

Managed Services & As-a-Service Market Insights

January 10, 2022

HOSTED BY



Bryan Bergin
Managing Director

Cowen and Company

***ISG** Index™

4Q 2021

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Welcome
to the 77th Quarterly

*
ISG Index™

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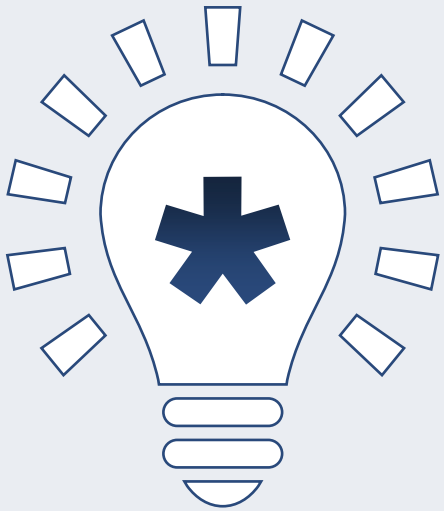


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Covering the State of the
Managed Services & As-a-Service Industry
for the Global Commercial Market

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ISG Index: Three Big Thoughts



1

Record results across most market segments; significant growth in ADM and ER&D offset decline in legacy infrastructure ACV.

2

The 4th quarter showed signs of slowing.

3

ISG forecasts healthy growth rates for both Managed Services and XaaS in 2022.



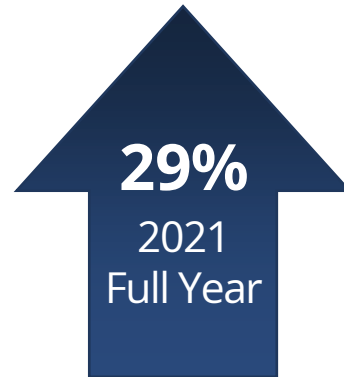
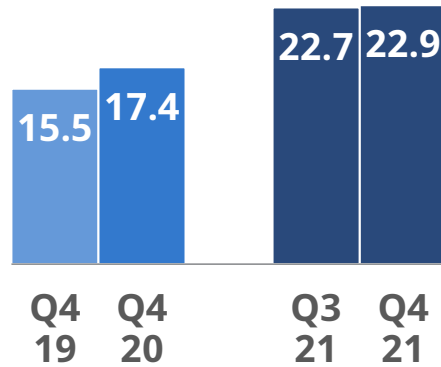
Global Broader Market Results

Quarterly Trends

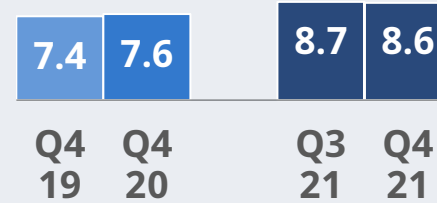
After surpassing \$20B for the first time in 2Q21, the Combined Market almost hit \$23B in 4Q21.

30% Y/Y growth, despite flat Q/Q performance.

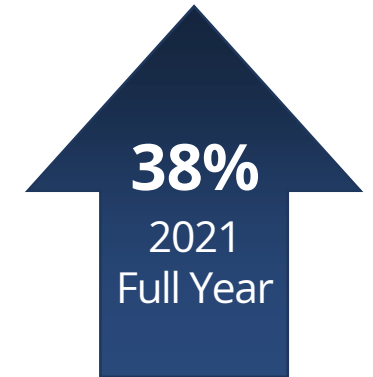
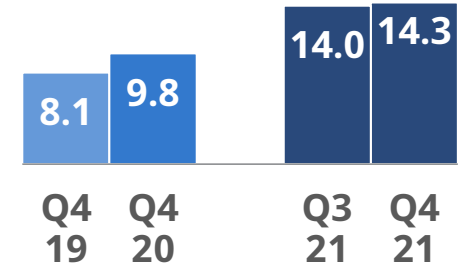
Managed Services ACV of \$8.6B was the second-best quarterly result ever.



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value

Has Wage Inflation Impacted the Market?

Managed Services



Rates holding steady on existing contracts



Minimal increases expected on new contracts for similar scope



Training of junior resources ramping up

T&M / Project Work



Rates increasing 4 – 7% for in-demand skills



Providers using blending rates / average daily rates as a pricing mechanism to avoid straight rate cards



Projects are often back-end loaded in order to win the work

Attrition Will Persist in the Short Term

Key Trends

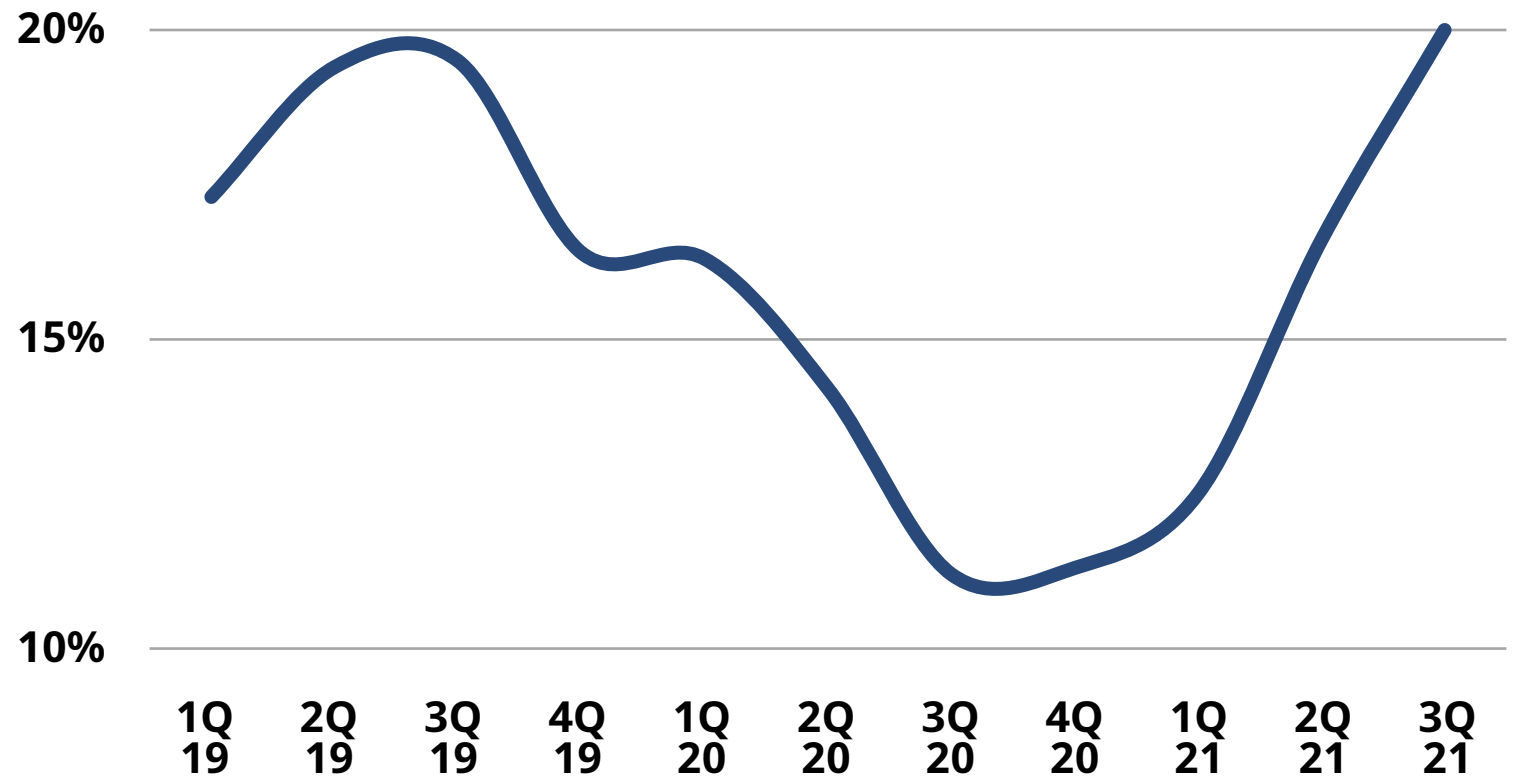
Attrition abated during pandemic; back to pre-pandemic levels.

Providers using all tools: lateral hires, subcontractors, automation, etc.

Challenge exacerbated by strong growth.

Likely to subside in 2 – 3 quarters.

Weighted Average Attrition Levels in IT Services, 2019 - 2021



Source: ISG, 2021; Includes providers from ISG Index™ Leaderboard.

