EMEA Sourcing and As-a-Service Market Insights

FOURTH QUARTER AND FULL YEAR 2018

Hosted by:
John King, Bank of America, Merrill Lynch
January 16, 2019

ISG Index™

imagine your future®

Welcome to the 65th Quarterly ISG Index

Covering the state of the combined Traditional Sourcing and As-a-Service industry for the global commercial market.

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ISG

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The World We Live In

ITO/BPO Services Projected
3-Year CAGR: 4.5%

As-a-Service Projected
3-Year CAGR: 25%

Labor Market Tightness:
EU Rate of 6.7%
Is Lowest Since 2000;
US Unemployment
Rate of 3.7%,
Lowest Since 1960

European Tribulations:
France's Anti-Macron Riots,
Italian Debt & UK Delaying
Parliamentary Vote
on Brexit Deal

US 3Q GDP Advanced
an Annualized 3.4%
While Emerging
Markets Suffer From
China Slowdown

Trade/Tariff Turbulence:
US Trade Deficit
With China Approaches
€320 Billion
for 2018

Volatile Equity
Markets:
Nasdaq Declines
15%-20% Off
All-Time High

Central Banks
Tightening: US Fed
Benchmark Funds Rate
Up to 2.5% With
2 More Hikes
Expected in 2019

Foreign Exchange
Volatility: Strengthening
Dollar Versus British
Pound and
Other Currencies

4Q18 ACV up 18% Y/Y with As-a-Service establishing new highs; Traditional Sourcing ACV up slightly on record number of contract awards.

EMEA ACV up slightly Y/Y; As-a-Service exceeds € 1.2B for the third straight quarter; Traditional Sourcing declines Y/Y on weakness in UK and DACH.

Americas ACV produced best quarter ever; As-a-Service continues quarterly record-setting pace; Traditional Sourcing up 9% Y/Y with strong results in Applications and several BPO functions.

Asia Pacific up significantly Y/Y; As-a-Service ACV remains above $1B, accounting for over 60% of market; Traditional Sourcing rebounds, up 20% on strong results in ANZ and Japan.

By total contracts awarded, 2018 was the most bullish year in outsourcing history; ITO and BPO also reached all-time highs.

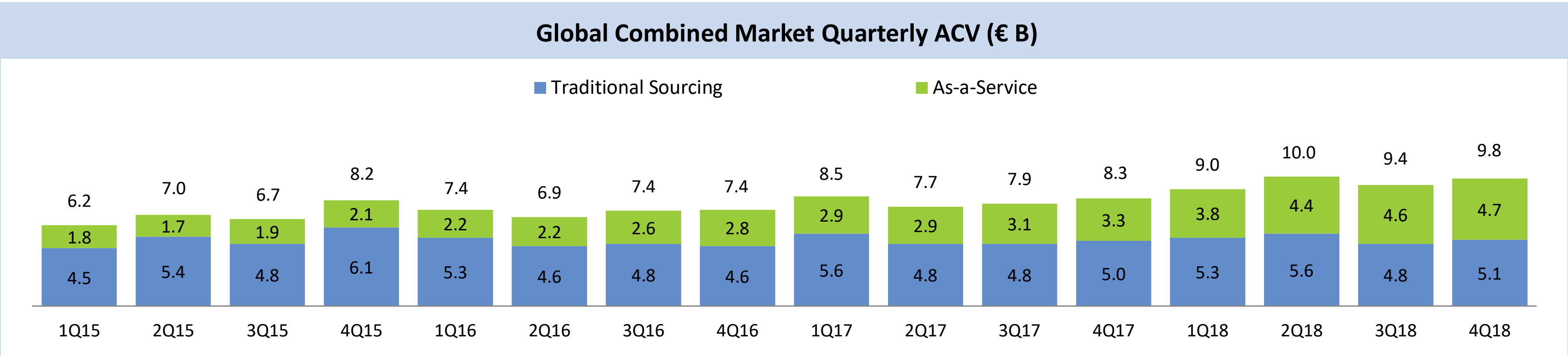
At a Glance

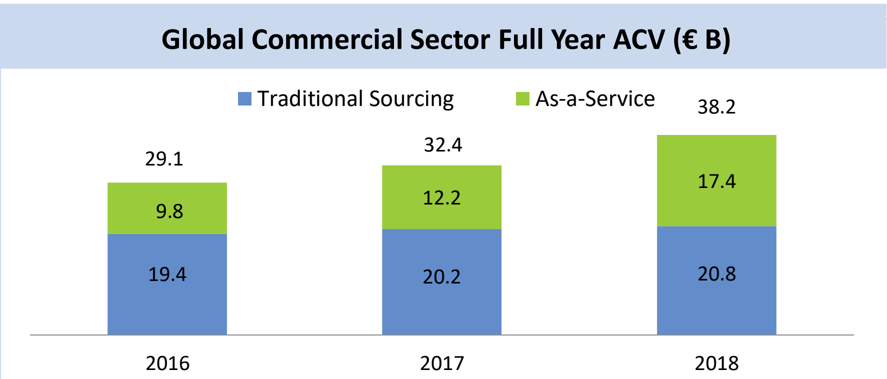
Scorecard		4Q18 ACV (€ B)*	4Q Y/Y Change	Full Year ACV (€ B)*	Full Year Change
Global Commercial Combined Market		€ 9.8	18%	€ 38.2	18%
By Type	Traditional Sourcing	€ 5.1	2%	€ 20.8	2%
	As-a-Service	€ 4.7	44%	€ 17.4	43%
By Region	EMEA Combined	€ 3.0	5%	€ 12.9	9%
	Americas Combined	€ 5.4	23%	€ 20.0	21%
	Asia-Pacific Combined	€ 1.4	35%	€ 5.4	30%

