

Managed Services & As-a-Service Market Insights

January 12, 2023

HOSTED BY



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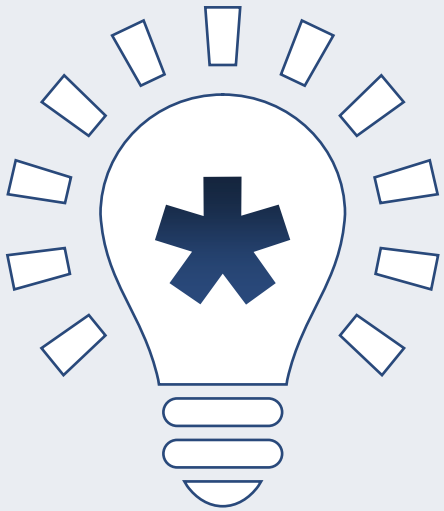
***ISG** Index™

4Q 2022

imagine your future®

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4Q22: Three Big Thoughts



1

Record 2022 bookings imply healthy revenues in 2023.

2

Supply-side constraints are normalizing.

3

Enterprises focusing on cost optimization and near-term ROI.



Global Broader Market Results

Quarterly Trends

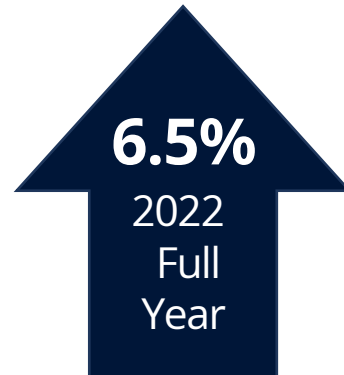
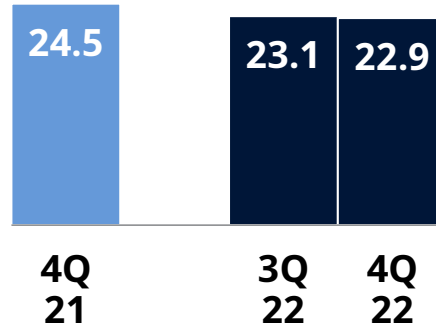
Combined Market Y/Y growth fell 7%, representing a second straight quarterly Y/Y decline

China tech accounted for \$2B drop Y/Y

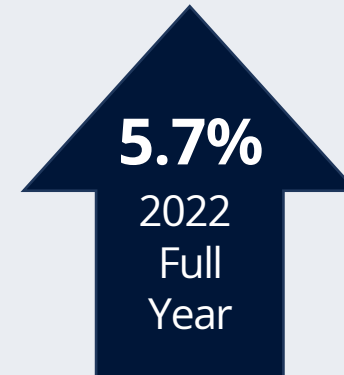
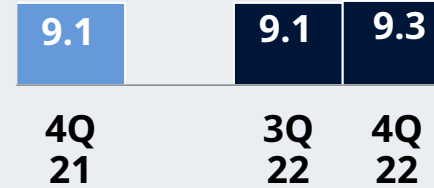
Managed Services up 2% Y/Y; ACV remained over \$9B for sixth straight quarter

XaaS ACV fell 12% Y/Y; quarterly decline was the lowest ever globally for the XaaS Segment

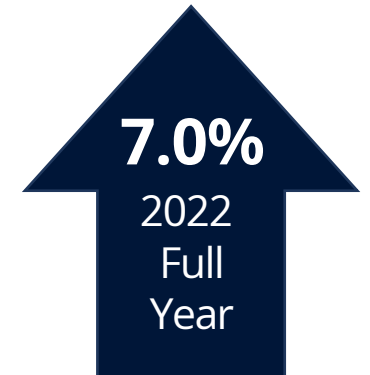
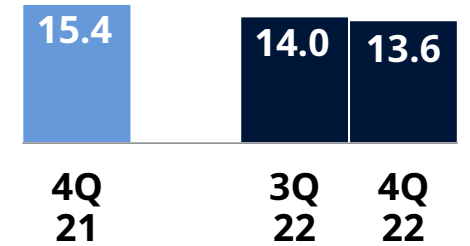
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value

