ISG Index™

THIRD QUARTER 2020

Managed Services and As-a-Service Market Insights

HOSTED BY: SUMEET JAIN, GOLDMAN SACHS

October 8, 2020

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Welcome

to the 72nd Quarterly

ISG Index™

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Practice Lead

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

At a Glance

Global Sourcing Industry

Slowly recovering from Q2 trough

Q3 Combined Market

Up 3%, to $14.6 billion, second-best quarter ever behind 1Q20

Managed Services up 10%

Sequentially on increase in mega-deals, contract restructurings, banking demand and industry-specific BPO

As-a-Service up 10.5% Y/Y

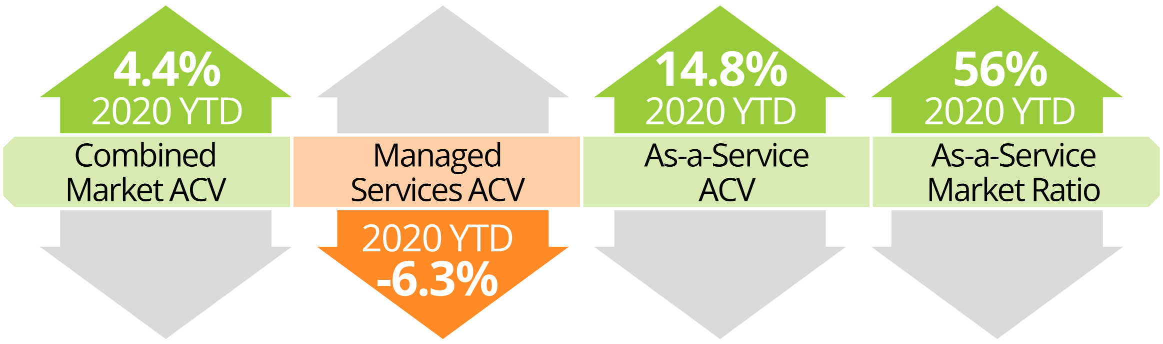
On strong IaaS demand fueled by accelerated digital transformation

Scorecard	3Q20 ACV ($B)	3Q Y/Y Change	2020 YTD ACV ($B)	2020 YTD Change
Global Commercial Combined Market	14.6	3.0%	43.9	4.4%
By Type				
Managed Services	6.6	-4.8%	19.5	-6.3%
As-a-Service	8.0	10.5%	24.4	14.8%
By Region				
Americas Combined	8.0	3.2%	23.2	9.2%
EMEA Combined	4.6	9.4%	14.3	2.6%
Asia Pacific Combined	2.0	-10.0%	6.4	-6.9%

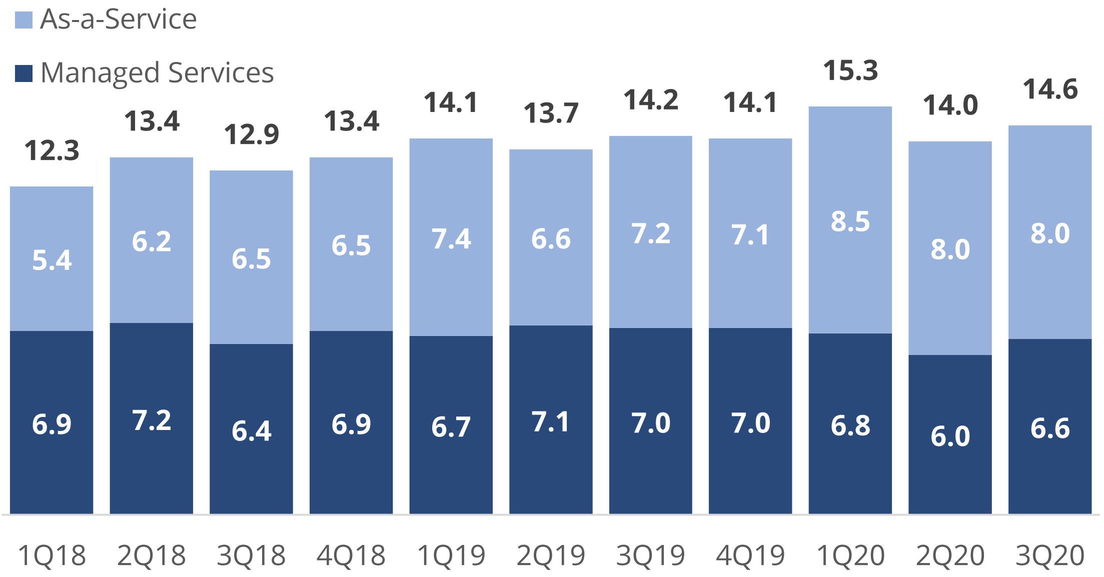
Global Commercial Sector

Quarterly Trends

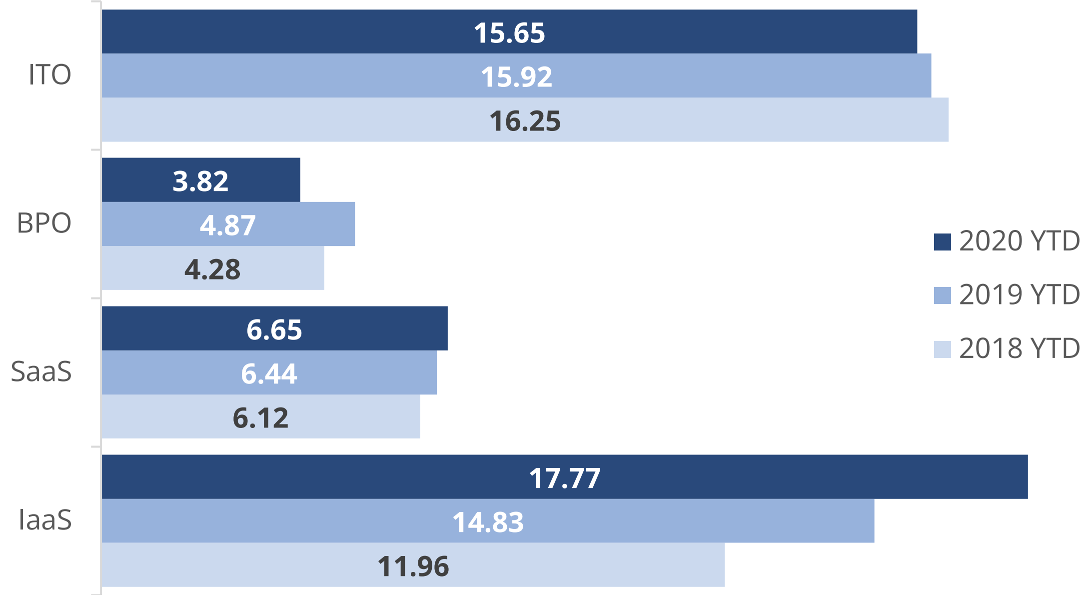
- Combined Market up 3% with its second-best quarterly result ever
- Despite COVID overhang, Managed Services surpassed expectations, up 10% Q/Q due to increased activity in mega-deals, contract restructurings (up 50+%), BFSI (up 50+%) and industry-specific BPO (up 90+%)