Smaller Awards Dominate the Broader Market

Key Trends

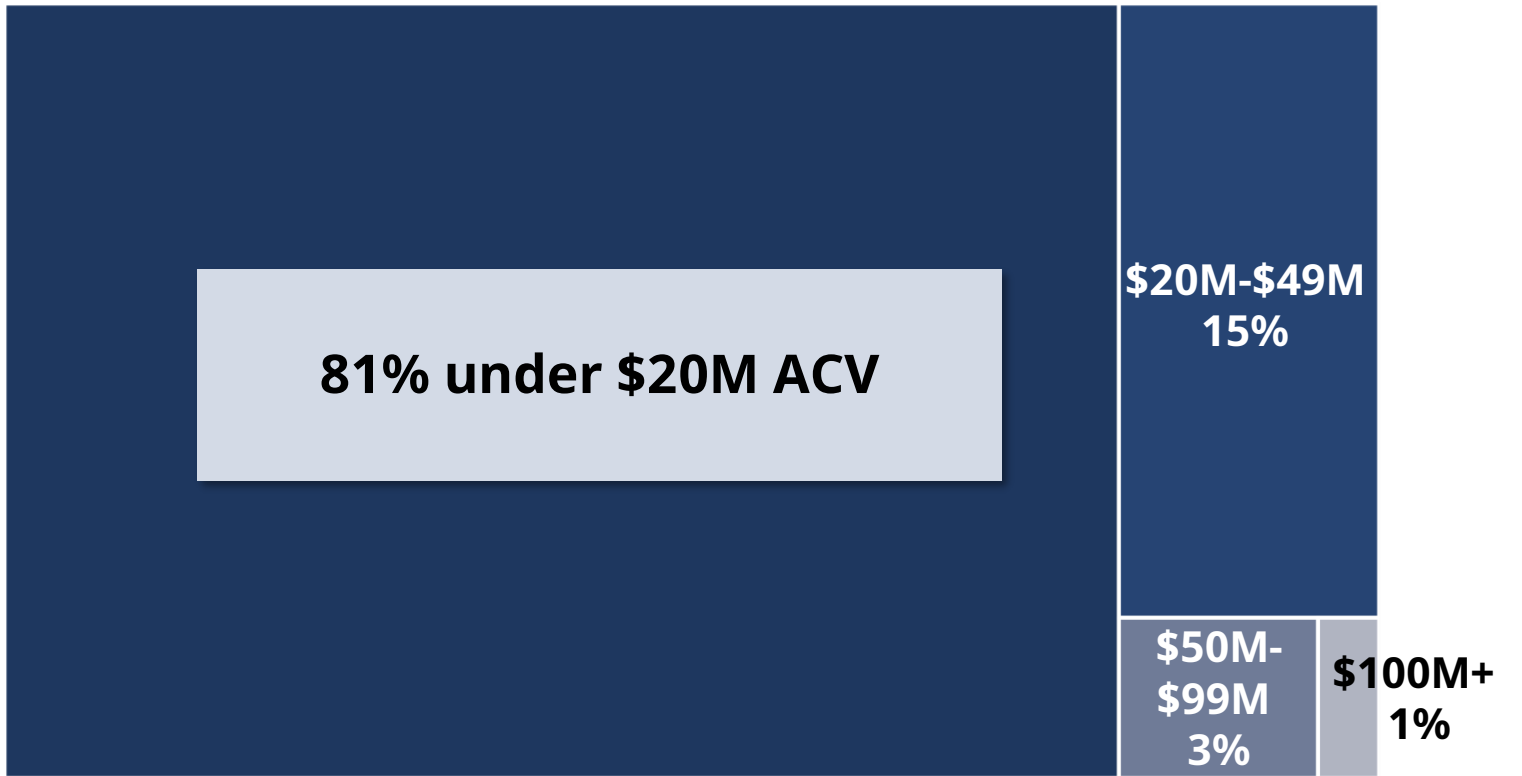
80%+ of Managed Services awards are under \$20M in ACV.

Slight decline in this band 2021, w/ higher percentage of awards in the \$20M-\$49M band.

\$100M+ awards still critical, but impact is changing: 12% of ACV comes from mega deals.

Need for speed driving smaller, faster deal cycles.

Managed Services ACV Award Bands, 2021



Source: ISG, 2021, Deals over \$5M ACV

ACV = Annual Contract Value



2021 Was a Record Year for M&A

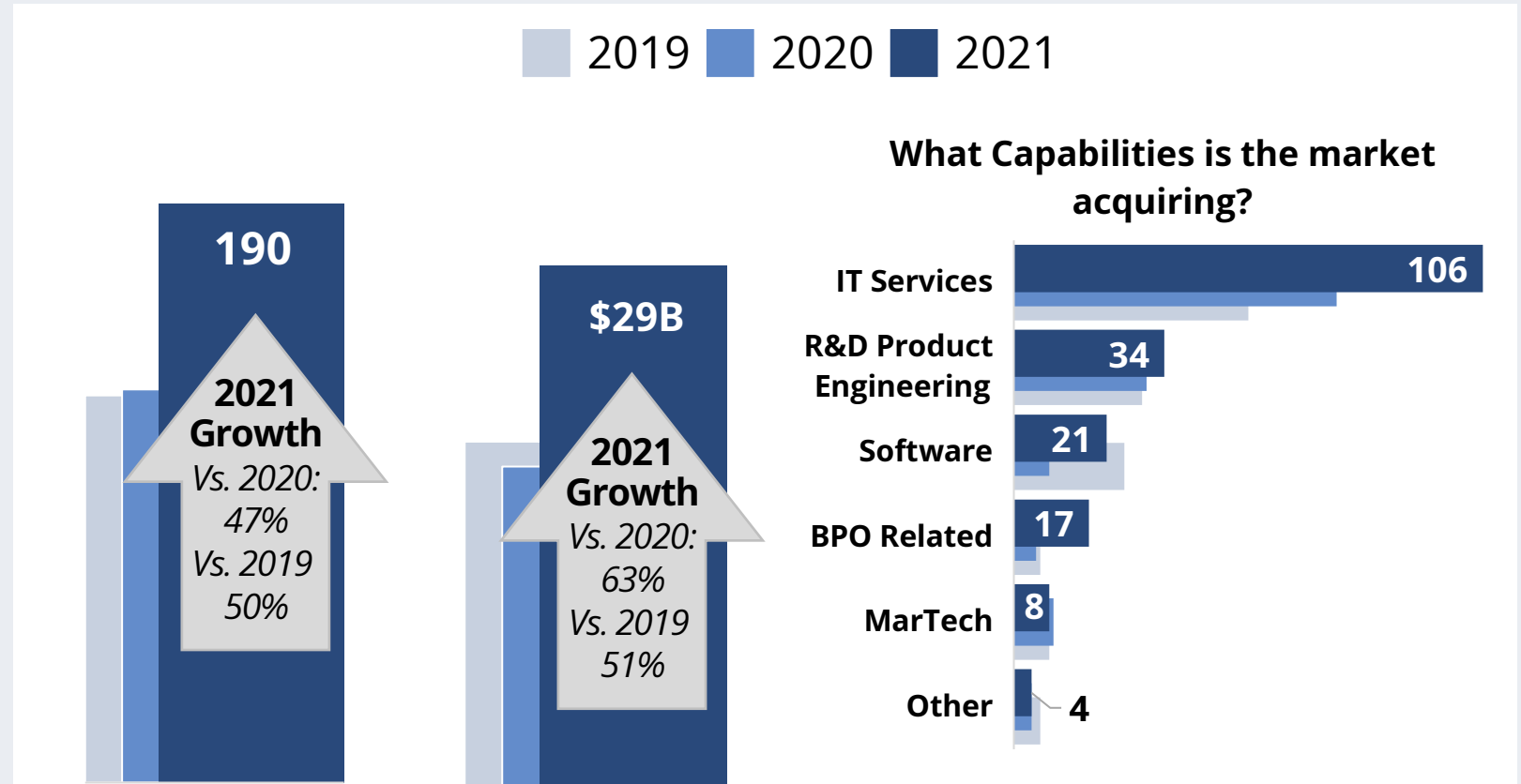
2021 Trends

IT Services M&A activity up 47% Y/Y; value up 63% Y/Y.

Robust environment for M&A: available capital, low interest rates, strong demand for digital capabilities.

Most active in 2021: Accenture, Deloitte, IBM, Atos and Tech Mahindra.

Private Equity accounted for 7 \$1B+ transactions.



