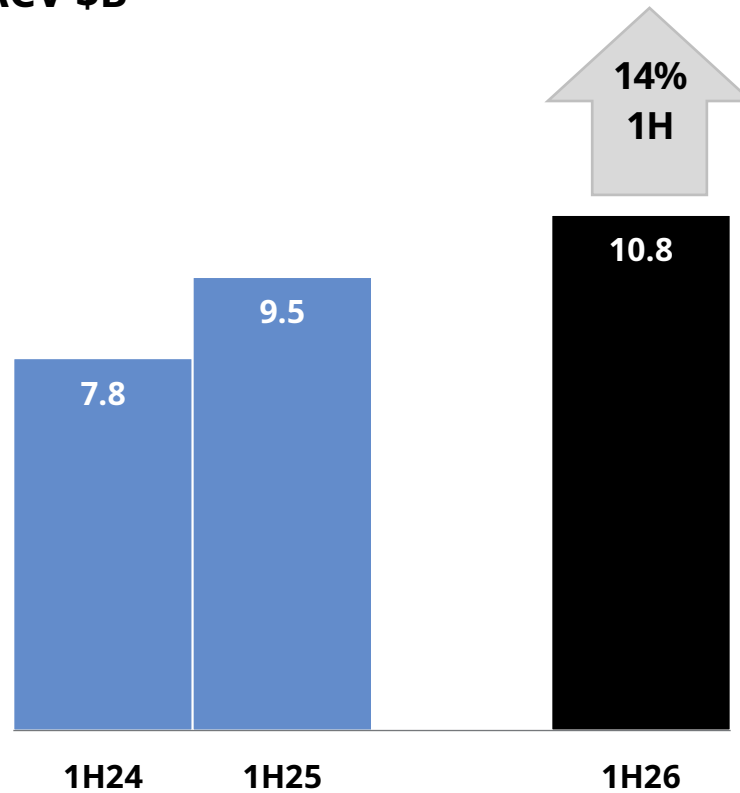


SaaS Results

1H Results

- SaaS up 14%; deceleration from 1H25
- Top 10 SaaS providers grew 6%; deceleration from 1H25
- AI saw strongest 1H growth, with back, middle and front office all posting double digit growth
- IT only category to decline

ACV \$B

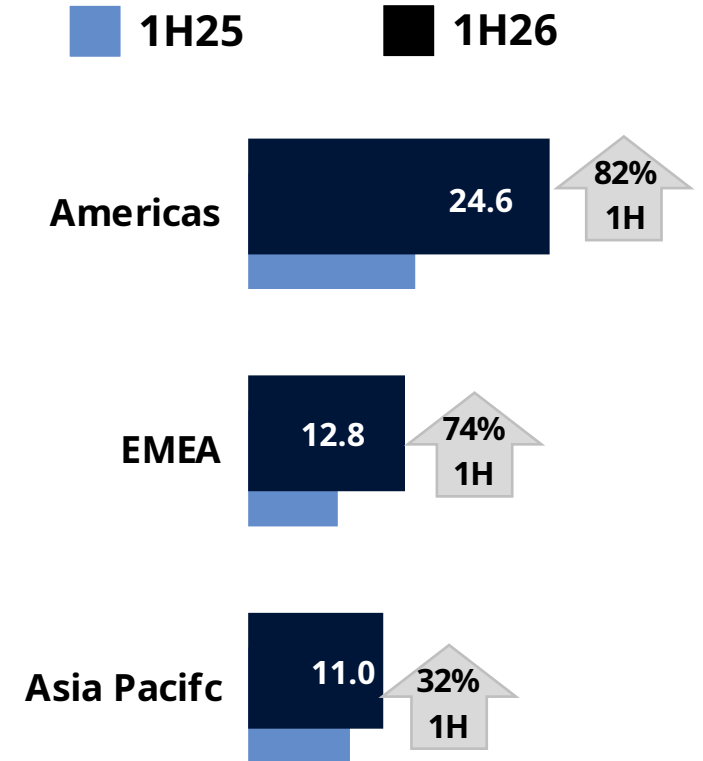
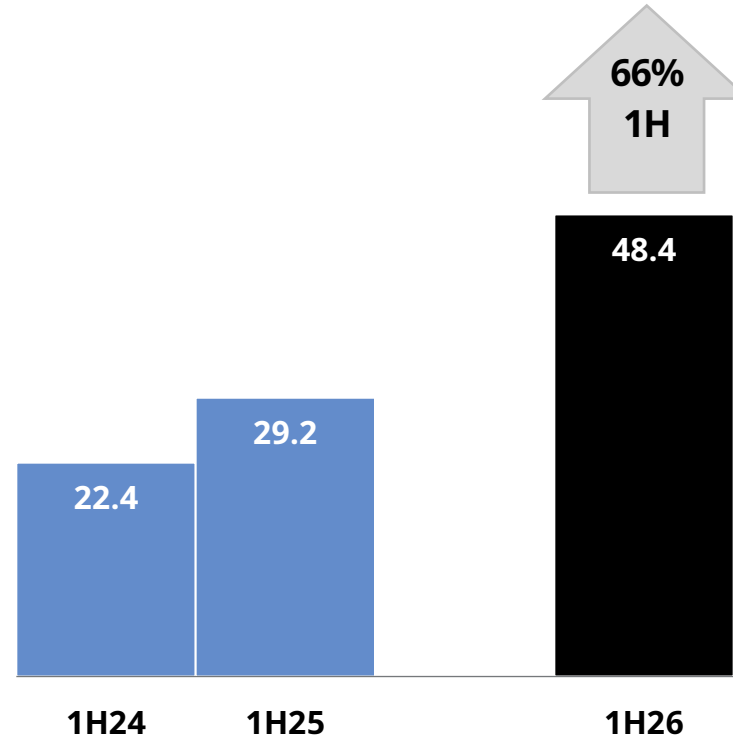