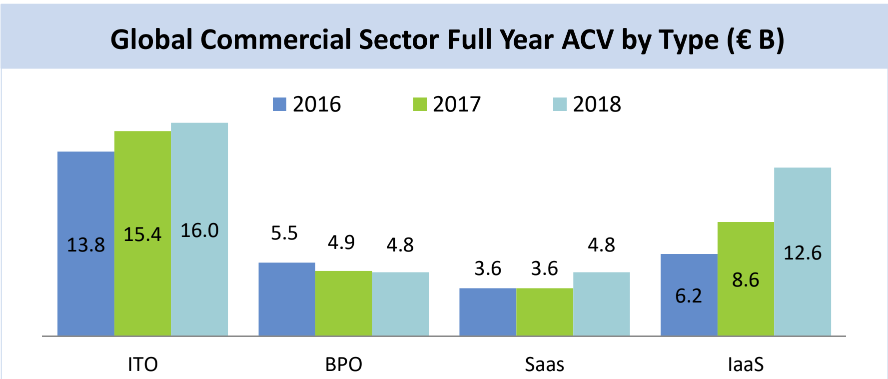
*Contracts with ACV ≥ €4M from the ISG Contracts Knowledgebase™

Global Commercial Sector Contracting Trends

4Q18 Combined Market ACV up 18% Y/Y with As-a-Service sector reaching new heights and Traditional Sourcing up 2% Y/Y;
full-year 2018 Combined Market at record levels driven by 40% As-a-Service growth, while Traditional Sourcing remains in a tight range.



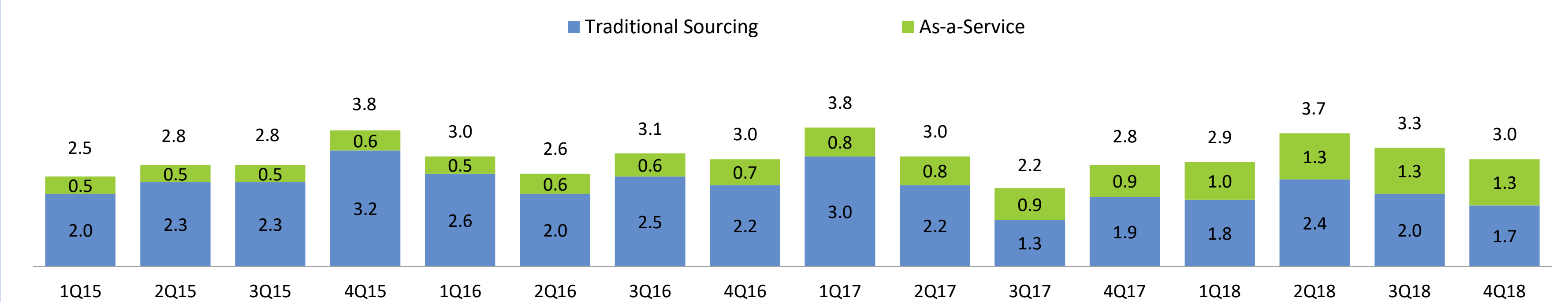




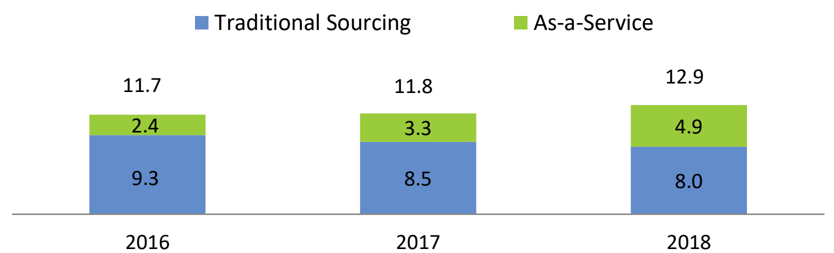
EMEA Commercial Sector Contracting Trends

4Q18 Combined Market ACV up 5% Y/Y as strength in As-a-Service was weighed down by 12% Y/Y decline in Traditional Sourcing.
Full-year 2018 Combined Market ACV driven by 40%+ growth in SaaS and IaaS; Traditional Sourcing down 7% on weakness in BPO.

