ISG Index™

EMEA SUMMARY 2019

Managed Services and As-a-Service Market Insights

HOSTED BY NEIL STEER OF REDBURN PARTNERS

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Welcome to the EMEA

ISG Index™

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

At a Glance – 2019

Europe Combined Market

2H19 EMEA Combined Market ACV accelerated 11% Y/Y; Managed Services increased 13% Y/Y supported by several large awards in UK and DACH; As-a-Service ACV up Y/Y on strong growth in SaaS market.

UK and Ireland

UK&I Combined Market up 22% Y/Y despite Brexit uncertainty; Managed Services increased 35% as enterprises focus on cost take out; As-a-Service ACV exceeded €1B for third straight half.

DACH

DACH Combined Market up 2%, benefiting from strong 2H; Managed Services down 4% on weakness in Energy and Manufacturing; As-a-Service grew at fastest rate among each of the major European markets.

Nordics

Nordics Combined Market was up 24% Y/Y; Managed Services accelerated Y/Y on stronger ITO results; As-a-Service ACV consistent, with fourth straight half surpassing €300M.

France

France Combined Market down slightly Y/Y; Managed Services fell Y/Y against difficult compare; ACV was lighter both Y/Y and sequentially.

* Managed Services, formerly referred to as Traditional Sourcing, includes the ITO/BPO, Infrastructure, ADM and Network markets upon which ISG has always reported.

	2H19 ACV (€B)	2H Y/Y Change	2019 Full Year ACV (€B)	2019 Full Year Change
EMEA Combined Commercial Market	8.5	11%	17.1	10%
By Type				
Managed Services *	5.3	13%	10.7	8%
As-a-Service	3.2	8%	6.4	13%
By Region				
UK and Ireland	2.8	22%	5.5	13%
DACH	2.7	2%	4.7	-1%
Nordics	0.9	24%	2.1	15%
France	0.6	-4%	1.3	15%

EMEA Commercial Sector

Contracting Trends

- Combined Market posted second-best half-year result ever as enterprises move to hybrid and multi-cloud environments.
- ITO pulled back on lighter results in both Applications and Infrastructure while BPO was up with Facilities Management and Contact Centers leading the way.