Combined Market Quarterly ACV ($B)



Global Commercial Sector ACV by Function ($B)



Service & 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	IBM Global Services	Amdocs	HCL	Digital China *	Mphasis	Birlasoft	EXL
Atos	Infosys	Bechtle	OptumInsight	EPAM Systems	Sutherland	CSG Systems	HGS *
Capgemini	NTT Data	Computacenter	Tech Mahindra	JLL	TietoEvry	Ensono	Persistent Systems
Cognizant	TCS	Concentrix *	T-Systems	LTI	Unisys		
DXC Technology		Genpact	Wipro	Mindtree	Virtusa		
As-a-Service Market							
Alibaba	Microsoft	Adobe Systems	ServiceNow	Allscripts	Digital Realty	Atlassian	RingCentral
Amazon Web Services	Salesforce	Equinix	VMware *	Autodesk	Palo Alto Networks *	Coresite *	Slack *
Google	Tencent		Workday		Rackspace *	Crowdstrike *	Veeva Systems
						CyrusOne	Zoom Video *
						DocuSign	

* New to leaderboard in 3Q20

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

Americas Commercial Sector

Quarterly Trends

- 3Q20 Combined Market posted best quarterly result ever, up 3.2% Y/Y due to strong marks in IaaS and SaaS
- Managed Services declined 7% Y/Y versus a very difficult comparison to 3Q19 but was up 26% sequentially due to strength in BFSI and industry-specific BPO awards

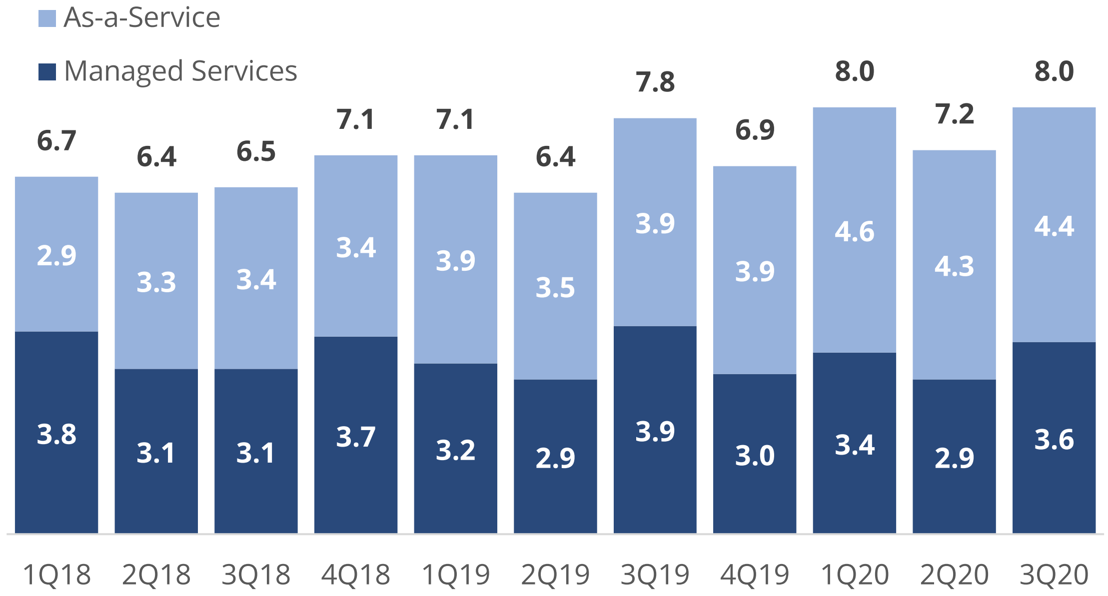
9.2% 2020 YTD Combined Market ACV

Managed Services ACV 2020 YTD -0.4%

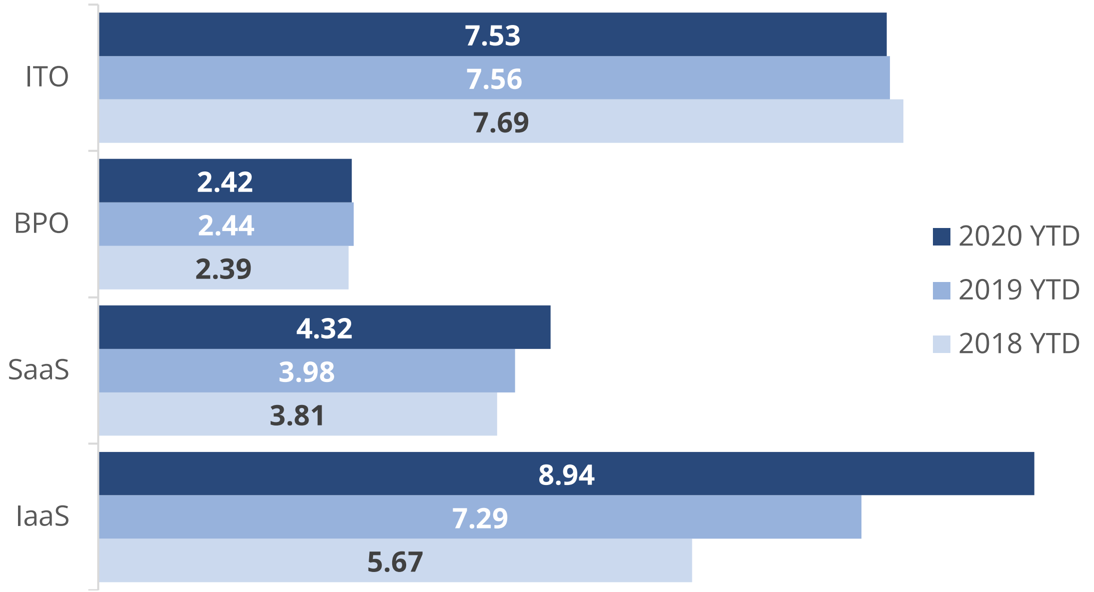
17.7% 2020 YTD As-a-Service ACV

57% 2020 YTD As-a-Service Market Ratio

Combined Market Quarterly ACV ($B)