Transactions

Value

Source: ISG M&A Database; Top 50 IT Service Providers

ACV = Annual Contract Value



Managed Services – Annual Results

2021 Trends

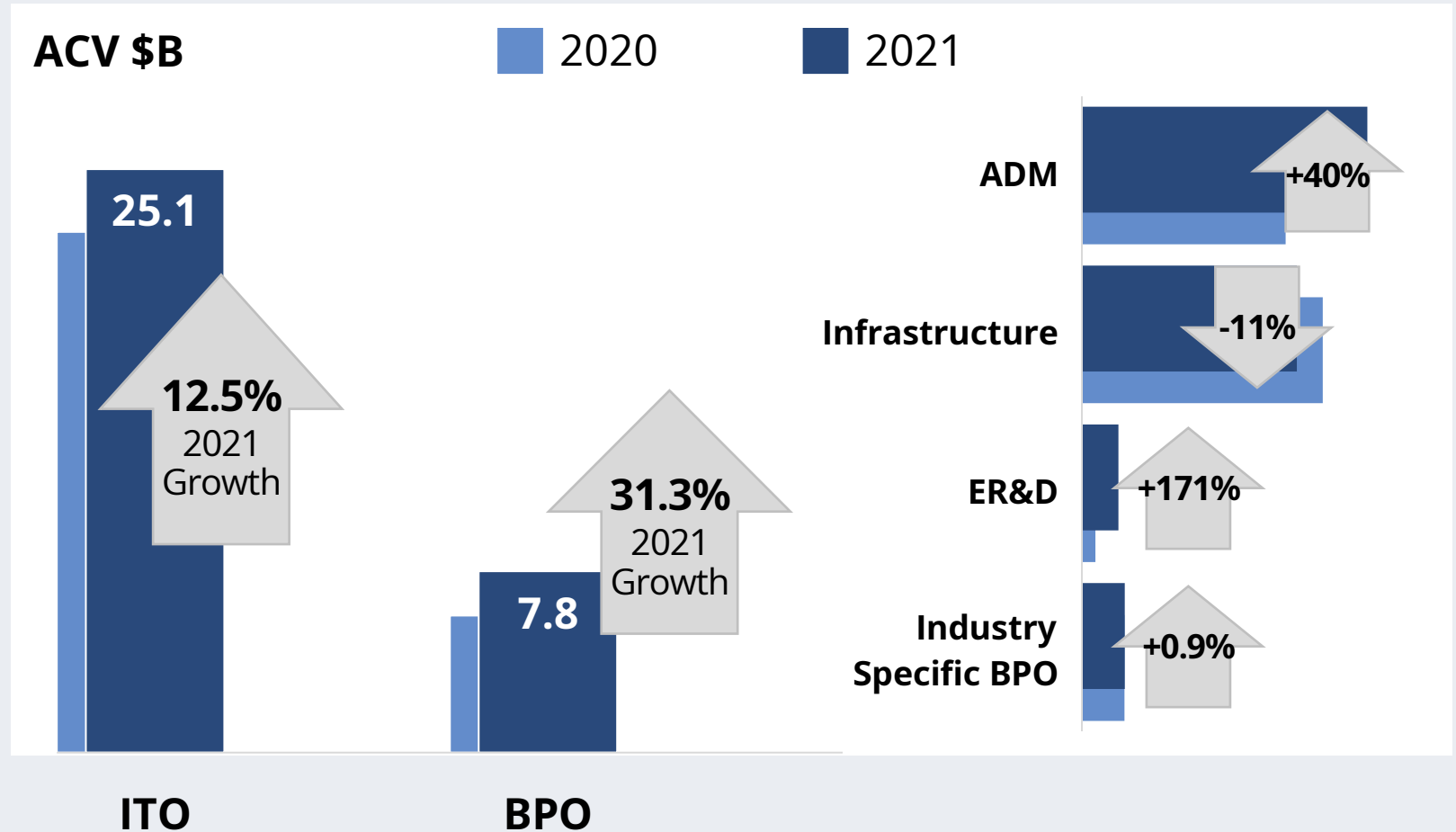
ITO ACV established a record high.

ADM ACV set a record with \$4B more than any other year.

Lowest result for Infrastructure ACV since 2013.

ER&D ACV generated nearly 3x more ACV than any other year.

FM/CRE and Contact Centers have rebounded but not recovered to 2019 levels.



ACV = Annual Contract Value



XaaS – Annual Results

2021 Trends

IAAS

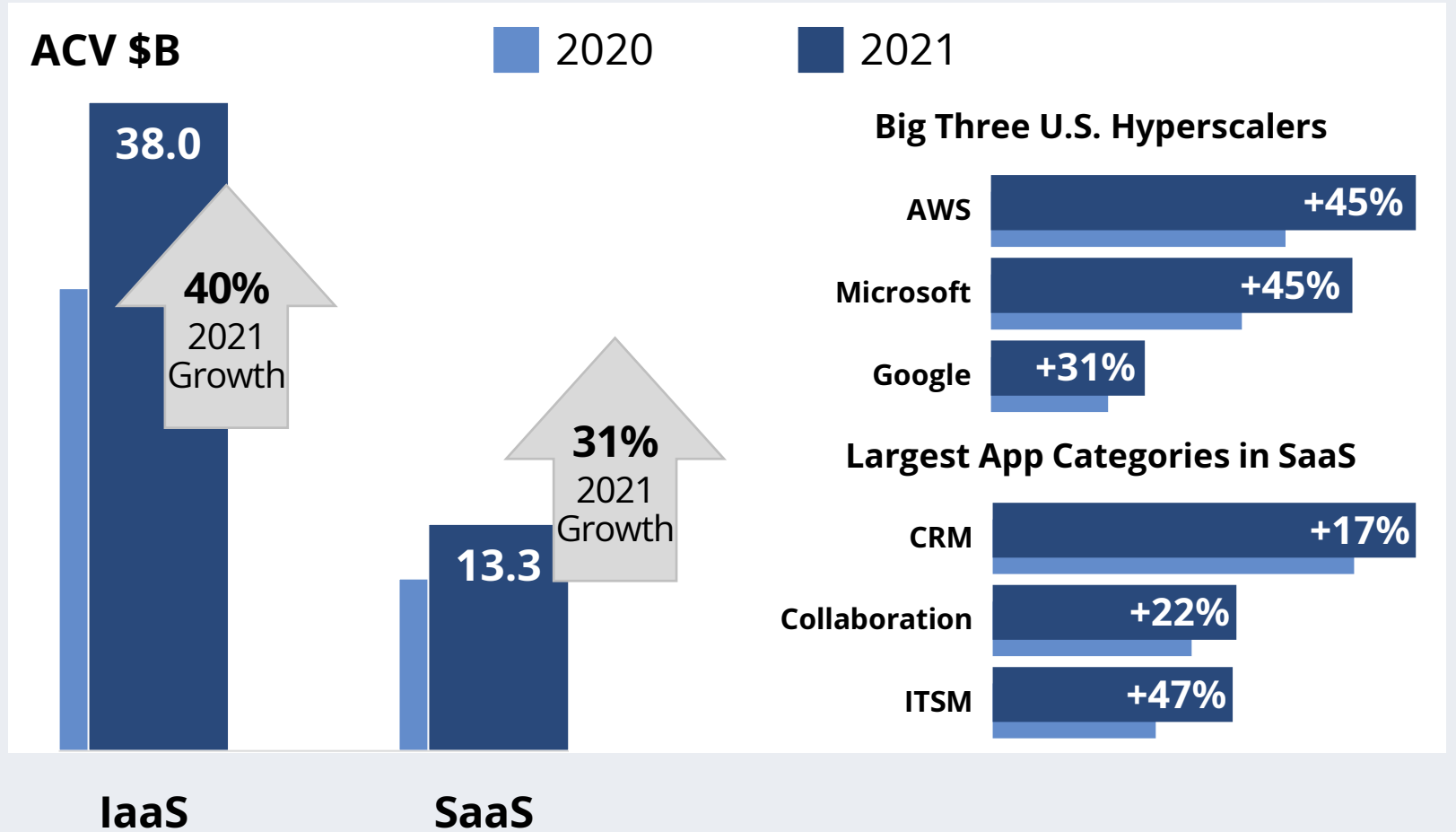
IaaS established record highs for 2021, yet slowed in 4Q21, growing by just 2.7% Q/Q.

U.S. hyperscalers (AWS, Azure, GCP) outperformed the general market in 4Q21 growing 7% versus 2.7% for broader market.

SAAS

31% annual growth for SaaS was best ever and much higher than the 2% decline in 2020.

Wider participation in the SaaS market as companies outside Top 10 have grown faster than overall market.