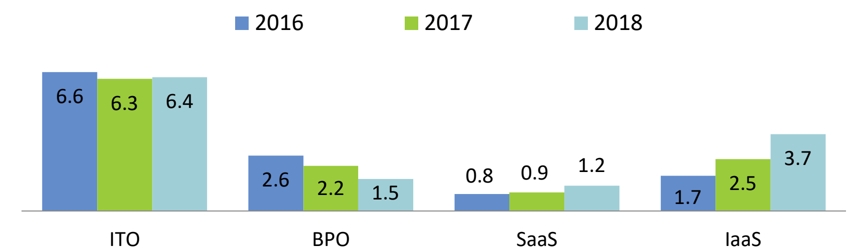
EMEA Commercial Sector Quarterly ACV (€ B)



EMEA Commercial Sector Full Year ACV (€ B)

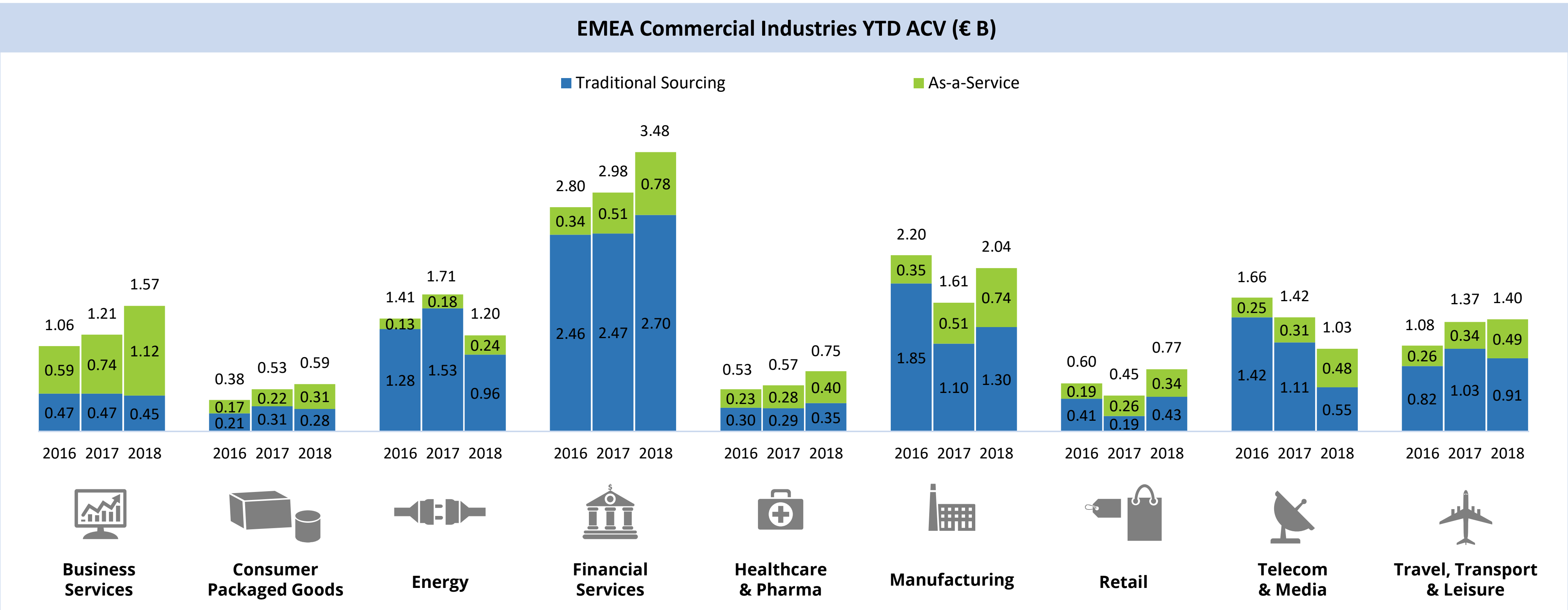


EMEA Commercial Sector Full Year ACV by Type (€ B)