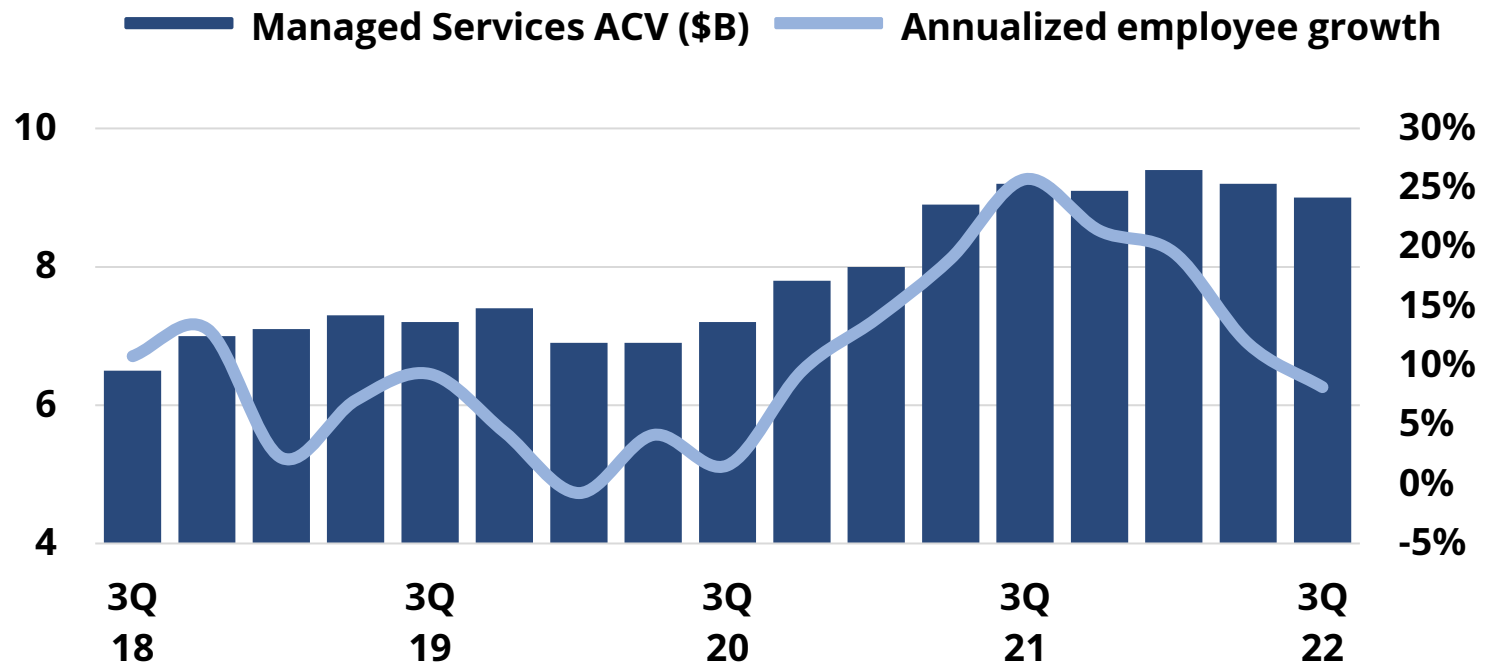
Supply Side Constraints Are Stabilizing

Supply side constraints easing up as hiring returns to pre-pandemic levels

Attrition also moderating, but demand for consulting, industry and tech skills remains strong

Talent retention will be key

IT Services Hiring Returns to Pre-Pandemic Levels



Source: ISG, 2022; Managed services awards with > \$5M Annual Contract Value (ACV); Annualized employee growth based on publicly reported data from 18 leading IT services providers

Enterprises Are “Buying Smart”