ACV = Annual Contract Value

Global Service & Technology Provider Standouts

Our ISG Contract KnowledgeBase™ 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 & Technology Provider Standouts – Global



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

Managed Services Market

As-a-Service Market

	The Big 15		The Building 15		The Breakthrough 15		The Booming 15	
	Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
	Accenture	HCL	Bechtle	Samsung SDS	EPAM Systems	Mphasis	Birlasoft	Persistent Systems
	Capgemini	IBM	CGI	Sitel Group	Exela Technologies*	Rackspace	EXL	Softtek
	Cognizant	Infosys	Computacenter*	Tech Mahindra	LG CNS	TietoEvy	Globant	WNS Global Services
	DXC Technology	TCS	Genpact	Teleperformance	LTI	TTEC	L&T Technology Services	
			Global Payments	T-Systems	Mindtree	Unisys		
			OptumInsight	Wipro				
	Adobe	Microsoft	Equinix	ServiceNow	Palo Alto Networks	Shopify	21Vianet	Okta*
	Alibaba	Salesforce	Intuit		RingCentral*	Twilio	Atlassian Corporation	OVH
	Amazon Web Services	Tencent *				UKG	Crowdstrike	Snowflake Computing
	Google Cloud						HubSpot*	Zoom Video

* New to leaderboard in 4Q21

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



Americas Broader Market Results

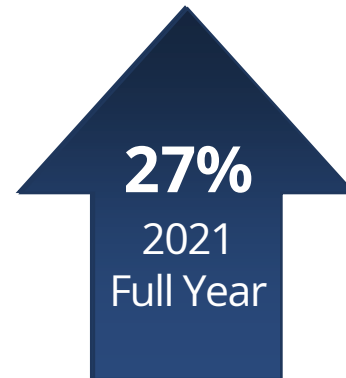
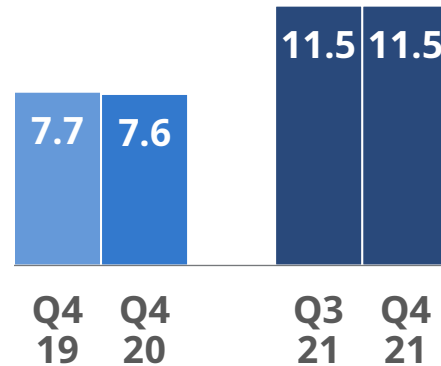
Quarterly Trends

Combined Market surpassed \$11B.

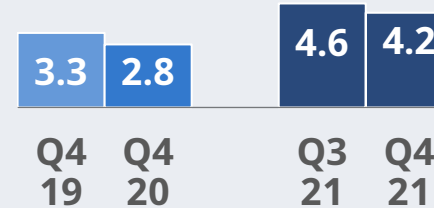
4Q21 Combined Market ACV saw \$4B in incremental ACV compared to 4Q20.

Combined Market was flat Q/Q.

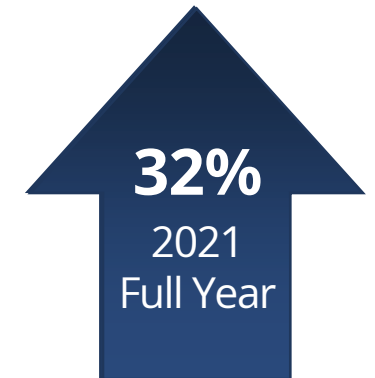
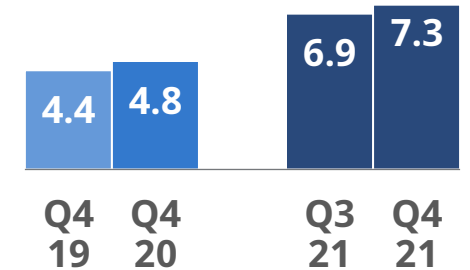
Managed Services surged past \$4B for second straight quarter, but sequentially ACV fell by 10% from 3Q21.



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value



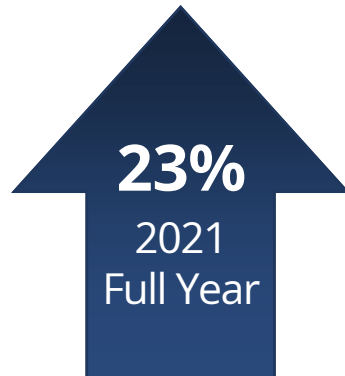
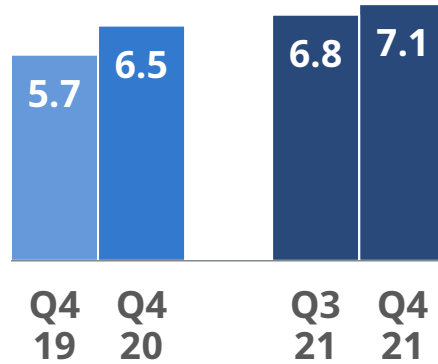
EMEA Broader Market Results

Quarterly Trends

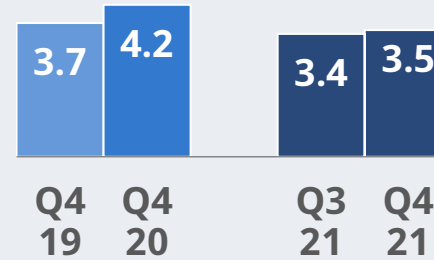
EMEA Combined Market ACV broke through \$7B ceiling.

EMEA Managed Services ACV surpassed \$3.4B for the fifth straight quarter.

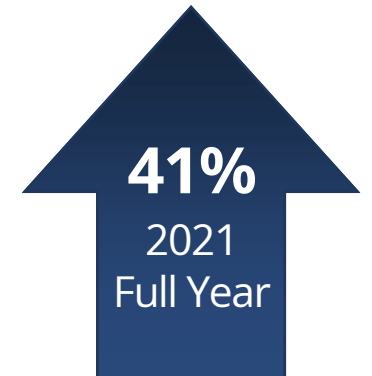
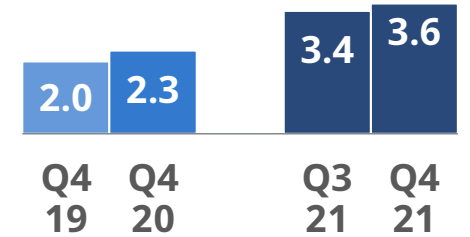
Managed Services quarterly Y/Y ACV declined 16% against a very difficult 4Q20.



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value



Asia Pacific Broader Market Results

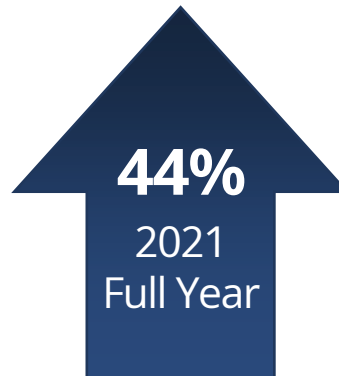
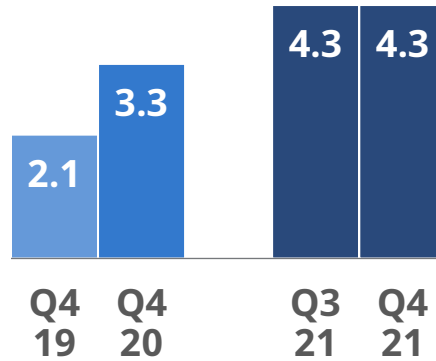
Quarterly Trends

Combined Market ACV up 31% Y/Y but slowed Q/Q, up 1%.

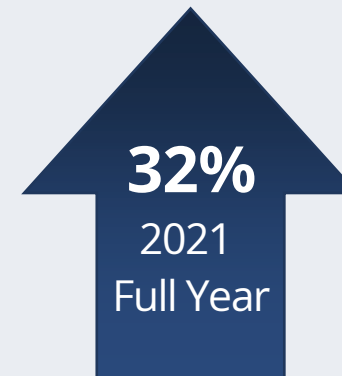
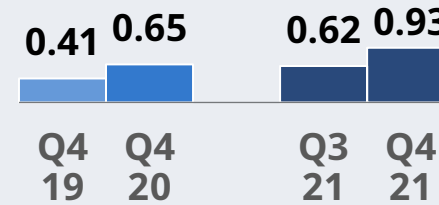
Managed Services ACV surpassed \$900M, up 43% Y/Y.

XaaS ACV posted a \$3B quarter for the third straight quarter but fell back sequentially by 7%.

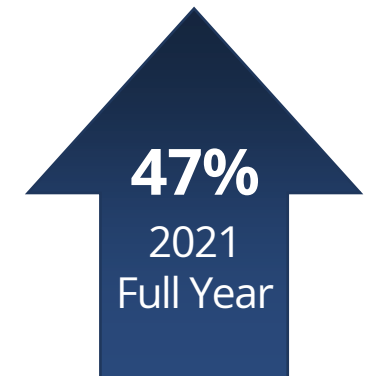
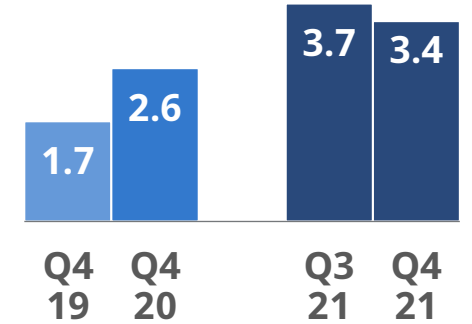
Rest of Asia (excluding China) IaaS grew 68% Y/Y and 18% Q/Q.