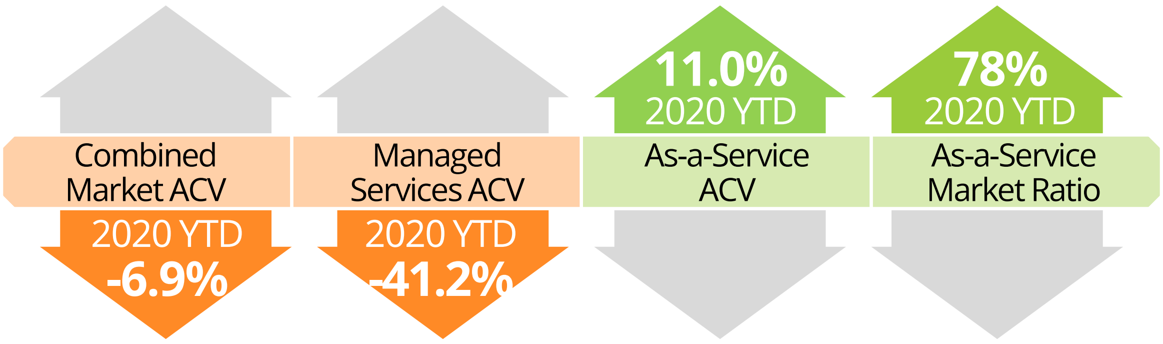


Americas Commercial Sector ACV by Service Type ($B)

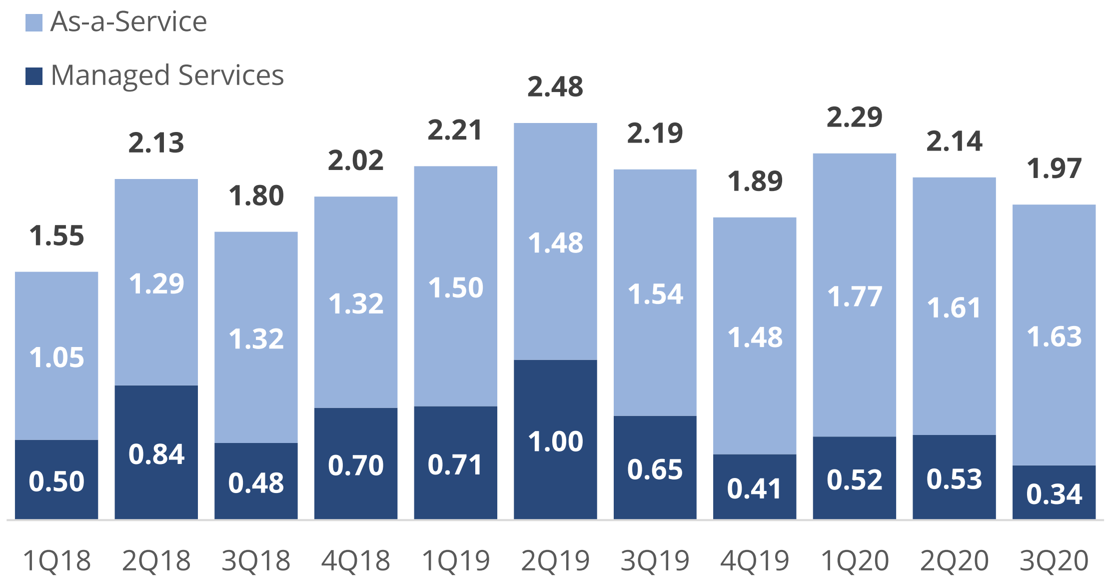


Quarterly Trends

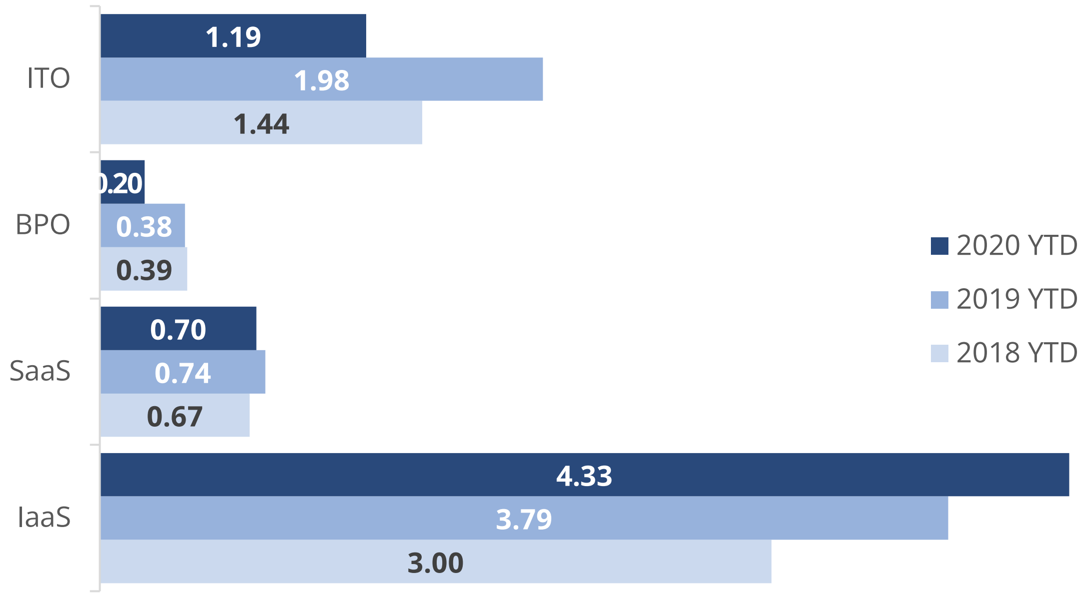
- Combined Market ACV fell 10% Y/Y due to continued soft results in Managed Services
- Managed Services ACV declined over 40% due to lack of large transactions across the region