Didn't see any significant changes in pricing in 4Q22

But continue to see increases in hourly rates for in-demand skills

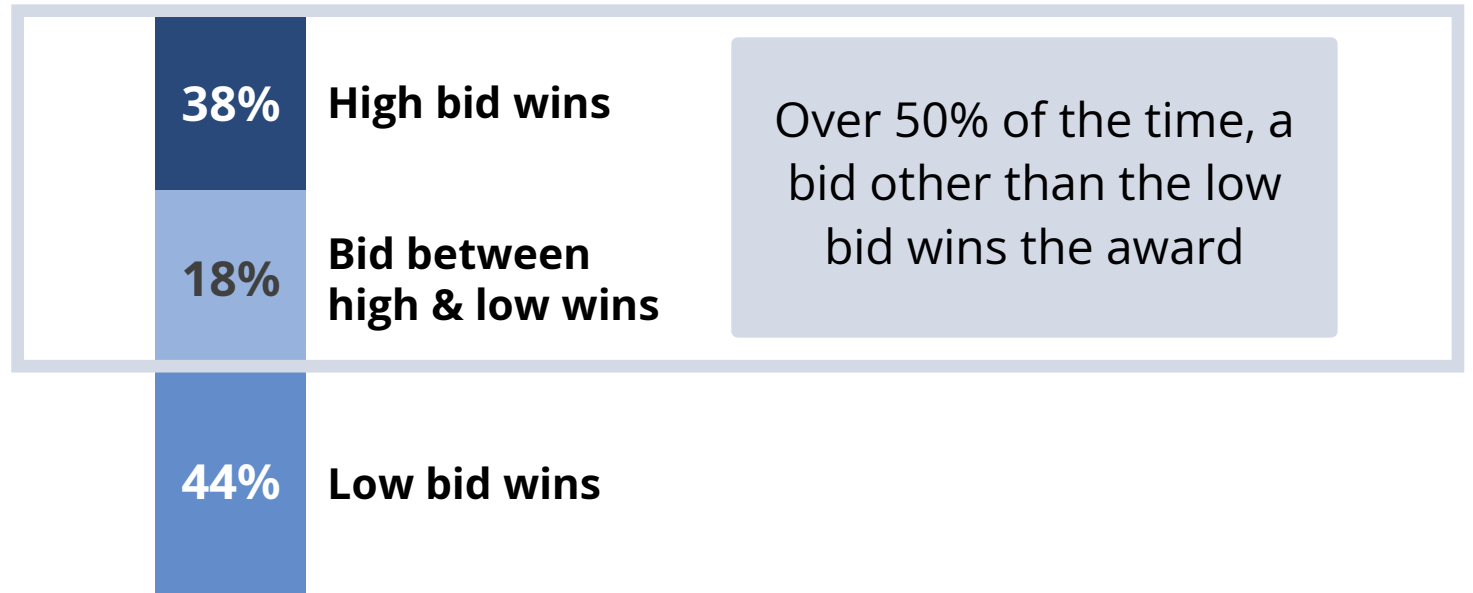
While Managed Services prices continue Y/Y declines

Providers delivering what they are good at feel less pressure

Enterprises increasingly willing to pay more for industry expertise & committed outcomes

Result: Lowest bid not always the winner

The Lowest Bid Is (Still) Not Always the Winner



Distribution of winning bids

Source: ISG 2022; analysis of a sample of ISG-advised, competitive awards representing ≈ \$3.2B TCV; 2015 – 3Q22