Combined Market



Managed Services

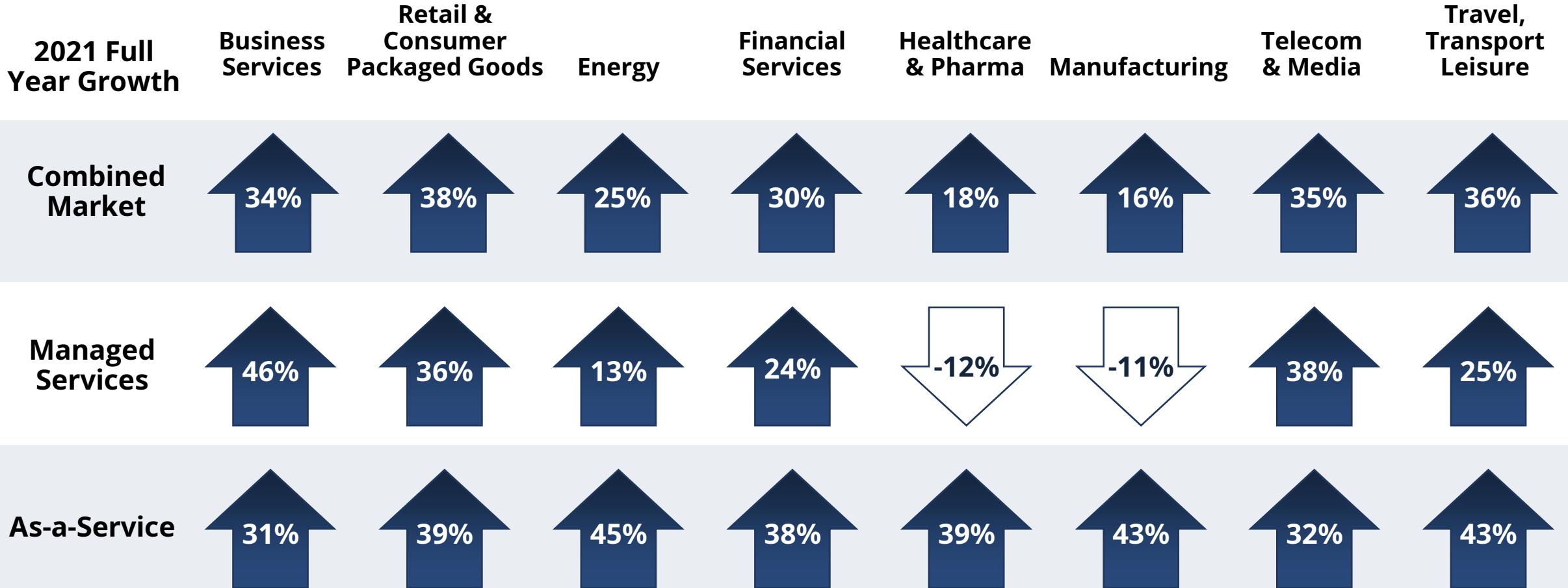


As-a-Service

ACV = Annual Contract Value



Global Technology Services Industry Award Trends



ACV = Annual Contract Value

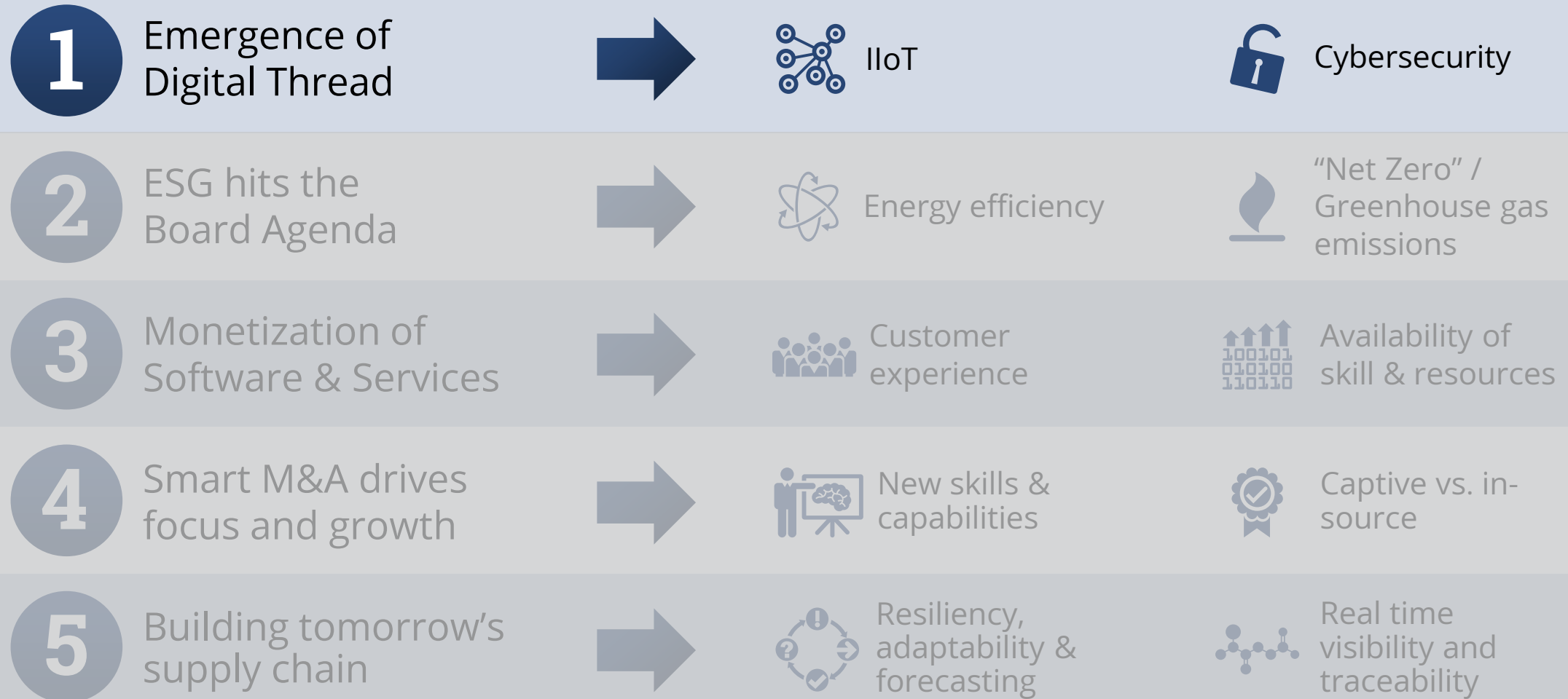
Special Topic - Industry



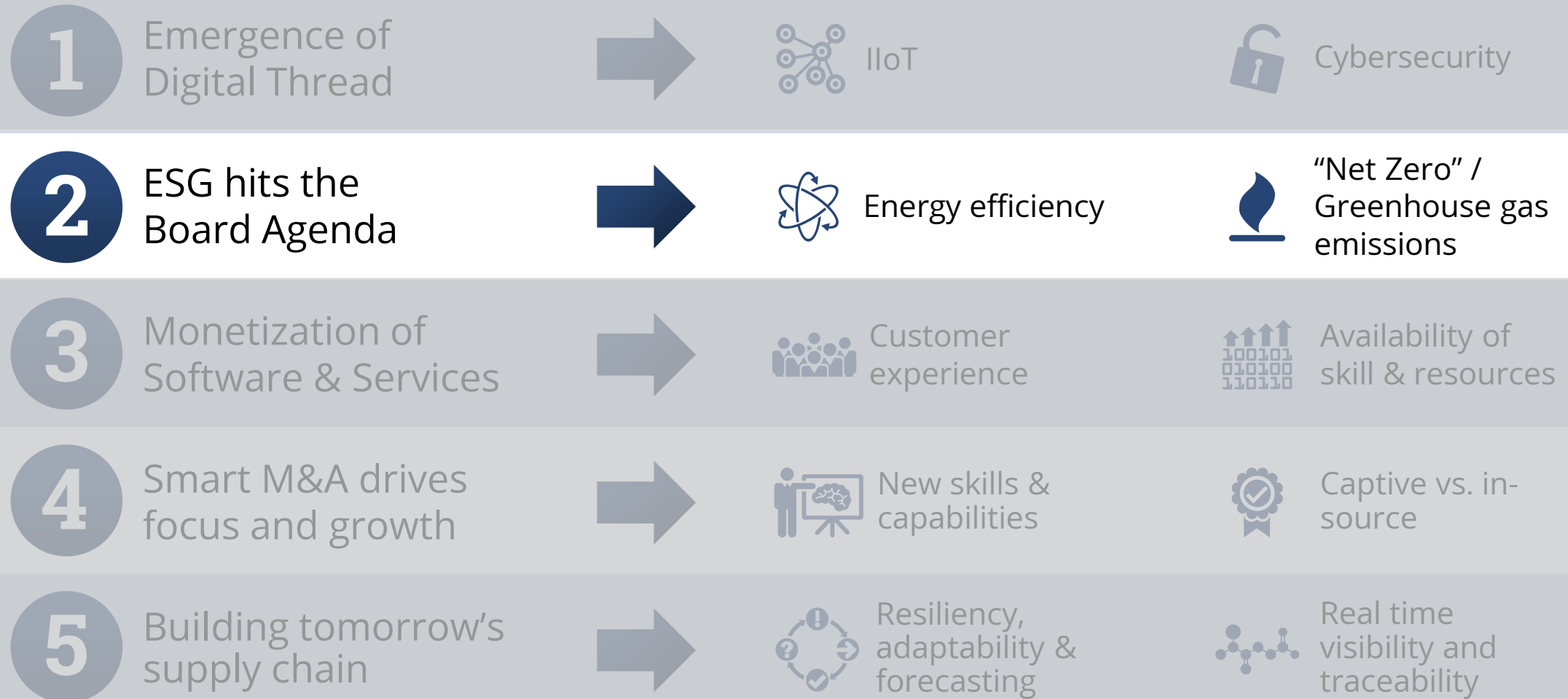
Christian Decker
Partner & Head, Smart Manufacturing

“Accelerating toward
a connected and
intelligent future.”