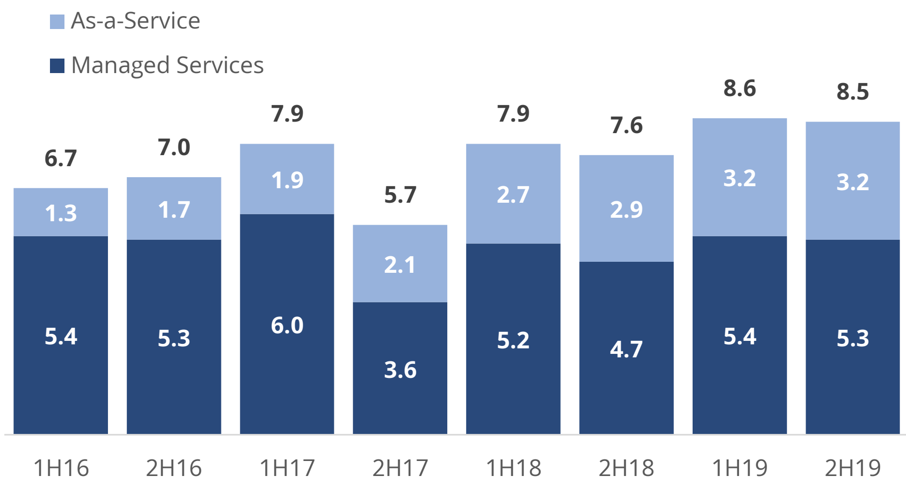
Combined Market ACV **10%** 2019 FY

Managed Services ACV **8%** 2019 FY

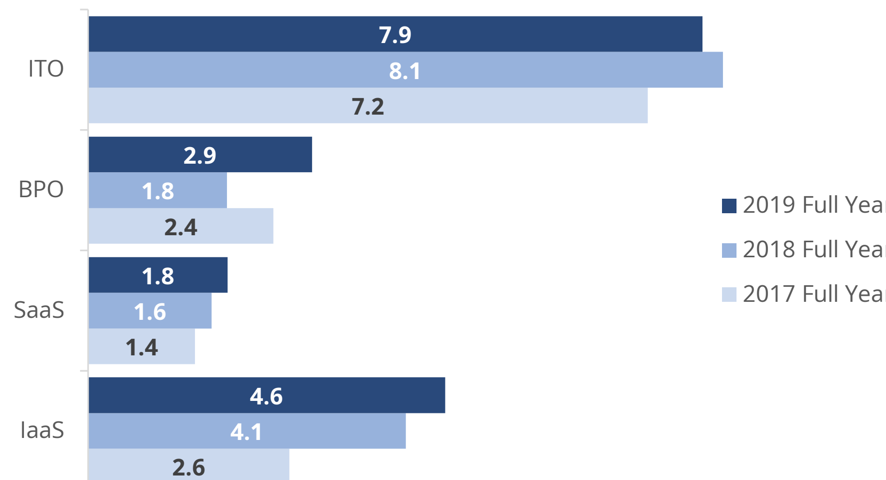
As-a-Service ACV **13%** 2019 FY

As-a-Service Market Ratio **37%** 2019 FY

Combined Market Half-Year ACV (€B)



Commercial Sector ACV (€B) by Service Type

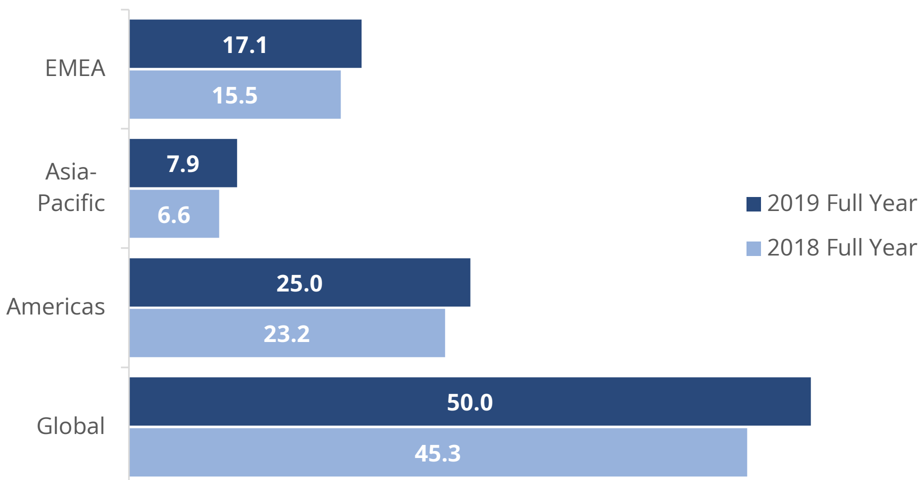


How Europe Compares

Contracting Trends

- EMEA ITO growth fell 3% against difficult comparisons from 2018 and was the lowest growth among the three regions; BPO, supported by several larger transactions, made up for the shortfall in Managed Services, growing 61%.
- EMEA advanced at a slower growth rate than the other two regions in IaaS and SaaS as clients consider security, privacy and compliance issues mandated by the EU.

Combined Market Annual ACV (€B)