IaaS Results

1H26 Results

- IaaS up 66%; accelerated from 30% in 1H25
- Americas up 82%, EMEA up 74% and Asia Pacific up 32%
- Big 4 hyperscalers up 80%; previous high was 55% in 2022

ACV \$B



Americas Broader Market Results

Combined Market

- 2Q: ACV up 39%
- 1H: Growth driven by as-a-service

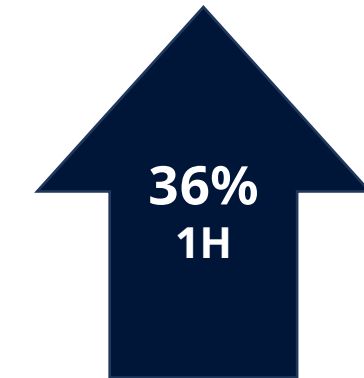
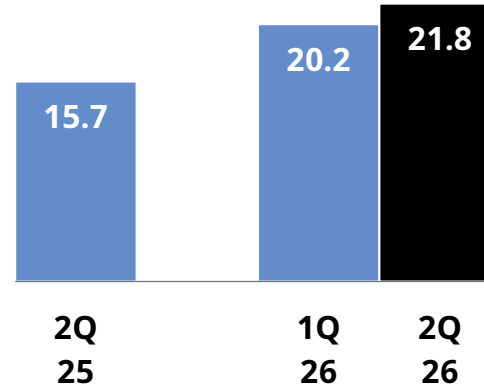
Managed Services

- 2Q: ACV down 12%
- 1H: Weakness in ER&D and ITO

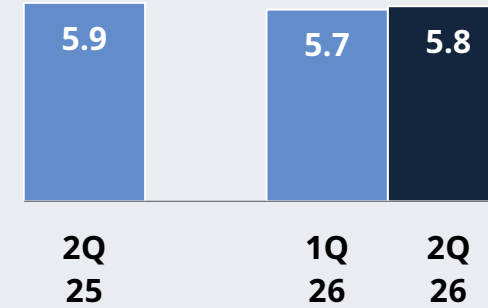
As-a-Service

- 2Q: ACV up 69%
- 1H: IaaS surges 81.7%, highest ever

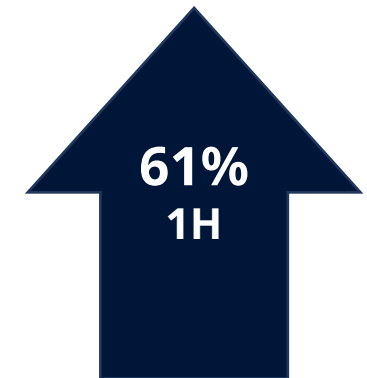
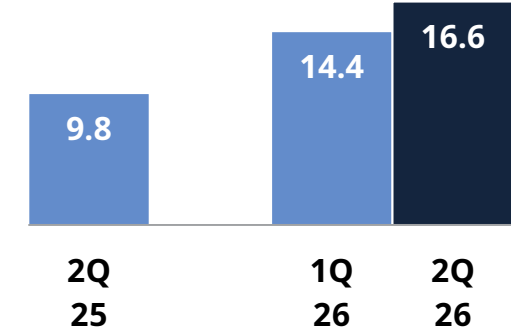
ACV \$B



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

* New or returning to leaderboard in quarter.