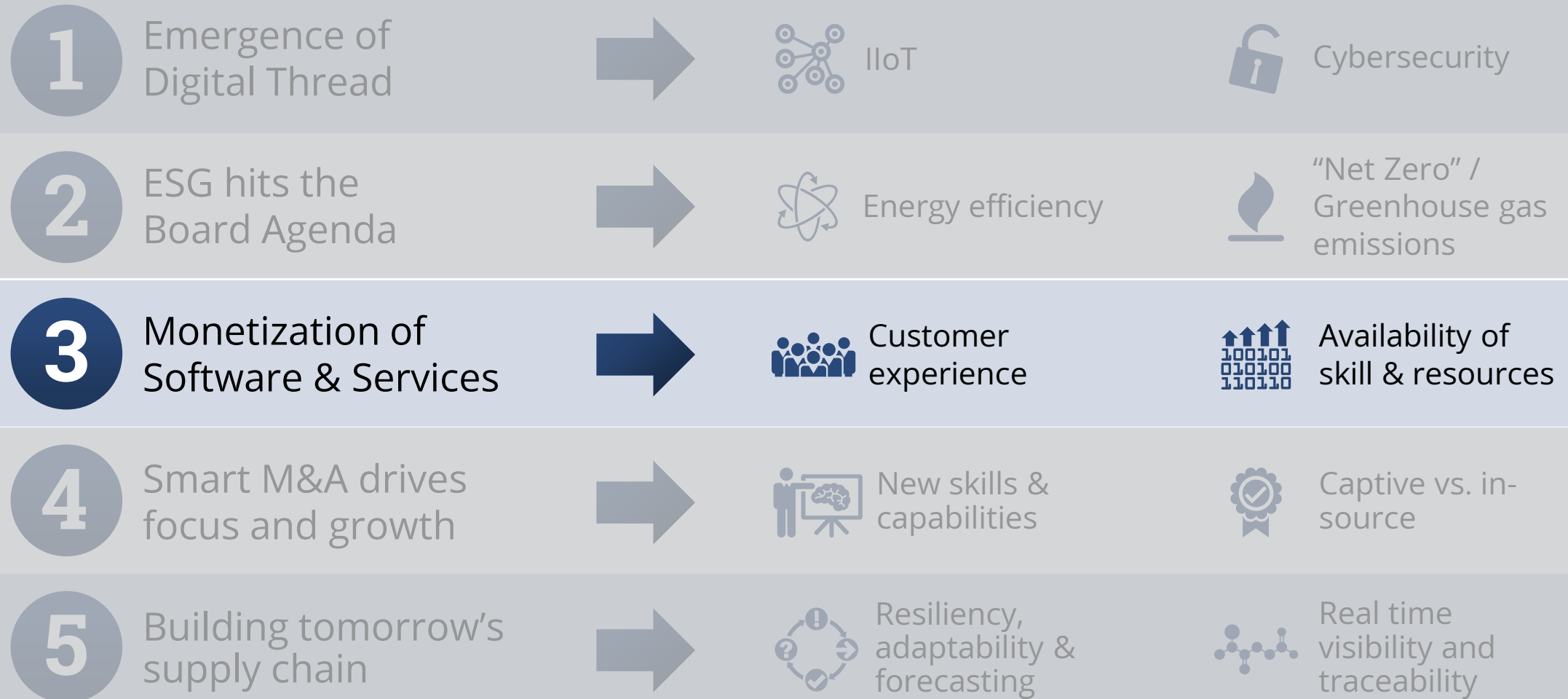
Top 5 Industry-specific Trends to Watch on C-level Agendas in 2022



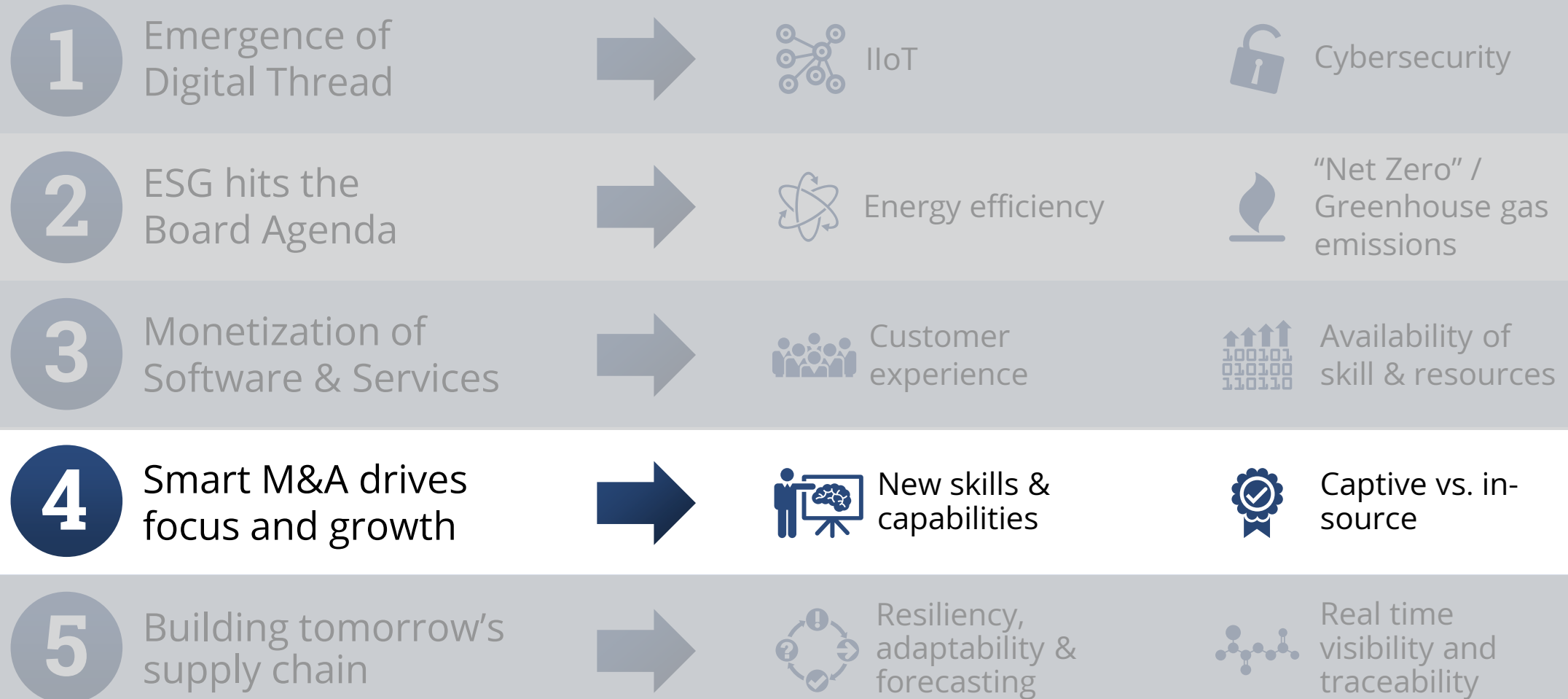
Top 5 Industry-specific Trends to Watch on C-level Agendas in 2022