EMEA Commercial Sector Industry Award Trends

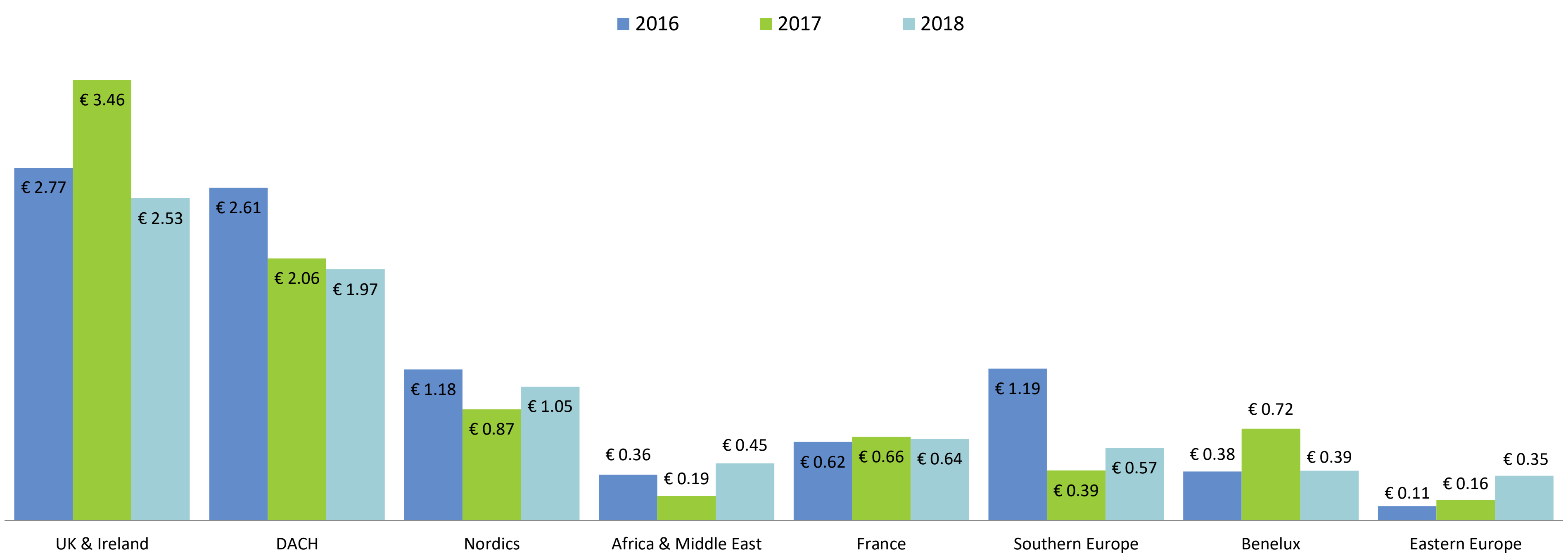
As-a-Service ACV grows across all sectors. Financial Services leads among industry verticals with growth in Traditional Sourcing and As-a-Service. Manufacturing , Retail and Healthcare & Pharma also post growth in both measures.



EMEA Sub-Regions - Traditional Sourcing Only

Macro-economic factors dragged Traditional Sourcing ACV in the UK, DACH and France in 2018. The Nordics and the smaller sub-regional markets posted gains on the back of robust contracting activity.

EMEA Commercial Sector Full Year ACV by Type (€ B)



the ISG 15

EMEA Sourcing Standouts

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

Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.
* New to leaderboard since 3Q18.

The Big 15

Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
Atos
BT
Capgemini
CBRE
Cognizant
DXC Technology
IBM
Infosys
ISS A/S *
TCS

As-a-Service Market

Amazon Web Services
Google
Microsoft
SAP

The Building 15

Co. Revenues $3 - $10 B

Traditional Sourcing Market

Amdocs *
Bechtle
CGI
Computacenter
Econocom
HCL Technologies
Indra Sistemas
Orange Business Services
Serco Group
SopraSteria
Tech Mahindra
Wipro

As-a-Service Market

Adobe Systems
Equinix
United Internet

The Breakthrough 15

Co. Revenues $1 - $3 B

Traditional Sourcing Market

Alten SA
Altran
Asseco *
Axians
Cancom
Diebold Nixdorf
EVRY ASA
GFI Informatique
Giesecke & Devrient
JLL
Mitie *
Tieto
Unisys
Webhelp

As-a-Service Market

Autodesk *

The Booming 15

Co. Revenues < $1 B

Traditional Sourcing Market

Allgeier SE
Bouvet ASA
Comarch
Comparex AG
Datagroup *
Ibermatica SA
Luxoft
Mindtree
NNIT A/S
QIWI *
Reply SpA
SVA System Vertrieb Alexander *
Virtusa