Managed Services ITO/BPO Results

Annual Trends

Second-best year ever for ITO, down 4%

Applications accounted for 60% of the total ACV awarded in 2022

Infrastructure ACV, weighed down by weaker second quarter, declined 7%

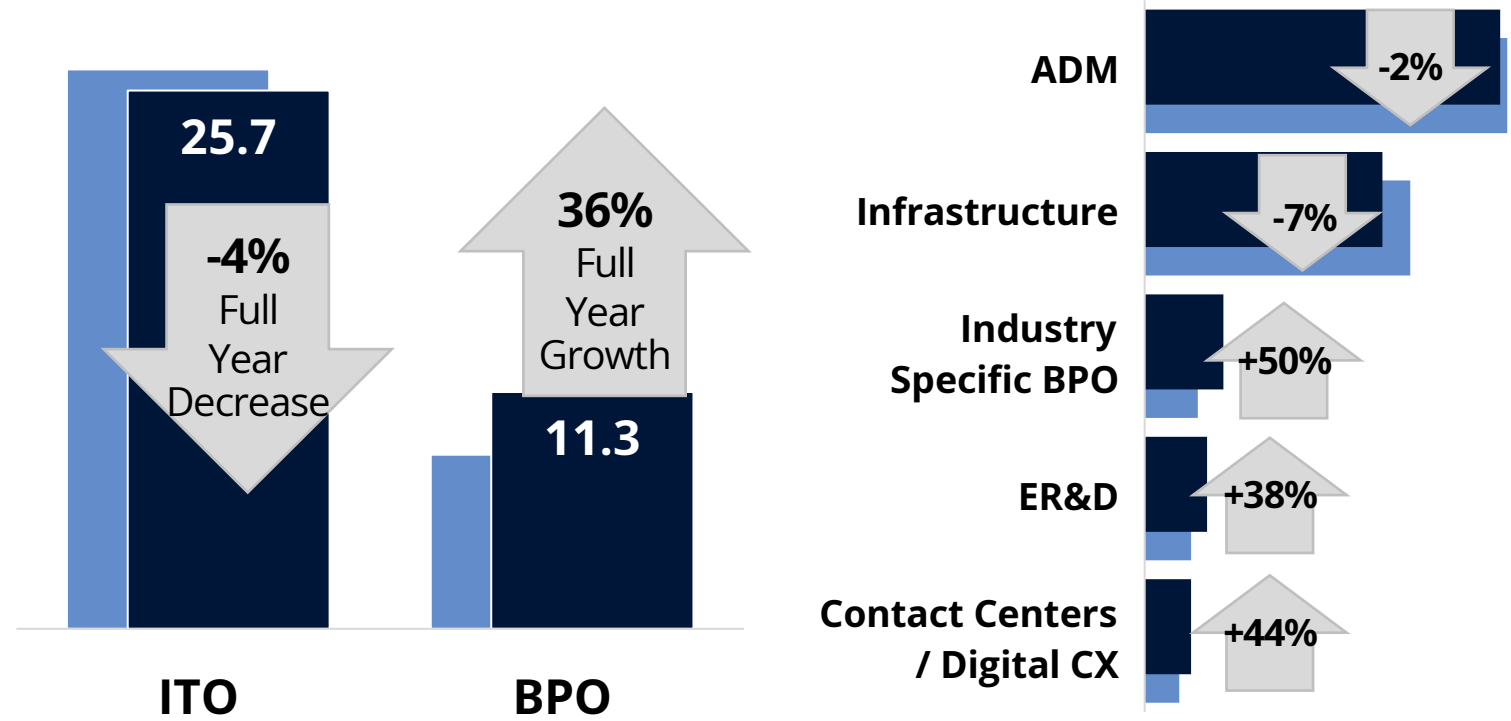
BPO ACV up 36%; best year ever with record-setting results in the Americas

Industry-Specific BPO up 50% on strength in Americas; ER&D up 38%, driven by high activity in EMEA and Manufacturing

ACV \$B

2021 FY

2022 FY





IaaS Results

Annual Trends

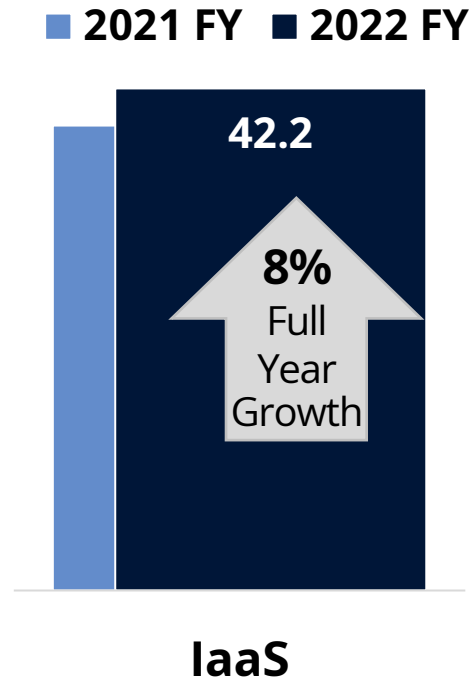
IaaS up 8%; slowest annual growth rate ever

Americas and EMEA posted growth of 29% and 23% respectively, but China weighs on segment results

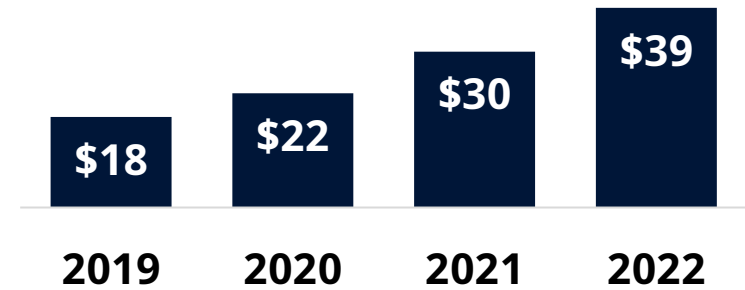
Big 3 hyperscalers (AWS, Azure and GCP) decelerated with 30% growth, down from 2021's 43% combined growth rate