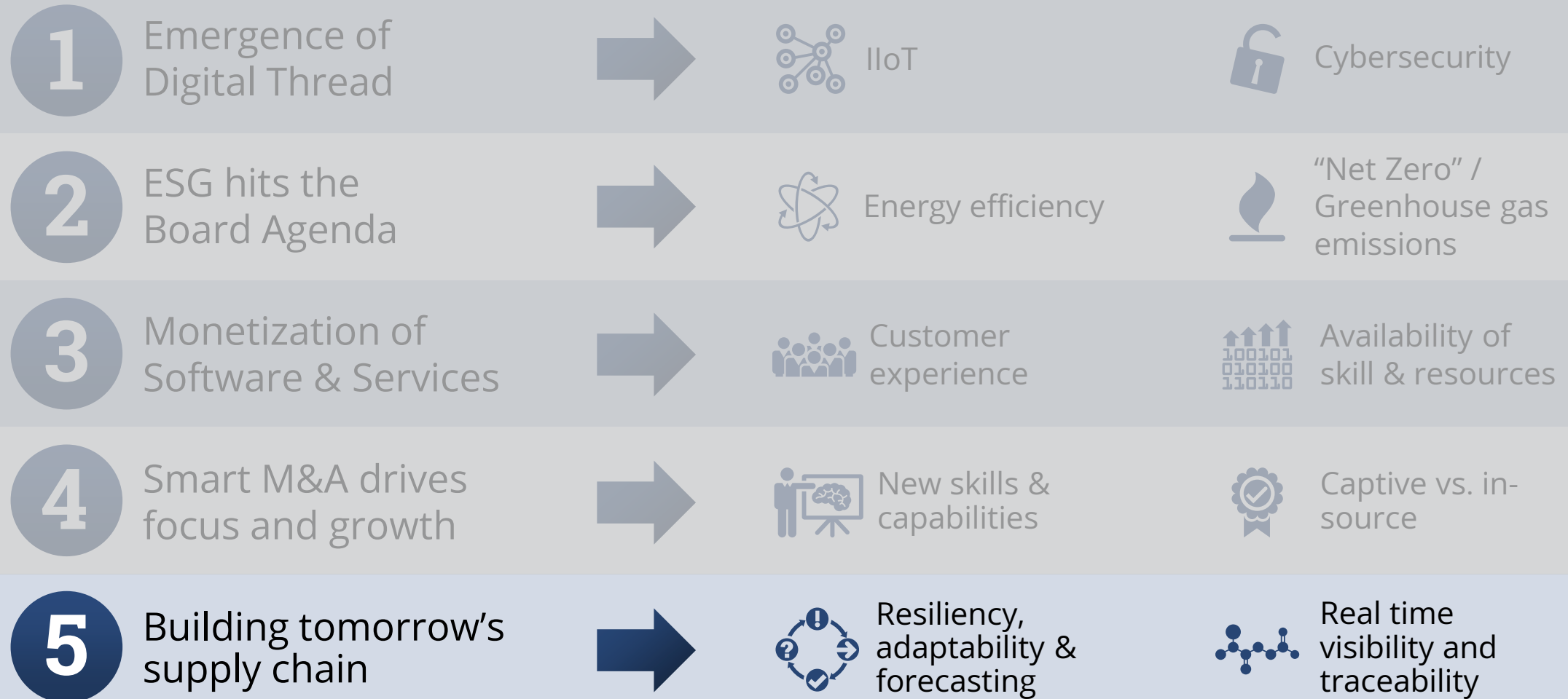
Top 5 Industry-specific Trends to Watch on C-level Agendas in 2022



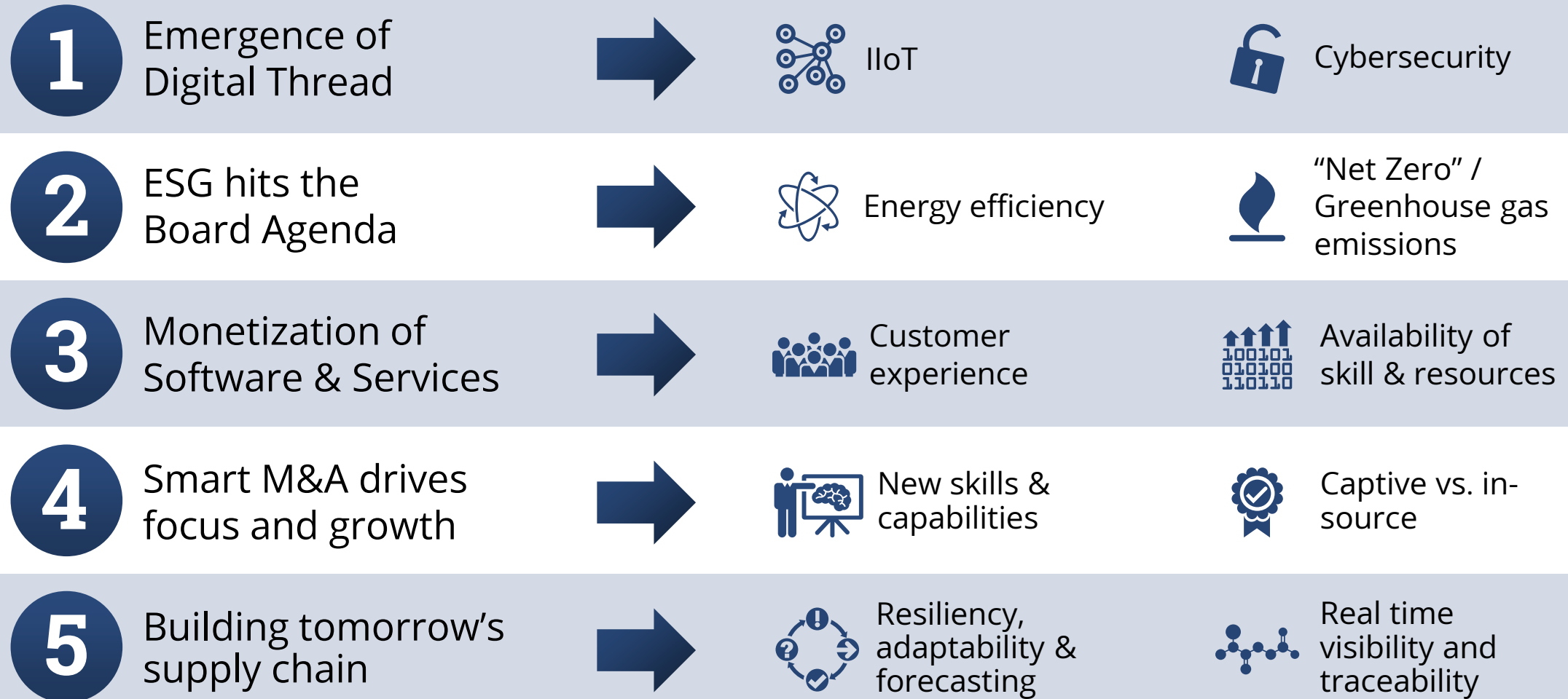
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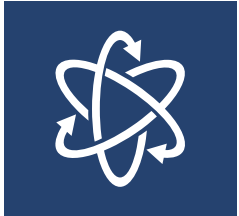
Top 5 Industry-specific Trends to Watch on C-level Agendas in 2022



Top 5 Industry-specific Trends to Watch on C-level Agendas in 2022



The Customer Agenda in Manufacturing



I want to leverage **Digital Transformation** to optimize, manage and connect my assets, my operations **to enable connected services**



How do I converge my enterprise IT transformation to my OT landscape to arrive at an **integrated IT-OT deployment roadmap**



I need to build an **integrated operating model** with clear **roles-responsibility split**, as the current IT-OT-ET organizations operate in **silos**



The IT-OT **cultures** are so different. When is the right time, and how do I **implement a change** in the organization?



How do I select and deploy an optimum **digital technology** landscape and exploit **power of cloud**, to gain more data insights, improve operational efficiency and optimize legacy?



How do I manage my **IT-OT-ET vendor landscape** which is fragmented and tactical and not delivering required optimal value?

IT - Information Technology
OT - Operational Technology
ET - Engineering Technology

M&A Activity Impacts Both Enterprises and Providers

Industrial Companies Acquiring Software and Services

Acquiring Firm	Acquired Firm	Price (USD)
Emerson Electric Co.	AspenTech	\$11B
Hitachi	GlobalLogic	\$9.6B
Samsung	Harman	\$8B
Panasonic	Blue Yonder	\$7.1B
Qualcomm	Veoneer	\$4.5B
Rockwell Automation Inc.	Plex Systems	\$2.2B
CNH Industrial	Raven Industries	\$2.1B
Fortive	ServiceChannel	\$1.2B
Hyundai Motor Company	Boston Dynamics	\$1.1B
Siemens AG	Supplyframe	\$700M
Fortive	InteleX	\$570M
Siemens	Fractal Technologies	\$500M

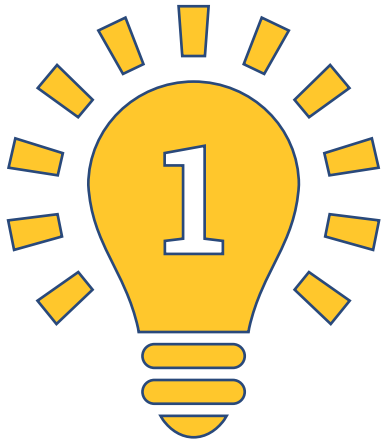
Includes pending M&A activity

*Estimate

Service Providers Acquiring ER&D Capabilities

Acquiring Firm	Acquired Firm	Price (USD)
Capgemini	Altran	\$4.0B
Adecco	Akka Technologies	\$2.4B
DXC	Luxoft	\$2B
Concentrix	ProKarma (PK)	\$1.6B
Accenture	Umlaut	\$1B
ÅF AB	Pöyry	\$700M
Cognizant	Softvision	\$500M+*
Akka Technologies	Data Respons	\$400M+*
Accenture	Imaginea	\$200M+*
HCL	GeometricPLM	\$190M
EPAM Systems	Dextrys	\$150M+*
Cognizant	ESG Mobility	\$100M+*

Summary: What Does This Mean for You?