Commercial Sector ACV (€B) by Service Type

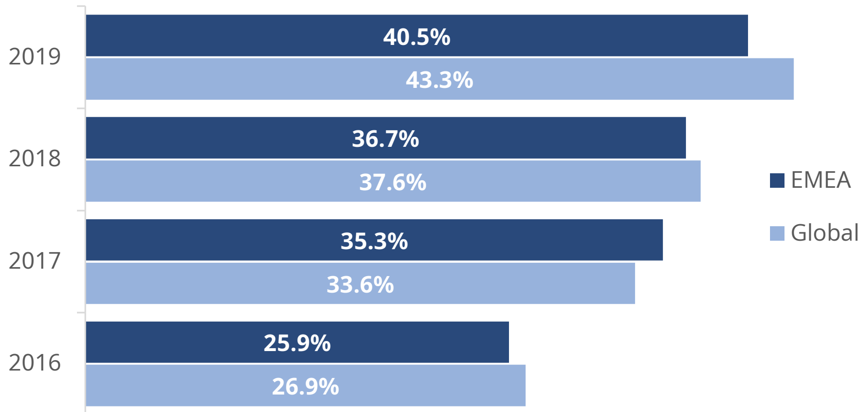
2019 Full Year	EMEA	Asia Pacific	Americas	Global
ITO ACV (€B)	7.9	2.02	8.9	18.8
ITO Growth	-3%	12%	-1%	-1%
BPO ACV(€B)	2.9	0.47	2.7	6.1
BPO Growth	61%	1%	-17%	9%
IaaS ACV(€B)	4.6	4.65	9.1	18.4
IaaS Growth	12%	25%	27%	23%
SaaS ACV(€B)	1.8	0.77	4.2	6.8
SaaS Growth	13%	22%	15%	15%

EMEA Digital Trends in Managed Services

Contracting Trends

- In 2019, just over 40% of transactions awarded in the EMEA Managed Services market have digital-based scope, and that is up from 26% of awards in 2016; indicates steady growth potential going forward.
- Total ACV of deals in EMEA with digital scope increased by 19% for the year; compares to overall increase of 4% for non-digital deals; although slightly smaller in average contract value on a global basis, ACV of digital-based awards grew at a faster pace than what we observed globally.

Managed Services: Percent of Broader Market Awards With a Digital Scope (Based on ACV)



Key Annual Performance Metrics

	EMEA	Global
Average ACV Digital-based Award	€16.0M 2019 Full Year	€16.4M 2019 Full Year
Average ACV Change	15% 2019 Full Year	15% 2019 Full Year
Growth of Broader Market Digital Awards (based on ACV)	19% 2019 Full Year	17% 2019 Full Year
Growth of Broader Market Non-Digital Awards (ACV)	4% 2019 Full Year	-8% 2019 Full Year

Service and 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	Alight Solutions	Orange Business Services	Alten	GFI Informatique	Allgeier SE	HGS
Atos	IBM Global Services	Amdocs	SopraSteria	Altran	JLL	Comarch	NNIT A/S
BT	Infosys	Bechtle	Tech Mahindra	Asseco	LTI	Datagroup AG	QIWI
Capgemini	ISS Global A/S	Computacenter	Teleperformance	Axians	MITIE	Devoteam	QuEST Global
CBRE	TCS	HCL	T-Systems	Cancom	Tieto	EXL	Reply SpA
Cognizant			Wipro	Fiducia & GAD IT	Unisys	Fastweb	SVA System Vertrieb Alexander GmbH
				Finanz Informatik	Webhelp		WNS
As-a-Service Market							
Amazon Web Services	Microsoft	Adobe Systems	United Internet	Autodesk		OVH	
Google	SAP	Equinix	VMWare				

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

UK and Ireland Commercial Market

Contracting Trends

- UK Combined Market registered its best year since 2012, even with overhang of election and Brexit.
- ITO market declined as 15% gain in Infrastructure awards was not enough to offset softer results in ADM.
- As-a-Service accounted for 40% of Combined Market, up from 26% in 2016.