Hyperscalers beginning to grapple with OpEx issues

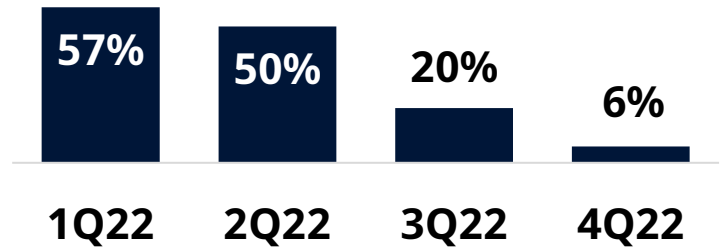
ACV \$B



Excluding Chinese Hyperscalers, IaaS Up 28% Annually



Quarterly ACV Y/Y Growth: AWS, Azure, GCP



ACV = Annual Contract Value



SaaS Results

Annual Trends

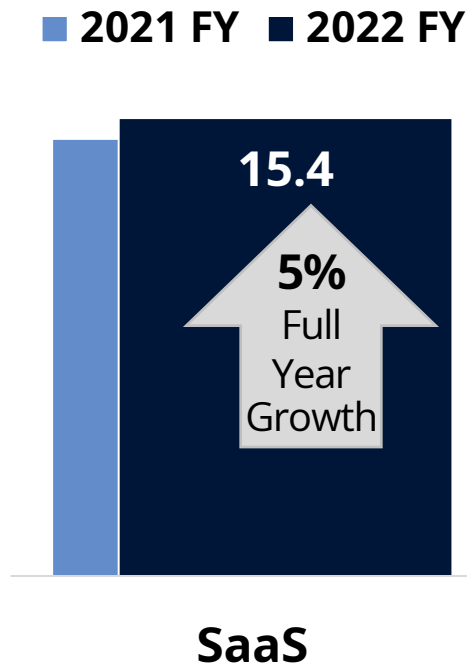
SaaS ACV of \$15.4B up 5%; ACV decelerated 1Q22 – 3Q22, but staged comeback in 4Q22

By category, IT service mgmt., HCM and Analytics/BI up significantly, while content mgmt., collaboration and CRM down significantly

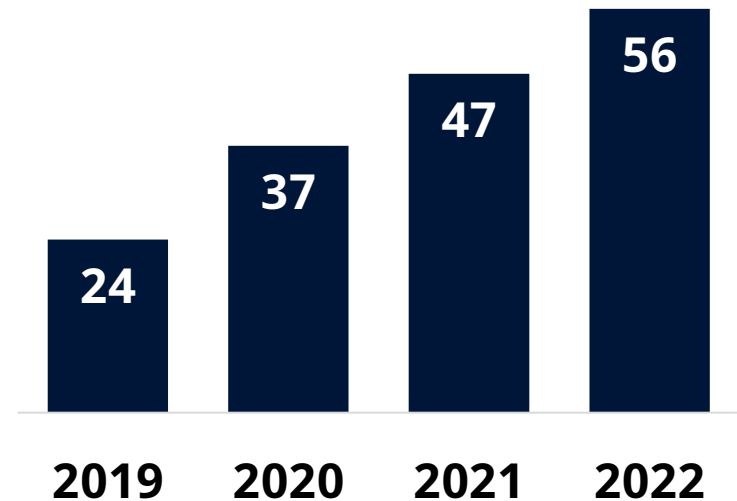
However, SaaS market democratization continues

More \$1B+ SaaS firms than ever before, up nearly 20% Y/Y

ACV \$B



\$1B+ SaaS Firms



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.

| | 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 | Amadeus | Sabre | Alten | Rackspace | ChinaSoft | Majorel* |
| | Capgemini | Infosys | Concentrix | Sitel | EXL | TELUS International | Coforge | NNIT A/S |
| As-a-Service Market | Cognizant | Kyndryl | EPAM Systems | Sodexo* | Globant | TTEC* | Ensono | Persistent Systems |
| | Deloitte | TCS | Genpact | Tech Mahindra | Mphasis | Unisys | KPIT Technologies | Softtek |
| | DXC Technology | Wipro | LTIMindtree* | T-Systems | | | L&T Technology Services | |
| | HCL | | OptumInsight | | Atlassian | Okta* | 21Vianet | DigitalOcean |
| | Amazon Web Services | Microsoft | Equinix | ServiceNow | CrowdStrike | Snowflake | Bill.com* | Switch* |
| | Google | Oracle* | Palo Alto Networks | Workday* | Datadog* | Twilio | CloudFlare* | Zscaler |
| | | | | | DocuSign | | | |