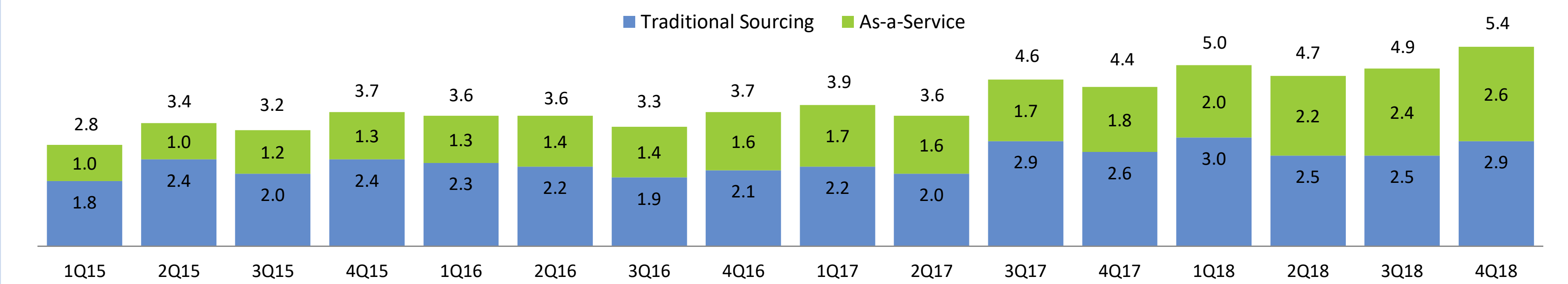
As-a-Service Market

Interxion
OVH

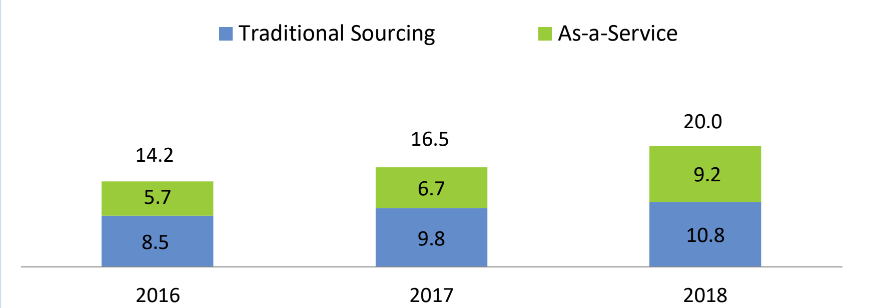
Americas Commercial Sector Contracting Trends

4Q18 Combined Market ACV up 23% Y/Y supported by 45%+ growth in As-a-Service and nearly 10% growth in Traditional Sourcing; full-year 2018, Combined Market ACV up 21% on record highs in Traditional Sourcing and As-a-Service ACV.

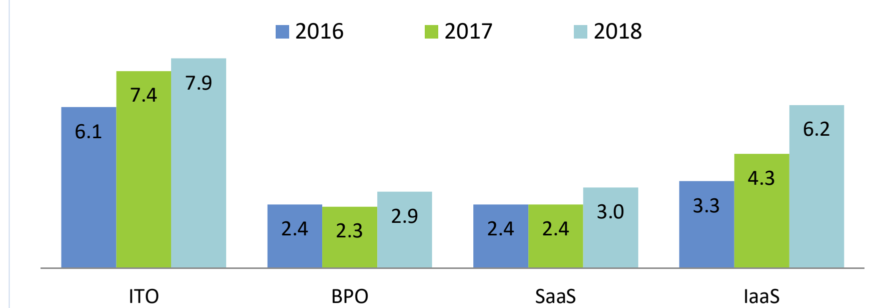
Americas Commercial Sector Quarterly ACV (€ B)



Americas Commercial Sector Full Year ACV (€ B)



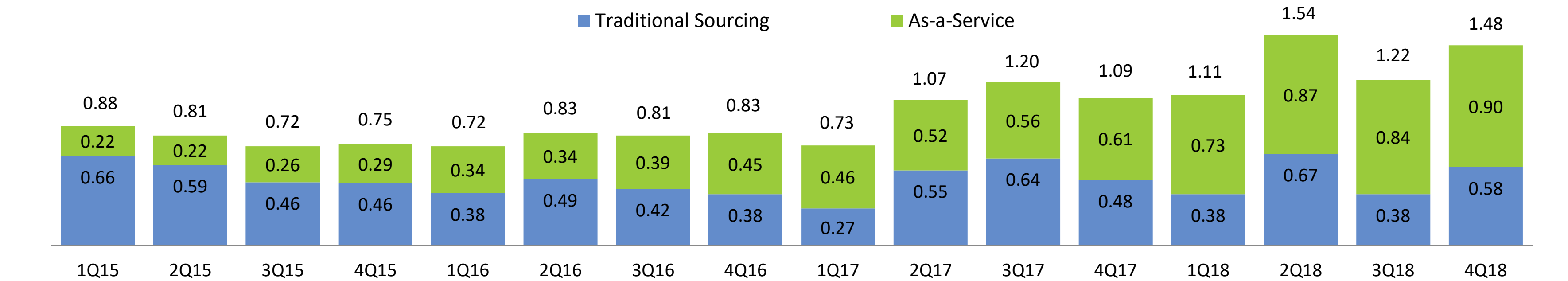
Americas Commercial Sector Full Year ACV by Type (€ B)