Combined Market Quarterly ACV ($B)



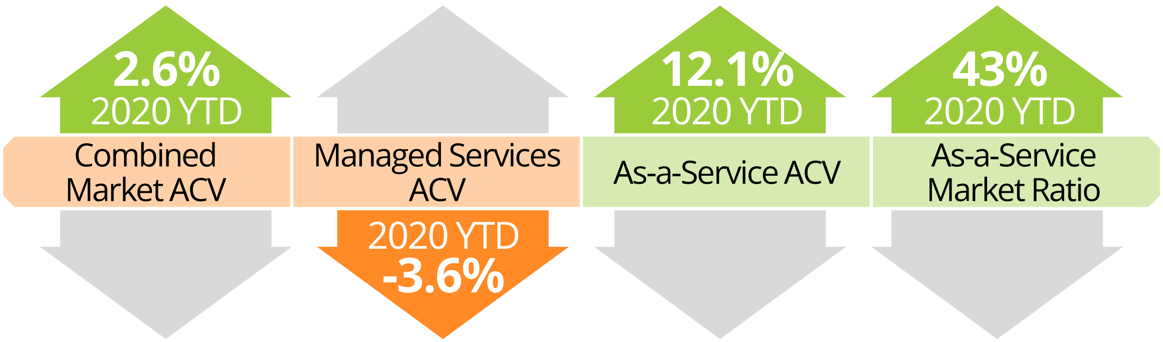
Asia Pacific Commercial Sector ACV by Service Type ($B)



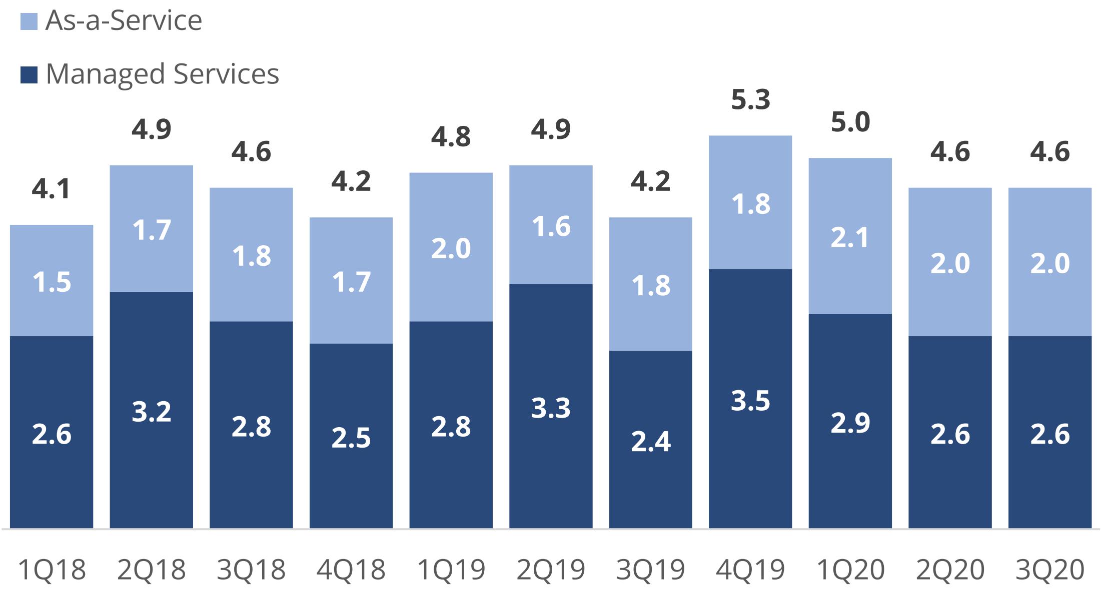
EMEA Commercial Sector

Quarterly Trends

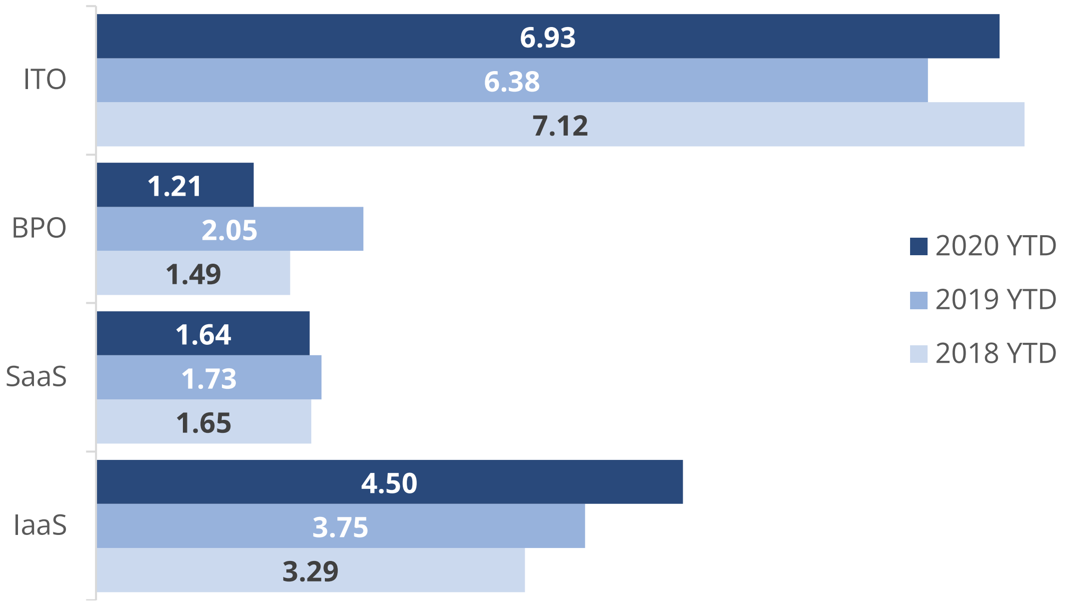
- Combined Market ACV was up over 9% Y/Y with equal contributions by both Managed Services and As-a-Service domains
- 3Q20 Managed Services up both Q/Q and Y/Y as most major markets accelerated led by U.K.