* New or returning to leaderboard in 4Q22

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



Americas Broader Market Results

Quarterly Trends

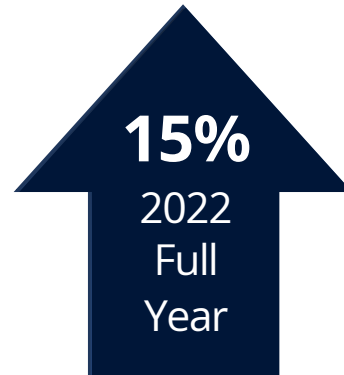
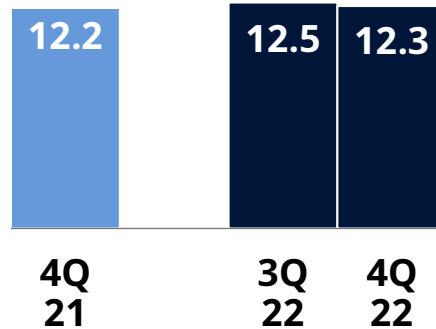
Americas Combined Market ACV sees third straight quarter of sequential decline

Managed Services flat Y/Y; generating sixth straight quarter above \$4.5B

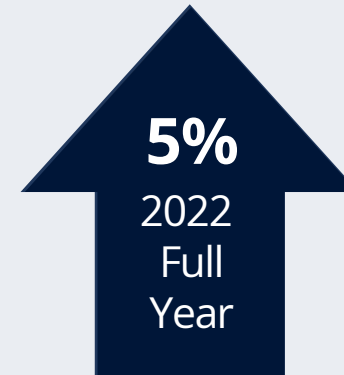
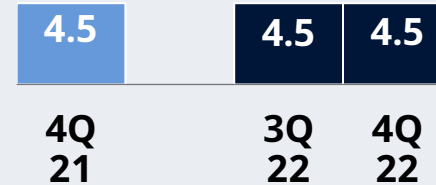
Best quarter ever - Managed Services New Scope ACV of \$3.3B

XaaS ACV up 1.4% Y/Y; slowest Y/Y growth ever

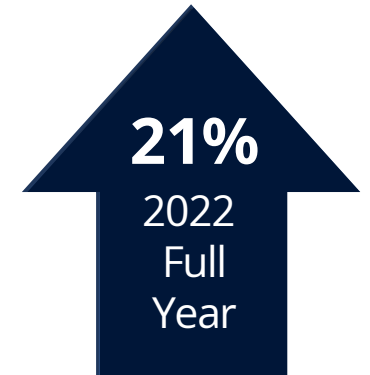
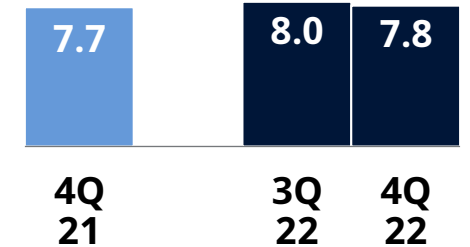
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value



EMEA Broader Market Results

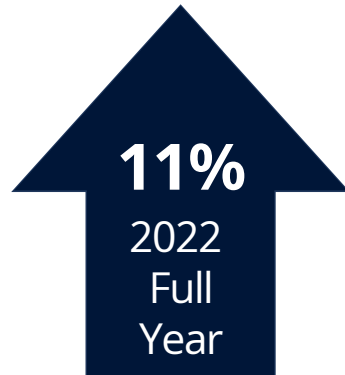
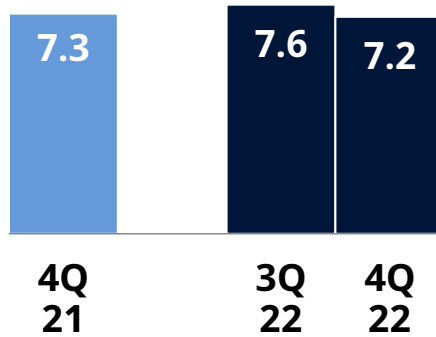
Quarterly Trends

EMEA Combined Market fell slightly Y/Y and Q/Q, but did remain above \$7B for sixth straight quarter