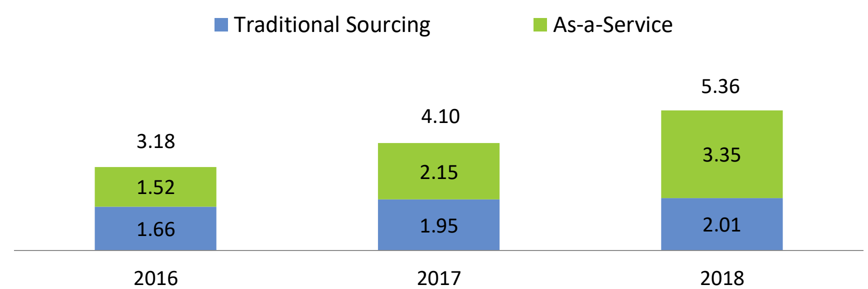
Asia Pacific Commercial Sector Contracting Trends

4Q18 Combined Market ACV rebounds, up 35%; both Traditional Sourcing and As-a-Service segments up 35%+; full-year 2018, Combined Market ACV up 30% with As-a-Service ACV doubling in past two years; Traditional Sourcing ACV up 3%, remaining in a tight range.

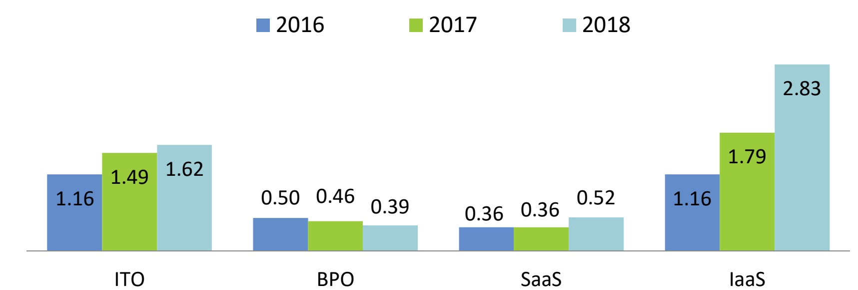
Asia Pacific Commercial Sector Quarterly ACV (€ B)



Asia Pacific Commercial Sector Full Year ACV (€ B)



Asia Pacific Commercial Sector Full Year ACV by Type (€ B)



4Q18 ISG Index™ Inside Track from

ISG Insights™

Life Sciences

Barry Matthews

Partner, North Europe ISG

ISG Index™

EMEA 4Q18

Life Sciences: Industry Trends

Life Sciences has tended to lag behind other regulated industries in taking advantage of efficiencies available through automation, but that is now changing.

Pre-clinical and Clinical Trials

Leading biopharma innovators are exploring AI to manage and evaluate data and increase operational efficiency

Research and Development

AI being used to automate and improve throughput and accuracy of Discovery and Development

Regulatory Considerations

Recent track and trace regulations are leading pharma companies to invest in serialization solutions and investigate opportunities to use blockchain

Manufacturing and Distribution

Blockchain for securing payments, inventory management; adoption still early among Manufacturers and Distributors

Healthcare Providers

Major institutions using blockchain for managing and sharing electronic health records

Consumer Interactions

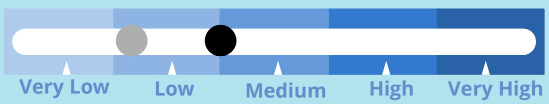
Growing adoption of wearables to keep track of patient health

Life Sciences: Technology Drivers

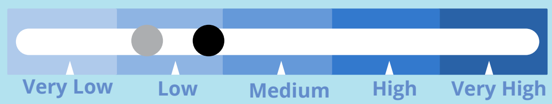
Clients are investing heavily in improving the efficiency of drug development through the use of several digital enablers.

Going Virtual a Reality in Clinical Trials

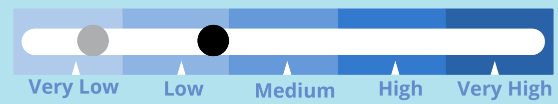
Adoption Level



Digital Supply Networks (DSN)

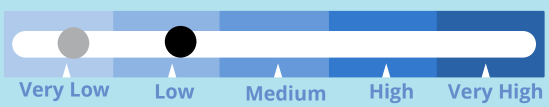


Blockchain Technology and Life Sciences Innovation

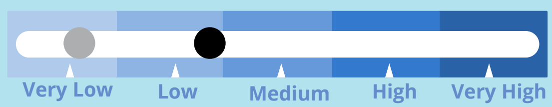


AI in Drug Discovery and Drug Development

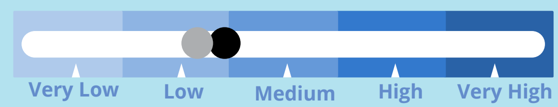
Adoption Level



Regulations Driving Track and Trace Serialization Market



Other Emerging Technologies



Source: ISG Research

Historical Adoption (24-36 months) ***Current Adoption***

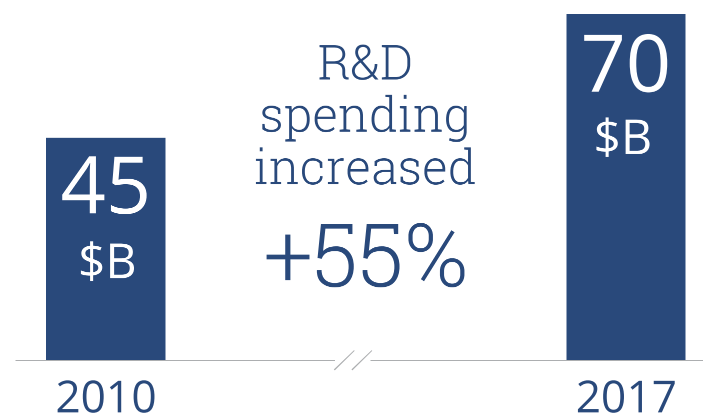
Life Sciences: Service Provider Opportunities

Clients aren't totally moving away from traditional areas, but are looking for more efficient solutions with Pharmacovigilance being an early focus.