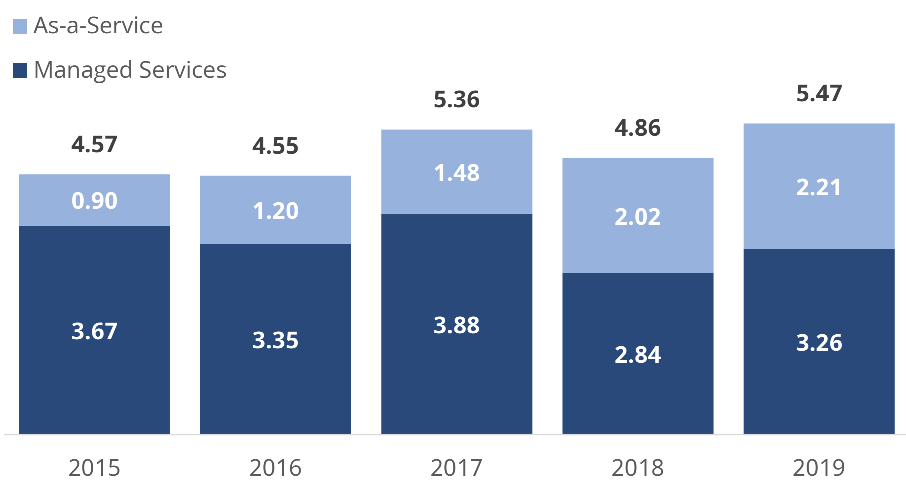
Combined Market ACV **13%** 2019 FY

Managed Services ACV **15%** 2019 FY

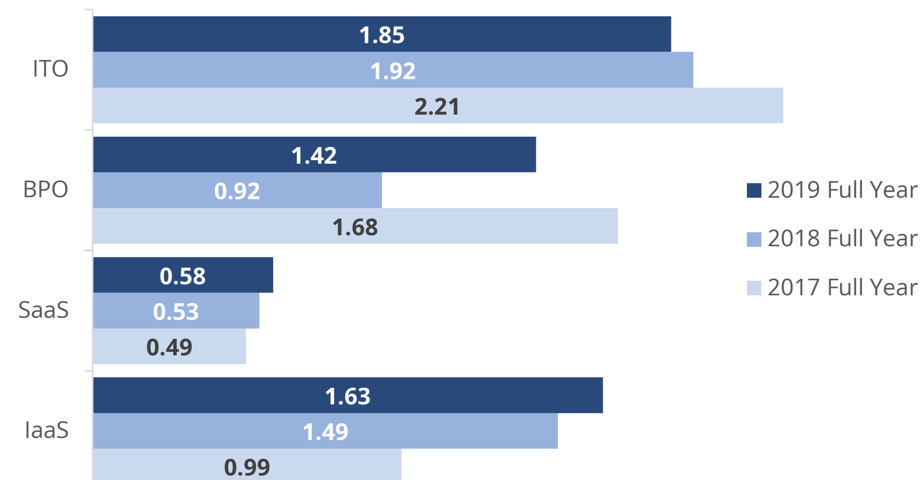
As-a-Service ACV **9%** 2019 FY

As-a-Service Market Ratio **40%** 2019 FY

Combined Market Annual ACV (€B)



Commercial Sector ACV (€B) by Service Type



DACH Commercial Market

Contracting Trends

- DACH Combined Market ACV fell slightly on headwinds in Manufacturing and Energy and a cautionary tone towards recession.
- Highest As-a-Service growth rate of any of the major markets in Europe as enterprises move toward hybrid and multi-cloud environments.