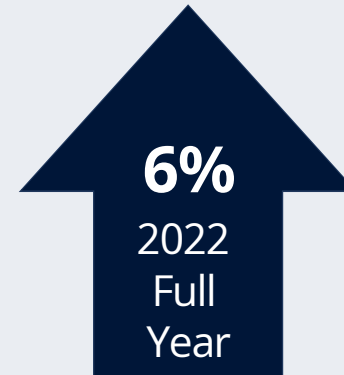
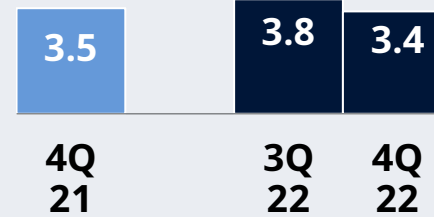
EMEA Managed Services down 3% Y/Y; second straight year to see a 4Q decline; strength in DACH couldn't offset weaker results in U.K.

EMEA XaaS growth flat Y/Y; slowest quarterly growth since 1Q15

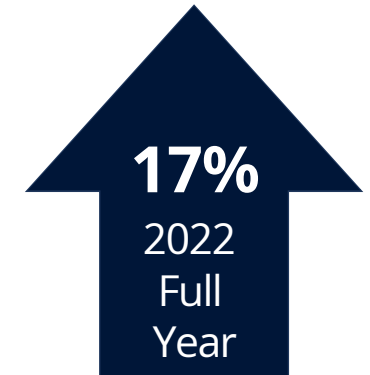
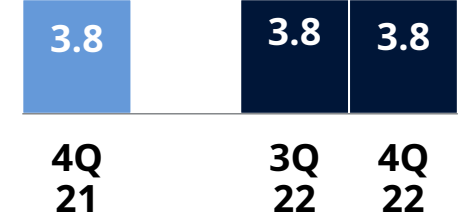
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value



Asia Pacific Broader Market Results

Quarterly Trends

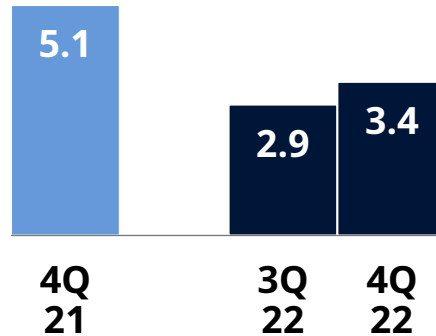
Combined Market down 33%
Y/Y; third straight quarterly
decline of -30%

Removing impact of China
hyperscalers, Combined Market
up 10% Y/Y

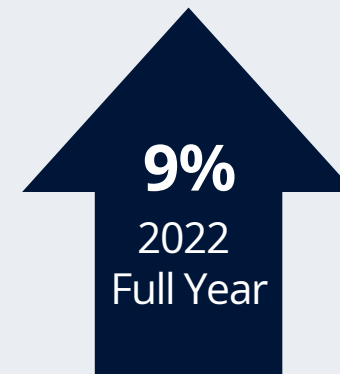
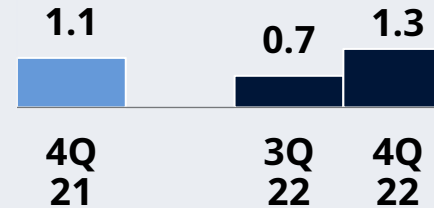
Managed Services ACV up 21%
Y/Y