Life Sciences enterprises look to Service Providers for system integrations, best practices, technology skills and strategic relationships.

Providers with System Integration and Automation and Robotics Solutions coupled with Cloud Expertise are set to capture significant new revenue in the digital-enabled world.

MORE SPENDING ON R&D IS RESULTING IN GROWING OPPORTUNITIES TO AUTOMATE WITH AI AND RPA



4Q18 ISG Index™ Inside Track from

ISG Insights™

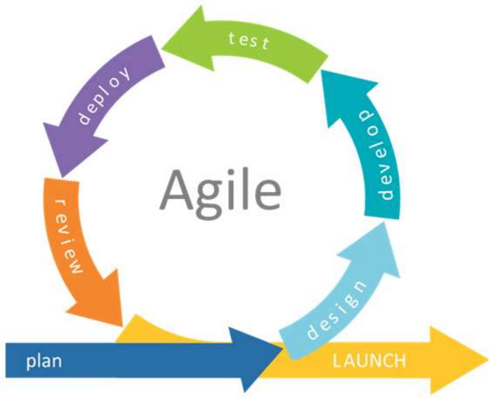
Agile and DevOps

Phil Scone
Director, ISG

ISG Index™ EMEA 4Q18

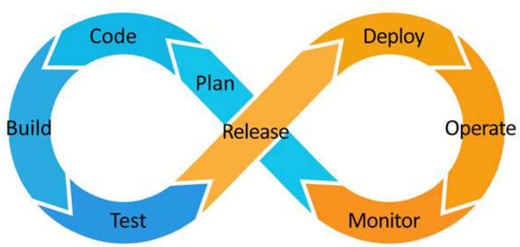
Agile and DevOps: What's Changing?

Requires cultural and organizational transformation, but changes are occurring rapidly.



Agile

- Interaction over process
- Working software over comprehensive documentation
- Collaboration over contracts
- Responds to change



DevOps

- Combines functions of software development and IT operations to create better applications and systems
- Automation can make things faster and more consistent

49% of companies — Agree that Agile is part of their company culture

52% of companies — Agree their technology platform supports their business needs

59% of companies — Agree that they can create new products faster

Source: ISG Insights 2018 Agile and DevOps in Enterprise Study, n=322

Agile and DevOps: Adoption Trends

Enterprise adoption varies by region and industry vertical.

AGILE ENABLES PROVIDERS TO DEPLOY SOFTWARE FASTER

BFSI companies value Enterprise Agility.
The BFSI sector is not replacing legacy systems but is instead launching new platforms along side them.

American companies have higher levels of automation in their software development lifecycle.

European companies are lagging in automation adoption and have exhibited organizational resistance to change.

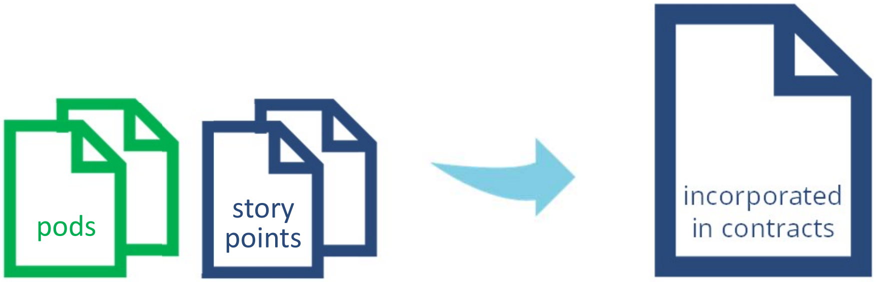
Source: ISG Insights 2018 Agile and DevOps in Enterprise Study, n=322

Agile and DevOps: Service Provider Impact

More enterprises are wanting to incorporate Agile and DevOps but are Service Providers ready to meet those needs?

ENTERPRISE NEED FOR AGILE AND DEVOPS

SERVICE PROVIDER CAPABILITIES



Resources don't have to be co-located. Globally distributed Agile, which is using Agile principles but doing it with resources across different time zones, is growing rapidly, and based on our experience with clients, it works.