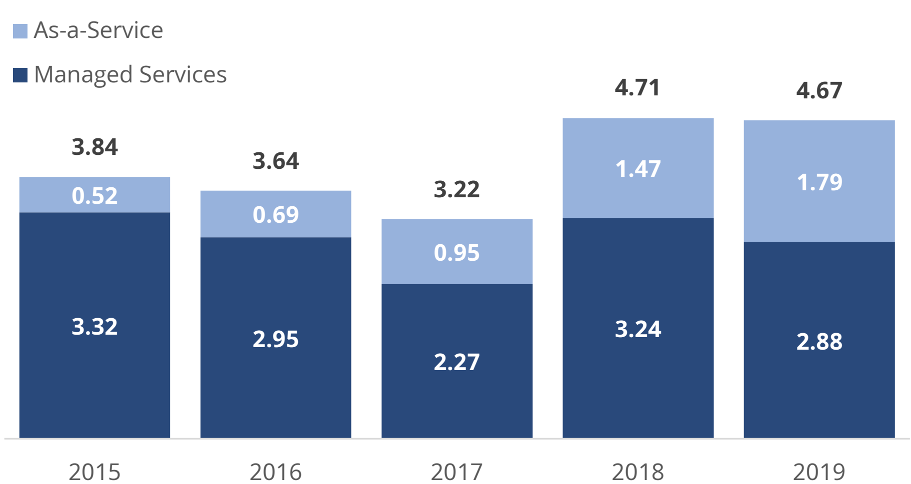
Combined Market ACV **-1%** 2019 FY

Managed Services ACV **-11%** 2019 FY

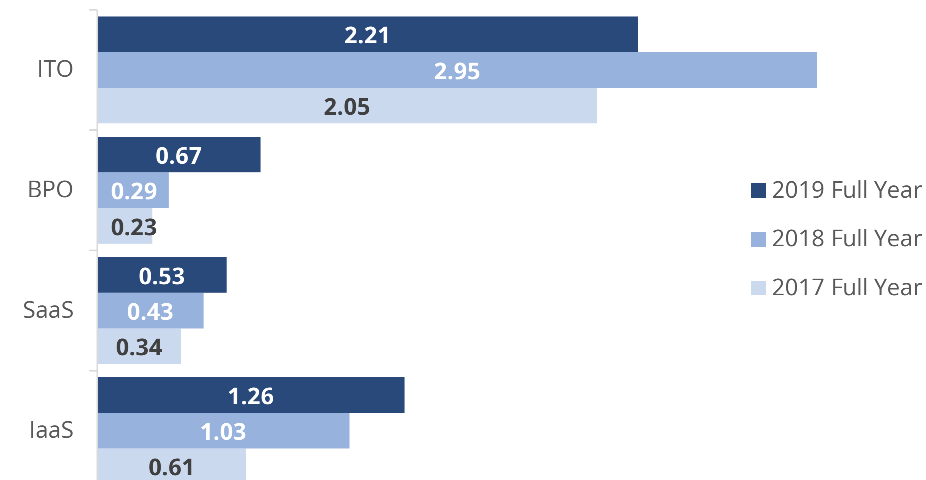
As-a-Service ACV **22%** 2019 FY

As-a-Service Market Ratio **38%** 2019 FY

Combined Market Annual ACV (€B)



Commercial Sector ACV (€B) by Service Type



Nordics Commercial Market

Contracting Trends

- Combined Market ACV was best ever, up 15%.
- Managed Services ACV up 17% and had its best result since 2014 as enterprises seized on cost take-out opportunities.
- Both the IaaS and SaaS grew by more than 10%; second-highest growth market in Europe for As-a-Service.