Second-best quarter ever on
strength in ANZ and Southeast
Asia

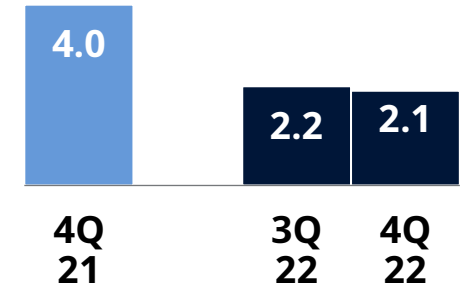
ACV \$B



Combined Market



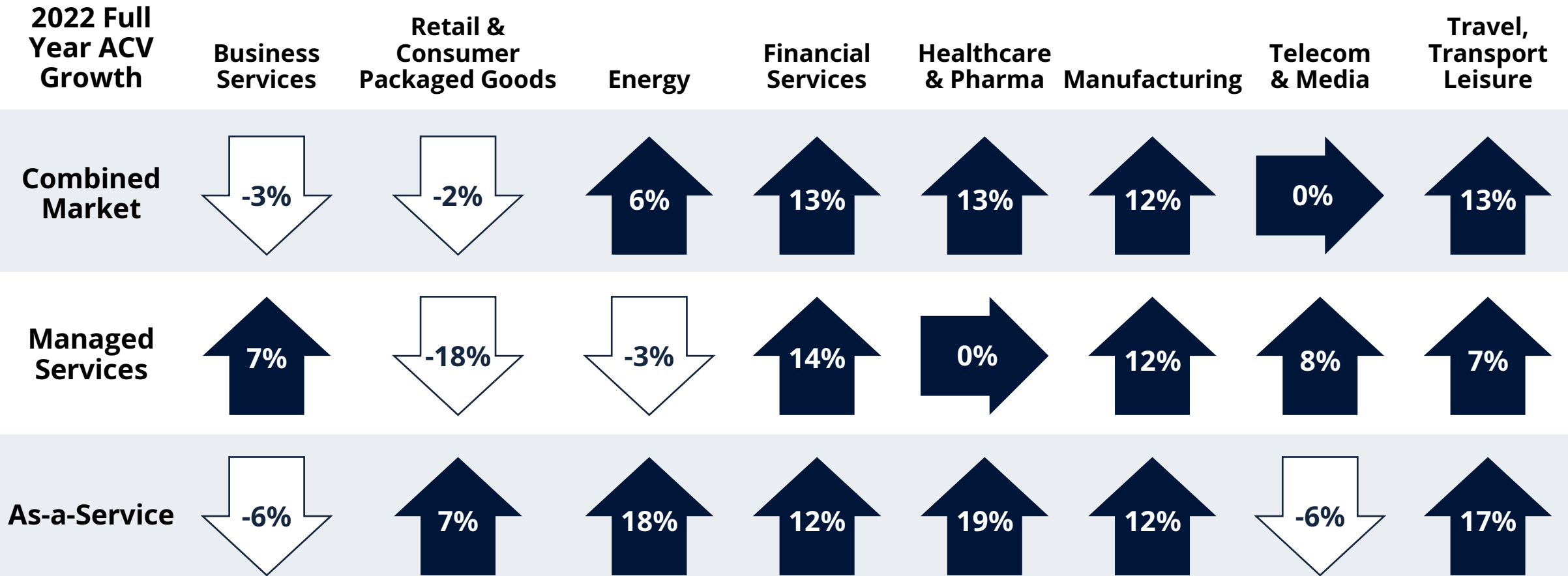
Managed Services



As-a-Service



Global Technology Services Industry Award Trends



Summary and Outlook

Summary

Managed Services

- Managed Services consistent through 2022 with four straight quarters above \$9B; best year ever for Americas and EMEA
- BPO had record-setting year with high in ER&D, Industry-Specific BPO and Contact Center/Digital CX
- ITO down 4% with ADM remaining fairly static and legacy Infrastructure falling 7%

XaaS

- SaaS weakness manifested itself midyear, especially around discretionary items such as adtech, collaboration and CRM; slowing sales cycles and greater scrutinization on larger deals followed
- IaaS slowed in October timeframe as Big 3 hyperscalers began to have issues with slowing customer demand as well as struggles with bloated cost structures

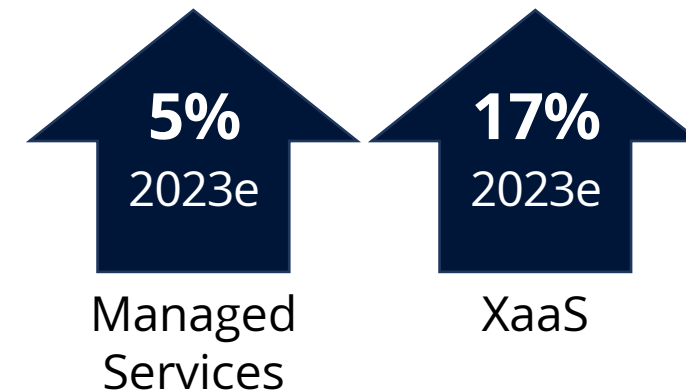
Market Outlook

Macro Risks

- 2022 had lots of cross-currents; many caused by the two I's (Interest Rates and Inflation)
- 2023 could surprise to the upside (less hawkish Fed, China re-opening, weakening dollar, aggressive cost cutting to defend margins, supply chain normalization, etc.)

Forecast

- Enterprises remain committed to cloud-first architectures
- Tone shift toward cost savings should favor managed services
- Enterprises green-light shorter duration projects with quicker ROI's



Thank you!

The 81st Quarterly
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