Combined Market Quarterly ACV ($B)



EMEA Commercial Sector ACV by Service Type ($B)



Global Commercial Sector Industry Award Trends

2020 YTD Growth	Business Services	Retail & Consumer Packaged Goods	Energy	Financial Services	Healthcare & Pharma	Manufacturing	Telecom & Media	Travel, Transport Leisure
	$8.3 ACV	$5.4B ACV	$2.8B ACV	$9.1B ACV	$4.1B ACV	$6.5B ACV	$4.0B ACV	$3.8B ACV
Combined Market	12%	11%	12%	6%	5%	1%	-16%	4%
Managed Services	-6%	2%	14%	-3%	-3%	-4%	-34%	-8%
As-a-Service	17%	16%	8%	21%	14%	6%	13%	14%
Americas	6%	10%	10%	30%	5%	7%	-22%	25%
EMEA	24%	13%	11%	-13%	5%	13%	-6%	-5%
Asia Pacific	19%	11%	24%	-19%	-3%	-34%	-17%	-23%

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THIRD QUARTER 2020

Trends in Smart Manufacturing

"COVID-19 will accelerate investment in smart manufacturing technology and services."

David Lewis

Partner, Manufacturing Practice Lead

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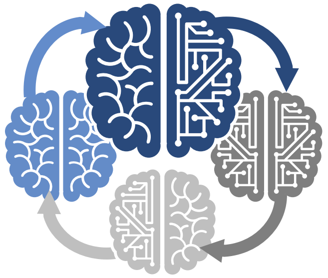
COVID-19 Impact on Smart Manufacturing

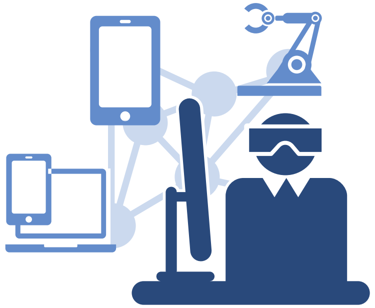
Disruptive Trends to Operations and Technology

Aligned Applied Analytics
Digital Production & Supply Chain Transformation

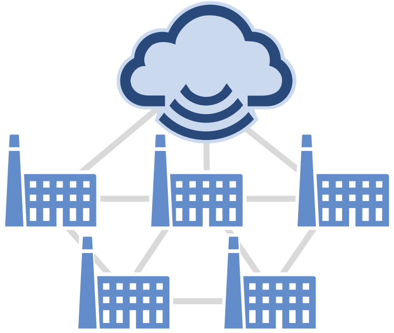
Digital Twins
To optimize the product lifecycle



Virtual & Augmented Reality
Applied in Maintenance & Employee Training

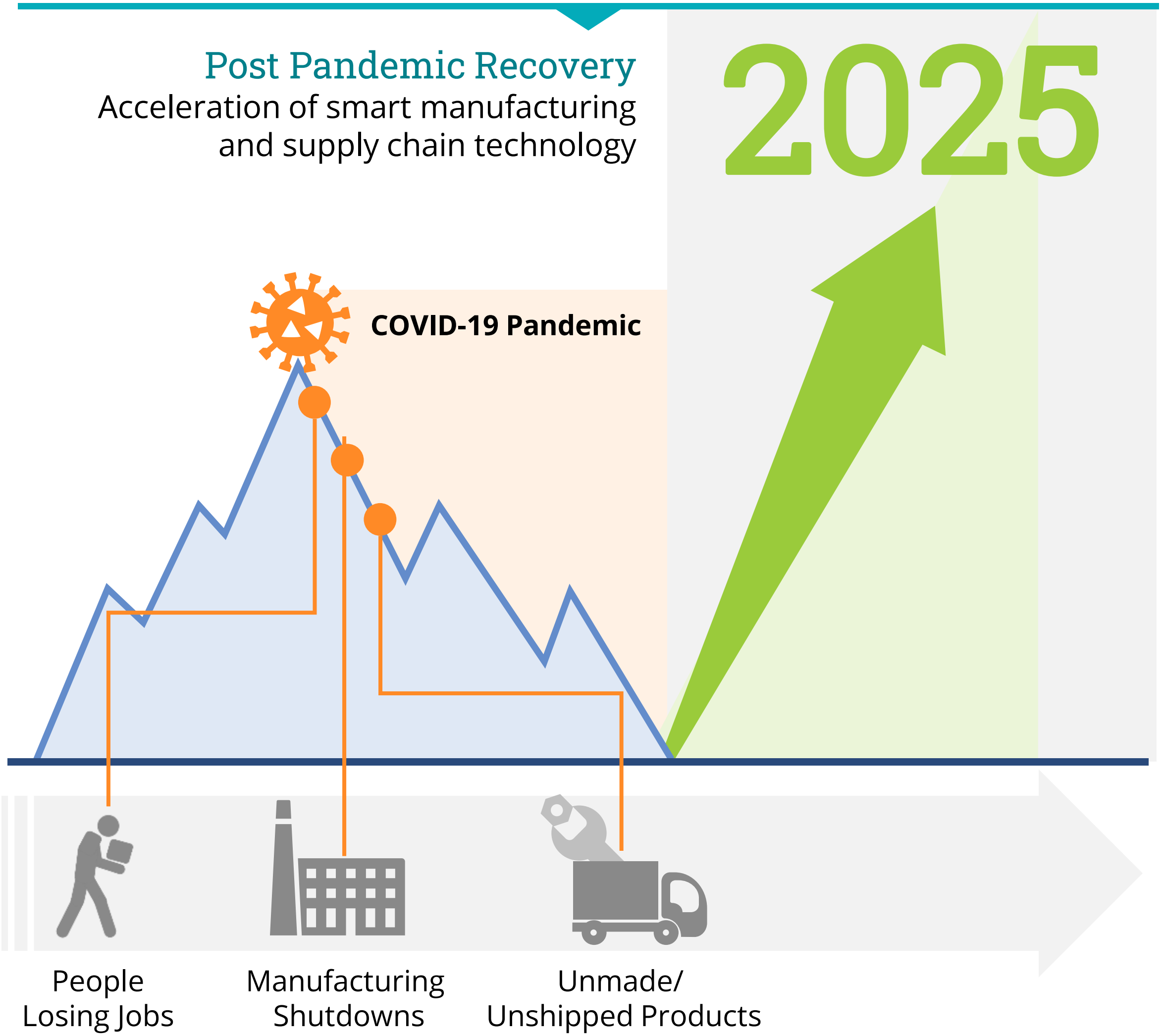


LTE/5G
Near-real-time Networks for Connected Factories



Impact of Pandemic

Post Pandemic Recovery
Acceleration of smart manufacturing and supply chain technology