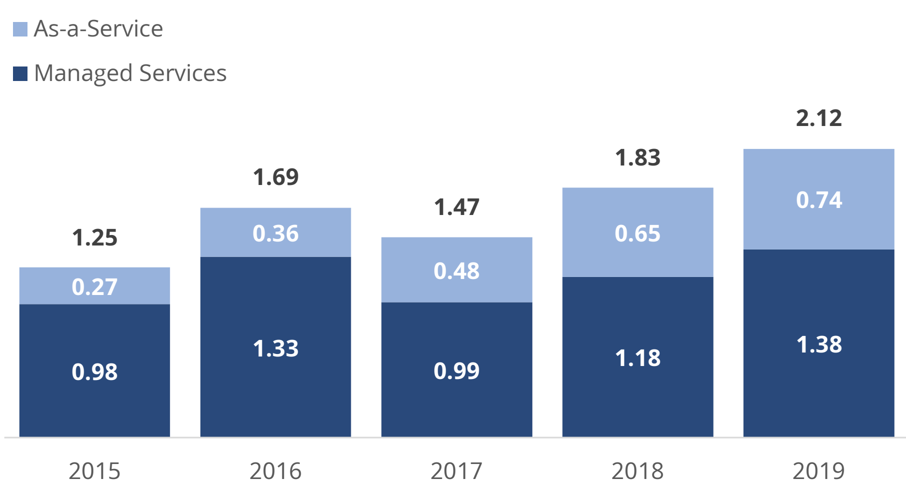
Combined Market ACV **15%** 2019 FY

Managed Services ACV **17%** 2019 FY

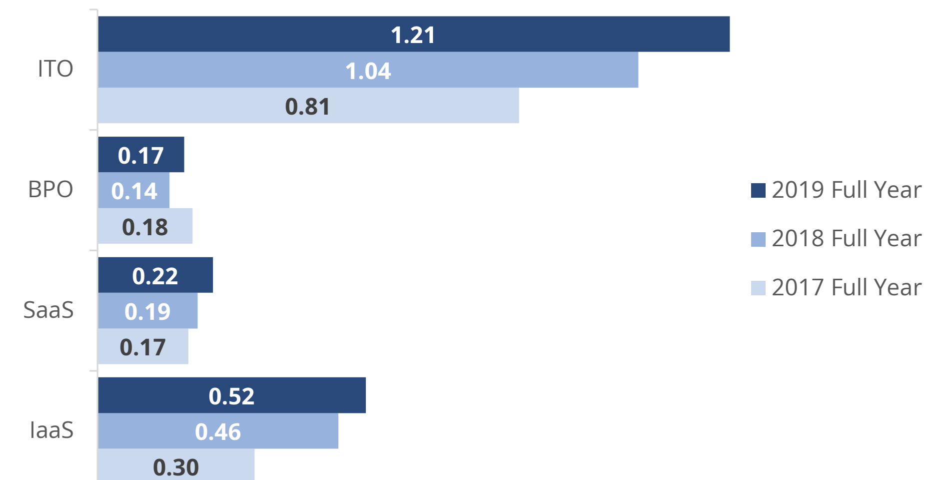
As-a-Service ACV **12%** 2019 FY

As-a-Service Market Ratio **35%** 2019 FY

Combined Market Annual ACV (€B)



Commercial Sector ACV (€B) by Service Type



France Commercial Market

Contracting Trends

- Combined Market ACV up 15% and registered its best performance since 2014.
- ITO up 34% on 25% growth in Applications and 47% growth in Infrastructure awards.
- As-a-Service accounted for 31% of Combined Market, up from 21% in 2016.