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

EMEA Broader Market Results

Combined Market

- 2Q: ACV up 46%
- 1H: Highest growth ever

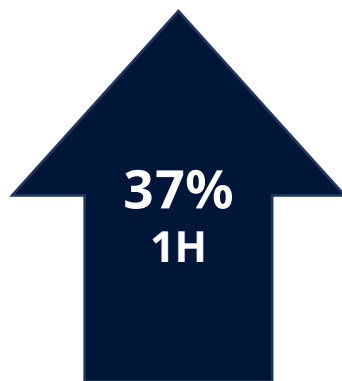
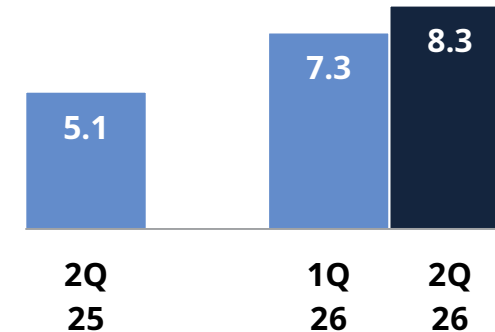
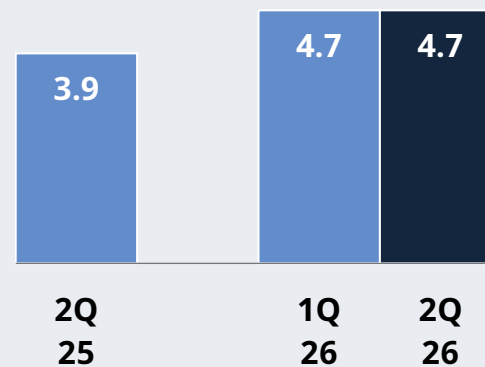
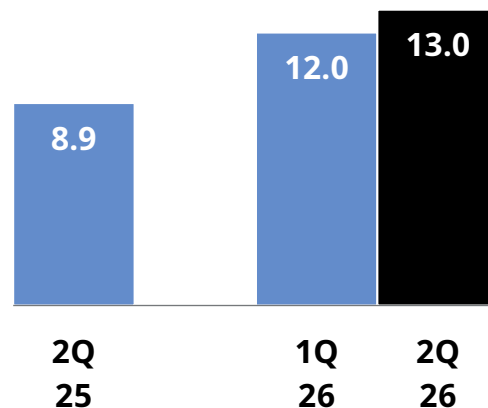
Managed Services

- 2Q: ACV up 21%
- 1H: Flat ER&D; Strong ITO and BPO

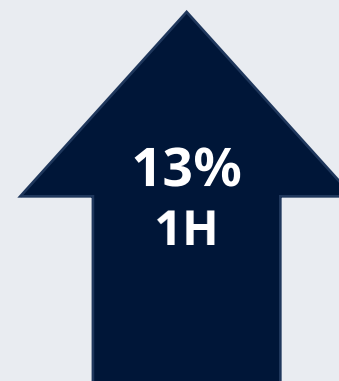
As-a-Service

- 2Q: Up 64%
- 1H: Driven by strong IaaS growth

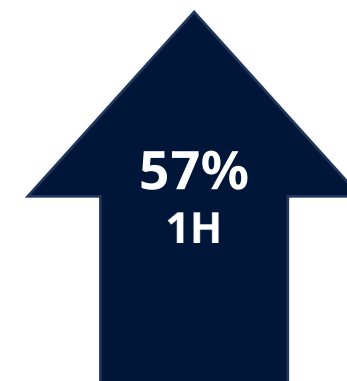
ACV \$B



Combined Market



Managed Services



As-a-Service

Service & Software Provider Standouts – EMEA



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	HCLTech	Amdocs*	MITIE	adesso	Nagarro*	Alexander Mann Solutions	KPIT Technologies
	BT	Infosys	Bechtle	SoftwareONE	AFRY	Netcompany	Assystem*	Mastek
As-a-Service Market	Capgemini	NTT DATA	Capita	Sopra Steria	Atea ASA	Persistent Systems	Aubay Technology	Protinus IT*
	Cognizant	TCS	EPAM Systems	Tech Mahindra	Coforge	Reply SpA	B+N Referencia*	Tata Technologies
	DXC Technology*	Wipro	Genpact	Tietoenvy	EXL		Eltel Networks	Transcom
			Indra Sistemas	T-Systems			GFT Technologies	
	Amazon Web Services	Oracle	Autodesk	Equinix*	CloudFlare*	OVH	DigitalOcean	Nemetschek
	Google Cloud	SAP	Databricks		Fortinet	Sage	Keppel DC*	Vantage Data Centers
	Microsoft				IFS AB*	Visma		