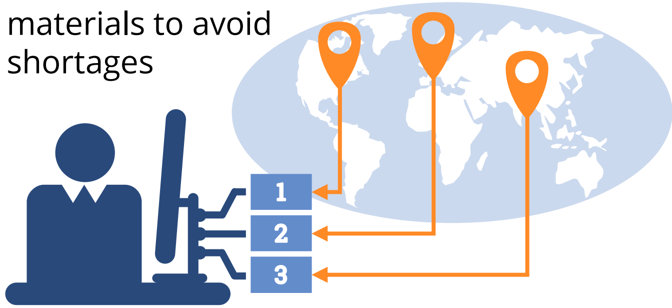
Post-COVID Trends

Location Dependent Solutions
Shifting to cloud & As-a-Service solutions

- Cybersecurity
- Cloud
- Internet of Things (IoT)
- Machine Vision
- IOT Platforms

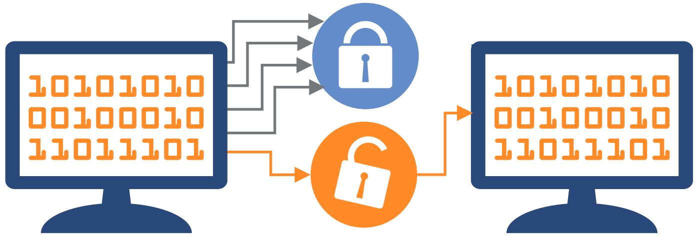
Business Resiliency, Flexibility and Efficiency

Alternative Sources
Products & raw materials to avoid shortages



Supply Chains Reconfigure
Back to U.S., European & other regional models

Cybersecurity
Is essential as hackers continue to try to access Manufacturing Technology

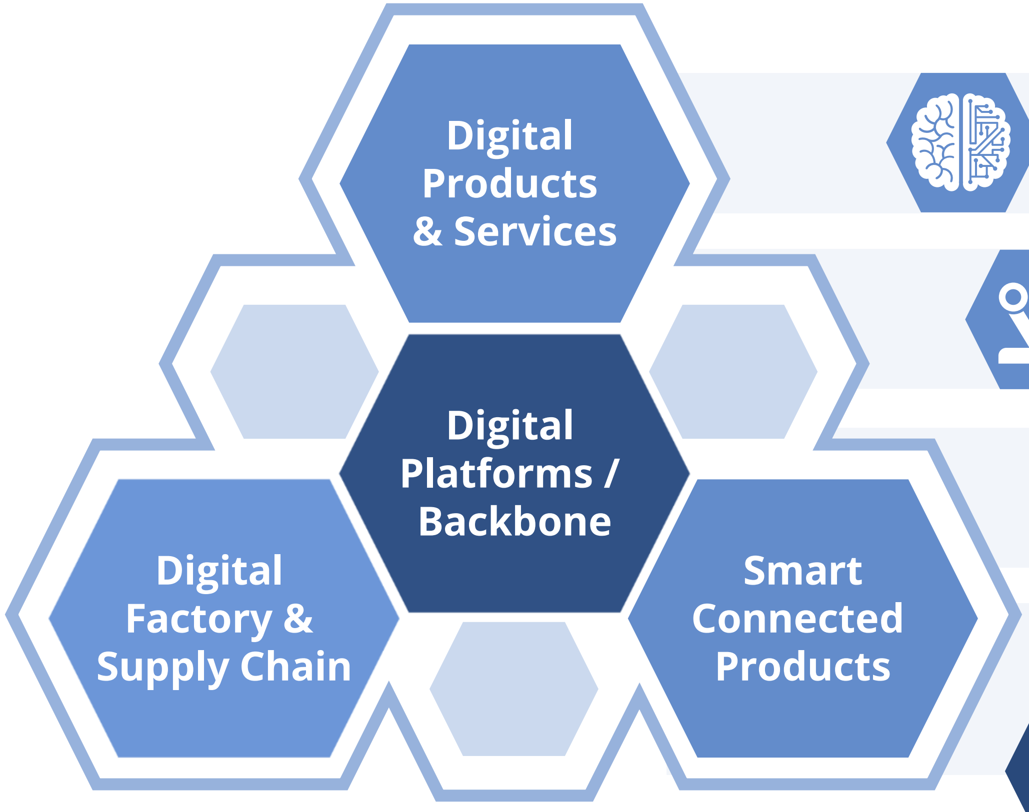


Smart Manufacturing
Reduced Costs, Improved Operations and Customer Experience

Opportunities for Providers

New Operating Model

Operating Model ("way of working")



Key Technologies

Focus of Manufacturing Industry investment

- Artificial Intelligence
- Cost Optimization, Manage & Govern
- Internet of Things (IoT)
- Automation
- Cybersecurity
- 5G Network Technology
- Cloud
- DevOps
- Virtual/ Augmented Reality