The verticalization across IT-ET-OT toward a product-oriented E2E agile enterprise impacts the strategy, implementation and ultimately delivery models.



Tech spending in manufacturing will continue to increase as digital twins, digital transformation, cybersecurity and supply chain insights drive market.

4Q21 ISG Index – Summary and Outlook

Summary

Strong Demand Environment in Managed Services

- Managed Services up 16% , with the Americas posting its best year ever.
- ADM, ER&D combined to generate over \$5B in ACV versus 2020; offsetting the 11% decline in legacy infrastructure awards.

Consistent Highs in XaaS but Slowing in 4Q

- Record-setting ACV results for both SaaS and IaaS with at least 30% annual gains across each region.
- In 4Q21, both segments of XaaS slowing sequentially.

Outlook

Managed Services Forecast

- Solid pipeline of deals with an emphasis on digital transformation, cloud and data and analytics.
- Projected growth in 2022 will not match 2021 but will still be 2.5x the historical industry average growth rate from 2010-2020.



5.1%
2022e


As-a-Service Market Forecast

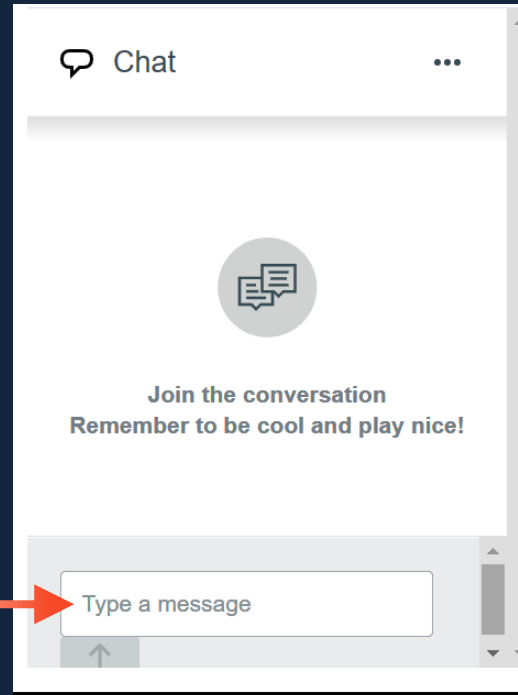
- IaaS market leadership has narrowed with Big 3 firmly protecting share; SaaS market is more democratized with smaller firms growing at a faster pace than Top 10 firms.
- Headwinds are front and center, but those companies with secular growth themes and pricing power will still outperform.



20%
2022e

Want to Ask a Question?

1. The "Chat" feature is to the right of the slides
2. Type your question and click the  up arrow to send it!



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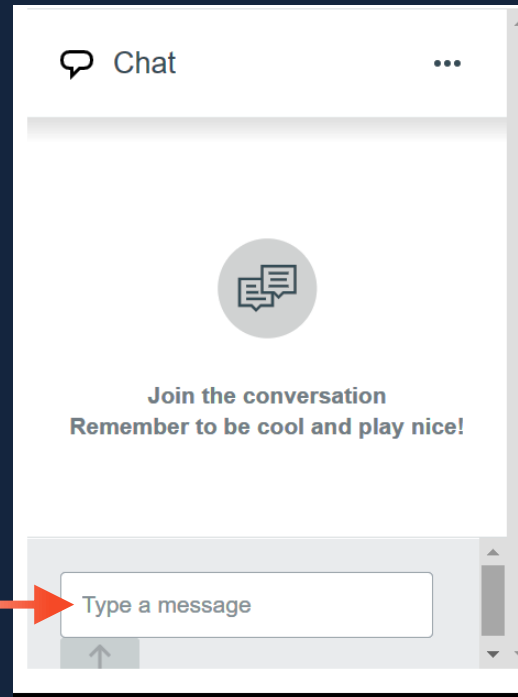
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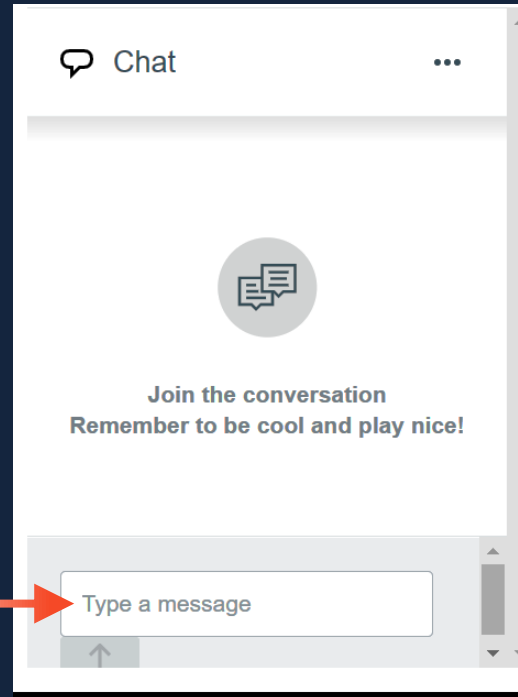
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Thank you!

The 77th Quarterly
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Appendix



Service & Technology Provider Standouts – Americas



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

Managed Services Market

	The Big 15		The Building 15		The Breakthrough 15		The Booming 15	
	Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
	Accenture AT&T Capgemini Cognizant DXC Technology HCL	Infosys Kyndryl* NTT Data Tata Consultancy Services	CGI Concentrix Conduent* Genpact Global Payments	Hitachi Vantara OptumInsight Sitel Group Tech Mahindra Teleperformance* Wipro	EPAM Systems Exela Technologies LTI Mindtree	Mphasis Rackspace TTEC Unisys	Birlasoft Coforge Ensono EXL GEP Globant HGS	L&T Technology Services Persistent Systems Softtek WNS Global Services
As-a-Service Market	Adobe Systems Amazon Web Services	Google Cloud Microsoft Salesforce	Equinix Intuit	ServiceNow Workday	Akamai* Palo Alto Networks RingCentral	Shopify Splunk Twilio UKG	Atlassian* CrowdStrike HubSpot*	Snowflake Computing Zoom Video Communications

* New to leaderboard in 4Q21

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



Service & Technology Provider Standouts – EMEA



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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		Bechtle	Sopra Steria	AKKA Technologies	Rackspace	Atea	NNIT A/S
	Atos	IBM	Capita	Tech Mahindra	Asseco*	Reply SpA*	ENDAVA	StarTek*
	BT	Infosys	CGI	Teleperformance*	EPAM Systems	Swisscom	Fastweb*	WNS Global Services
	Capgemini	Kyndryl*	Computacenter	T-Systems	LTI	TietoEvry	KPIT Technologies	
	Cognizant	Tata Consultancy Services	Orange	Wipro	Mindtree	Unisys		
	DXC Technology		Serco		Mphasis			
	HCL							
As-a-Service Market	Amazon Web Services	Microsoft	Autodesk	United Internet*	Nice Systems	Shopify*	Atlassian	Okta*
	Google Cloud	SAP*	Equinix	Vmware	Palo Alto Networks*	Twilio	DigitalOcean	OVH
							Global Switch	Visma
							IFS AB*	Zscaler

* New to leaderboard in 4Q21

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Service & Technology Provider Standouts – Asia Pacific



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	Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
Managed Services Market	Accenture	Infosys	Amdocs	Samsung SDS	Digital China	Rackspace	Beyondsoft*	SSsangyong Information & Communications*
	Capgemini	NEC*	CGI	Serco*	LG CNS*	SCSK*	Chinasoft*	
As-a-Service Market	DXC Technology	Tata Consultancy Services	Genpact	Tech Mahindra	Mindtree	SK C&C*	Data#3	Taiji Computer
	IBM		IT Holdings (TIS)*	Wipro	Neusoft	transcosmos	HGS*	WNS Global Services
			Nomura Research Institute*		NS Solutions*	TTEC	PCCW Solutions*	
						Unisys		
	Alibaba	Google Cloud	Autodesk	Equinix	Palo Alto Networks	Splunk	21Vianet	Keppel DC REIT
	Amazon Web Services	Huawei	Citrix	ServiceNow	Sage*	Twilio	Atlassian Corporation	Kingdee
	Baidu*	Microsoft	Dassault Systemes	Telstra			DigitalOcean	Xero
	China Telecom	Tencent					Global Switch	

* New to leaderboard in 4Q21

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



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