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

Asia Pacific Broader Market Results

Combined Market

- 2Q: ACV up 50%
- 1H: Best growth rate since 2021

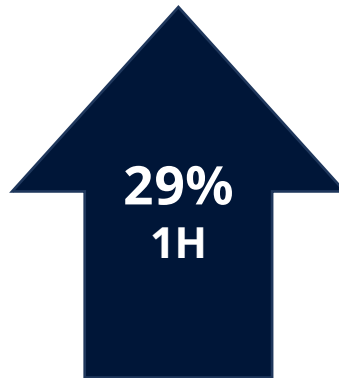
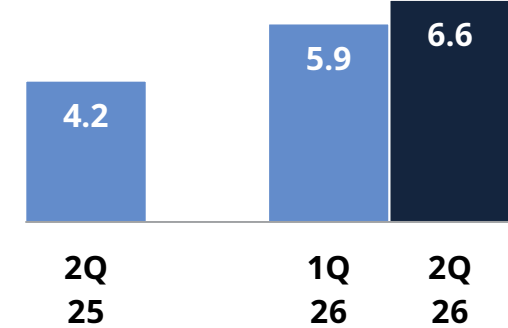
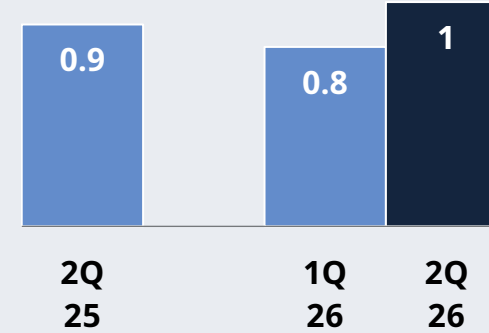
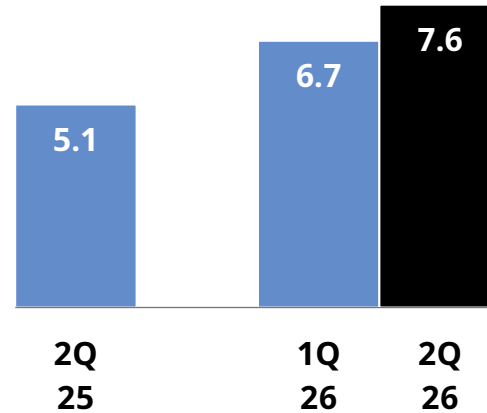
Managed Services

- 2Q: ACV up 18%
- 1H: Weakness in ER&D

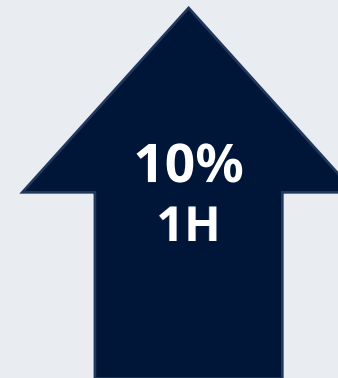
As-a-Service

- 2Q: ACV up 57%
- 1H: Best growth rate since 2022

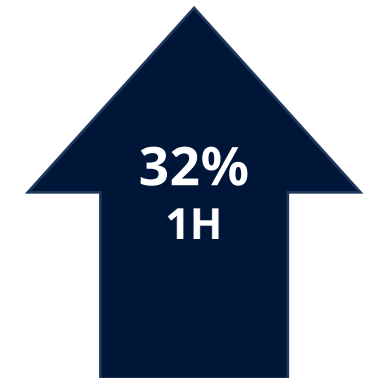
ACV \$B



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	NTT Data	Amdocs	SCSK	Bellsystem24*	NS Solutions	BayCurrent	KPIT Technologies
	Cognizant		TCS		Downer Group		Sodexo*	
	HCLTech	Wipro	Genpact	Tech Mahindra	Coforge	SK C&C	Birlasoft*	Tata Technologies*
	IBM Consulting		ITOCHU Techno-Solutions		transcosmos		NCS	
	Infosys		Nomura Research Institute		Neusoft		ITCenEntec	
As-a-Service Market	Alibaba	Microsoft	Applovin	Datadog	21Vianet	Veeva Systems	CtrlS Datacenters	Kingdee
	Amazon Web Services	Google Cloud	Atlassian	Equinix*	CloudFlare	Xero	DigitalOcean*	Kingsoft Cloud
	Baidu	Oracle	Autodesk	Palo Alto Networks*	MongoDB	Yonyou*	Global Switch	NextDC
		Tencent					Keppel DC	Temenos

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