28%

Percentage of Manufacturers Currently Using Industry 4.0 Technologies

ISG Index™ Insider

Cybersecurity Opportunities for the IT Services Market

ISG Insights™

3Q20 ISG Index™

Stanton Jones

Director &
Principal Analyst
ISG Research

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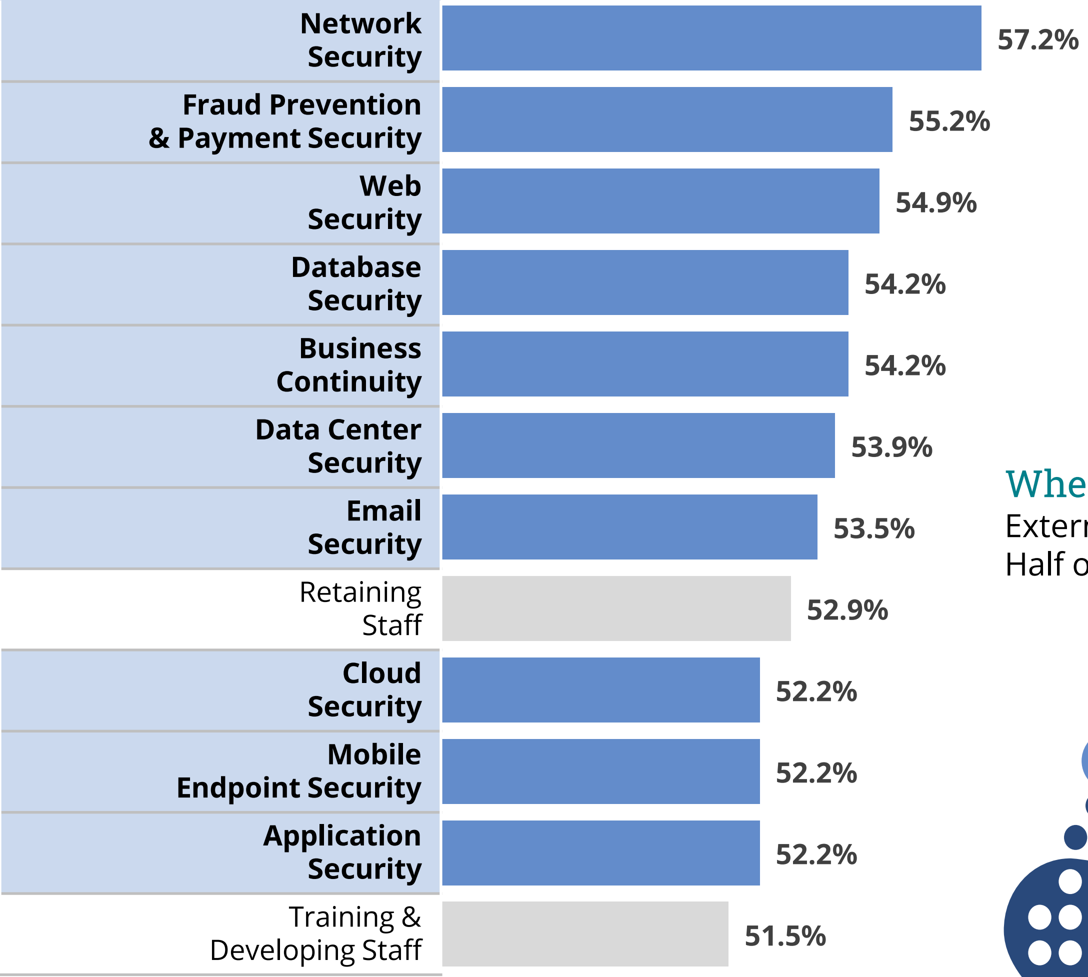
The Cyber Challenge, Accelerated by the Pandemic

ICT Strategic Challenges



2020, DataDriven, an ISG Research Partner, n=297

A Vast Increase in Remote Workers

Creates massive opportunities for a cyberattack infiltration

Dramatic Spike in Cyberattacks

Fear and insecurity have caused a dramatic spike in phishing and ransomware attacks

Where Cyberattacks Originate

External attacks are only part of the problem. Half of all cyberattacks are due to human error

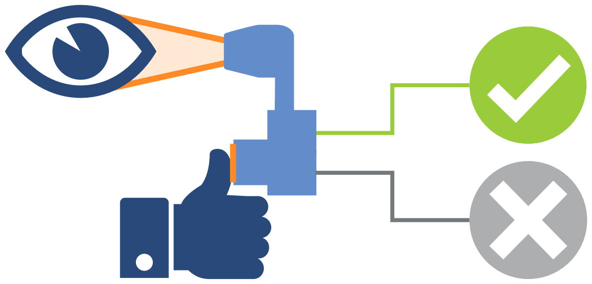
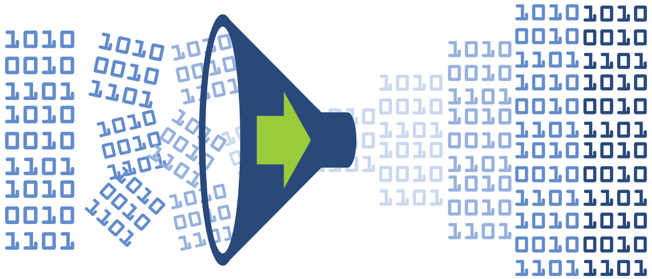
Companies Need A New Cybersecurity Operating Model

Multi-tenant systems, industry-specific cyber talent and threat-based intelligence, all at scale

Cybersecurity: A Market Taxonomy

Cyber Security Solutions & Services

Security Solutions

Identity and Access Management Solutions	Data Leakage and Loss Prevention Solutions
	

Security Services

Technical	Strategic	Managed
		

The Talent Gap

An Estimated

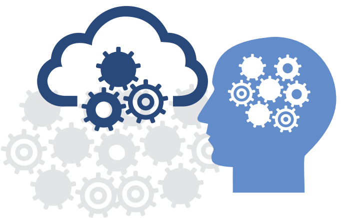
3.5M

Cybersecurity Jobs Will Be Available But Unfilled By 2021

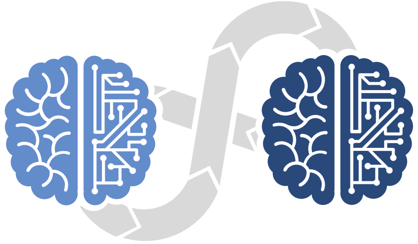
Seven Characteristics of a Successful Managed Security Services Provider

The 7 Characteristics of a Successful Managed Security Services Provider

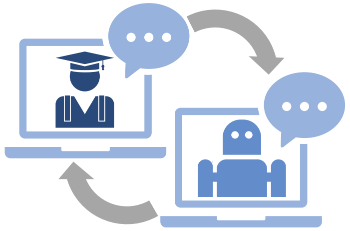
1 Experts In Cloud-native Technology Stack