Source: ISG Insights 2018 Agile and DevOps in Enterprise Study, n=322

4Q 2018 ISG Index – Global Summary and Outlook

Summary

- Macro forces are more volatile than a year ago but the demand environment remains quite strong.
- Each region generated highs in Combined Market ACV; path to achieve growth was different for each.
- As-a-Service segment saw record highs in each region for 2018; growth led by Asia Pacific and EMEA.
- In Traditional Sourcing, the Americas saw record-setting highs in 2018 on strength in Applications and BPO; Asia Pacific saw marginal gains with strength in the South Korea/Japan corridor; EMEA fell back with pockets of weakness in the UK, Telco and Energy and the BPO market.

Outlook

- For the overall As-a-Service market, we forecast a 25% blended growth rate with Public Cloud Infrastructure growing at 42% and SaaS projected up 17%.
- Even with ongoing macro-economic challenges in 2019, digital tailwinds will continue to push the Traditional Sourcing market forward at a 4.5% growth rate.

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Learn More

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Appendix: Score Card for TCV and Sourcing Standouts by Region

FOURTH QUARTER 2018

ISG Index™

EMEA 4Q18

4Q 2018 TCV Scorecard

The ISG Index has moved to ACV 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		4Q18 TCV (€ B)*	4Q Y/Y Change	Full Year TCV (€ B)*	Y/Y Change
Global Commercial Combined Market		€ 24.2	-6%	€ 95.4	1%
By Type	Traditional Sourcing	€ 17.0	-18%	€ 68.5	-9%
	As-a-Service	€ 7.3	42%	€ 27.0	40%
	ITO	€ 10.2	-29%	€ 49.6	-6%
	BPO	€ 6.7	5%	€ 18.9	-17%
	IaaS	€ 3.4	45%	€ 12.6	47%
	SaaS	€ 3.8	40%	€ 14.3	34%
By Region	EMEA Commercial	€ 7.8	-22%	€ 35.8	-8%
	Americas Commercial	€ 13.4	2%	€ 49.0	10%
	Asia Pacific Commercial	€ 3.0	8%	€ 10.6	-3%

*Contracts with TCV ≥ € 20M from the ISG Contracts Knowledgebase™

the ISG 15

AMERICAS Sourcing Standouts

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The Big 15

Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
BNY Mellon
Capgemini
CBRE
Cognizant
DXC Technology
IBM
Infosys
NTT DATA
TCS

As-a-Service Market

Amazon Web Services
Google
Microsoft
Oracle
Salesforce

The Building 15

Co. Revenues $3 - $10 B

Traditional Sourcing Market

Alliance Data Systems
Alorica *
Cerner Corporation
Conduent
First Data
FIS Global *
HCL Technologies
OptumInsight
Tech Mahindra
Total System Services
Wipro
Worldpay

As-a-Service Market

Adobe Systems
Equinix
Iron Mountain

The Breakthrough 15

Co. Revenues $1 - $3 B

Traditional Sourcing Market

ASGN Incorporated
Diebold Nixdorf
Genpact
Groupe Acticall *
InnerWorkings *
LTI
Mphasis
Pitney Bowes
TTEC
Unisys
WEX

As-a-Service Market

Autodesk *
Digital Realty
ServiceNow
Workday

The Booming 15

Co. Revenues < $1 B

Traditional Sourcing Market

Birlasoft/KPIT
EXL
FirstSource Solutions
Hexaware
Luxoft
Mindtree
StarTek
Virtusa

As-a-Service Market

Blackbaud
CyrusOne
IPSoft
LogMeIn
Proofpoint *
RealPage
RingCentral *

the ISG 15

Asia Pacific Sourcing Standouts

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The Big 15

Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
CBRE
Cognizant
DXC Technology
Hitachi *
IBM
Infosys
NTT Data
TCS *

As-a-Service Market

Alibaba
Amazon Web Services
China Telecom *
Google
Microsoft
Tencent

The Building 15

Co. Revenues $3 - $10 B

Traditional Sourcing Market

Amdocs
CGI
First Data
HCL Technologies
IT Holdings (TIS)
ITOCHU Techno-Solutions
JLL *
Nomura Research Institute
Sabre
Samsung SDS
Tech Mahindra
Telstra
Wipro

As-a-Service Market

Adobe Systems
Equinix

The Breakthrough 15

Co. Revenues $1 - $3 B

Traditional Sourcing Market

Chinasoft
Diebold Nixdorf *
Digital China
Genpact
JLL
Konica Minolta
Nihon Unisys
Sumitomo SCSK
Sutherland Global Services
transcosmos
Unisys

As-a-Service Market

Autodesk
PTC
Sage *
ServiceNow

The Booming 15

Co. Revenues < $1 B

Traditional Sourcing Market

Aspen Technology
Beyondsoft
Chinasoft
CSG Systems
Datacom
Fuji Soft
HGS *
Luxoft
Neusoft
PLDT
Relia
Shinsegae I&C *
Sichuan Troy Information Tech

As-a-Service Market

Atlassian *
Kingdee

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