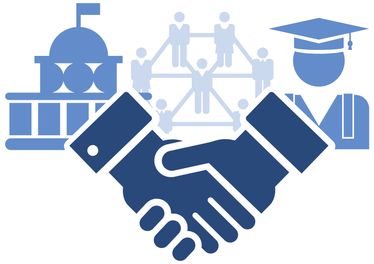
2 Apply Agile Principles To Cyber



3 Heavily Leverage Machine Learning

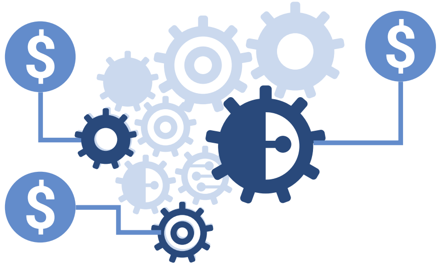


4 Partner with Academia & Government



5 Embrace a Hybrid Staffing Model

6 Commercial Models That Focus On Outcomes



7 Focus On “Reduced Risk” Over “Increasing Security

Key Takeaways

- We're seeing the early stages of **very** significant market opportunity
  - Security Solutions: SaaS-based startups set to take share from legacy incumbents
  - Security Services: Managed Security Services represents biggest opportunity
- However, providers need to re-tool, acquire talent and create ecosystem partnerships
- Providers need to hold themselves to a higher standard – they are a prime target
- Providers that can help companies create a new cyber operating model, supported by senior management, are set to succeed

3Q 2020 ISG Index – Summary and Outlook

Summary

Global Sourcing Industry Slowly Recovering

3Q20 outperformed expectations due to several form factors (including mega-deals, restructurings, BFSI, U.K. industry-specific BPO).

Managed Services

Year-to-date, ITO activity is down slightly with growth in ADM transactions offset by uneven Infrastructure awards; BPO has seen slowing activity in contact centers and facilities management.

As-a-Service

Year-to-date, As-a-Service has steadily increased with IaaS experiencing double-digit gains across each of the regions; SaaS market remains in positive territory only in the Americas.

Outlook

Services Market Forecast

Managed Services healthier than what we projected; with improving pipelines and currency tailwinds, we project that ACV will improve slightly and could accelerate further if some larger transactions come to award.

-6%
2020e

As-a-Service Market Forecast

As-a-Service continues to drive growth as IaaS providers like AWS, Azure, GCP, Alibaba and Tencent will benefit from burgeoning trends in video conferencing, gaming, remote learning and entertainment. SaaS could represent a drag on growth as midsize firms will be key to re-accelerating momentum.

15.5%
2020e

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

ISG's 4Q20 Index Call Is Scheduled for:

January 12th

2021

Mark Your Calendars!

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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	3Q20 TCV ($B)*	3Q Y/Y Change	2020 YTD TCV ($B)*	2020 YTD Change
Global Commercial Combined Market	34.7	-8%	98.0	-6%
By Type				
Managed Services	22.5	-14%	60.2	-14%
As-a-Service	12.2	8%	37.8	10%
ITO	16.9	-12%	48.1	-8%
BPO	5.6	-20%	12.2	-32%
IaaS	5.9	14%	17.8	20%
SaaS	6.4	2%	19.9	3%
By Region				
Americas Combined	19.9	4%	50.9	5%
EMEA Combined	11.8	-13%	36.1	-13%
Asia Pacific Combined	2.9	-38%	11.0	-24%

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

the ISG 15

Service & 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 AT&T Atos Capgemini Cognizant DXC Technology IBM Global Services Infosys NTT DATA TCS Verizon	Amdocs Concentrix* Cushman & Wakefield FIS Global * Genpact Global Payments HCL OptumInsight Tech Mahindra Wipro	EPAM Systems LTI Mindtree Mphasis Sutherland TTEC Unisys Virtusa	Birlasoft CSG Systems Ensono EXL Globant Persistent Systems
As-a-Service Market			
Amazon Web Services Google Microsoft Salesforce	Adobe Systems Equinix ServiceNow VMware * Workday	Allscripts Autodesk Digital Realty Palo Alto Networks * Rackspace * Twilio UKG	Coresite Crowdstrike * CyrusOne Datadog * Docusign QTS RingCentral Snowflake Computing * Zoom Video *

* New to leaderboard in 3Q20

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

the ISG 15

Service & 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	DXC Technology	Amdocs	Serco *	Asseco	MITIE	adesso	Kapsch Group *
Atos	IBM Global Services	Arvato *	Sopra Steria	EPAM Systems	Mphasis *	Coforge	NNIT A/S
BT Group	Infosys	Bechtle	Tech Mahindra	JLL	Sutherland *	Digita	Persistent Systems
Capgemini	NTT Data *	Computacenter	T-Systems	LTI	TietoEVRY	EXL	WNS
Cognizant	TCS	HCL	Wipro	Mindtree	Unisys	HGS	
		Orange Business Services					
As-a-Service Market							
Amazon Web Services	Microsoft	Adobe Systems	ServiceNow	Autodesk	Rackspace *	Atlassian	Veeva Systems
Google	Salesforce	Equinix	VMWare	Digital Realty *	Sage *	DocuSign	Visma
	SAP			Dropbox *		OVH	Zendesk *

* New to leaderboard in 3Q20

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Service & 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 Capgemini Cognizant DXC Technology IBM Global Services NTT Data Ricoh * TCS	Amadeus Amdocs Genpact HCL IT Holdings (TIS) ITOCHU Techno-Solutions (CTC) Nomura Research Institute Serco * Sodexho Tech Mahindra T-Systems Wipro	Digital China Neusoft Nihon Unisys SCSK Sutherland transcosmos TTEC Unisys	21Vianet * Beyondsoft ChinaSoft Data#3 Empired Fuji Soft PLDT * Relia Taiji Computer
As-a-Service Market	Alibaba Amazon Web Services China Telecom * Google Microsoft Salesforce Tencent	Adobe Systems Equinix ServiceNow *	Akamai * Autodesk Digital Realty * Dropbox * Palo Alto Networks * Sage Twillio	Atlassian Cloudera * Crowdstrike * Kingdee Slack * Veeva Systems

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