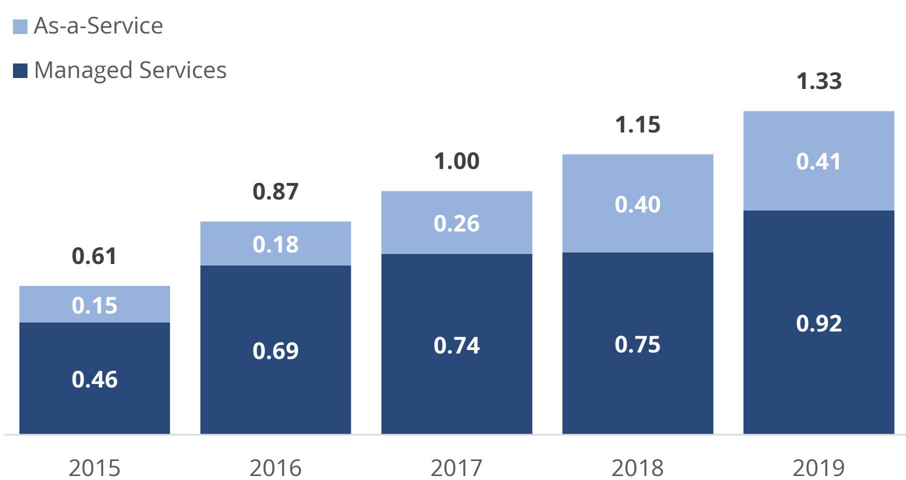
Combined Market ACV **15%** 2019 FY

Managed Services ACV **23%** 2019 FY

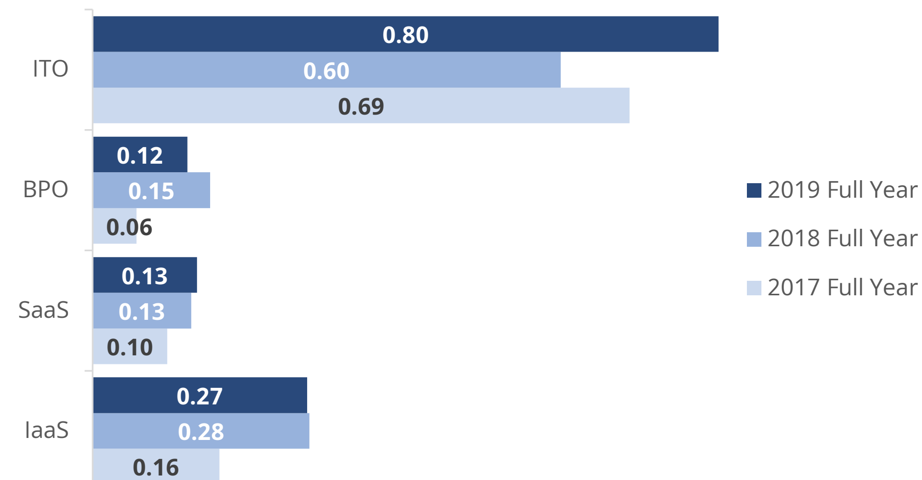
As-a-Service ACV **1%** 2019 FY

As-a-Service Market Ratio **31%** 2019 FY

Combined Market Annual ACV (€B)



Commercial Sector ACV (€B) by Service Type



EMEA Commercial Sector Industry Award Trends

EMEA Market 2019	EMEA Market 2019 Full Year	Business Services	Retail & Consumer Packaged Goods	Energy	Financial Services	Healthcare & Pharma	Manufacturing	Telecom & Media	Travel, Transport Leisure
	€17.1B ACV	€1.9B ACV	€1.7B ACV	€1.6B ACV	€4.3B ACV	€1.2B ACV	€2.6B ACV	€1.8B ACV	€2.0B ACV
Combined Market	10%	0%	4%	-18%	14%	43%	1%	59%	13%
Managed Services	8%	-28%	-12%	-22%	15%	81%	-3%	104%	12%
As-a-Service	13%	14%	21%	7%	10%	10%	10%	6%	15%
UK & Ireland	13%	12%	7%	18%	6%	-1%	72%	0%	19%
DACH	-1%	9%	-4%	-64%	-19%	88%	-16%	305%	-39%
Nordics	15%	-27%	11%	7%	37%	8%	6%	36%	96%
France	15%	-20%	-21%	55%	207%	-40%	-12%	16%	-3%

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EMEA INDEX 2019

Emerging Trends in Banking & Financial Services

"There is an incredible amount of transformation going on in the banking business."

Owen Wheatley
Lead Partner
Banking & Financial Services

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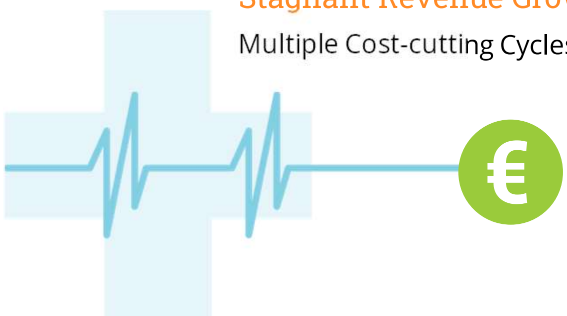
Banking and Financial Services – Macro Factors

Flatlining Revenues

Stagnant Revenue Growth

Multiple Cost-cutting Cycles



Regulatory Pressures

High Levels of Geographically Diverging Regulation

Focus on Supervision vs. New Rules

Customer Experience Is Key

Competition

Unprecedented Competition

Low Switching Costs

The Battle for Talent

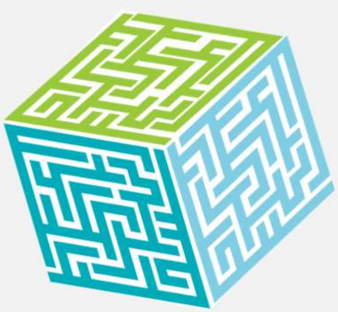
Identifying, Acquiring, & Retaining Talent Is CRUCIAL

Data Science, Innovation & Product Development Are Key Differentiators

Banking and Financial Services – Technology Trends

Customer Demands

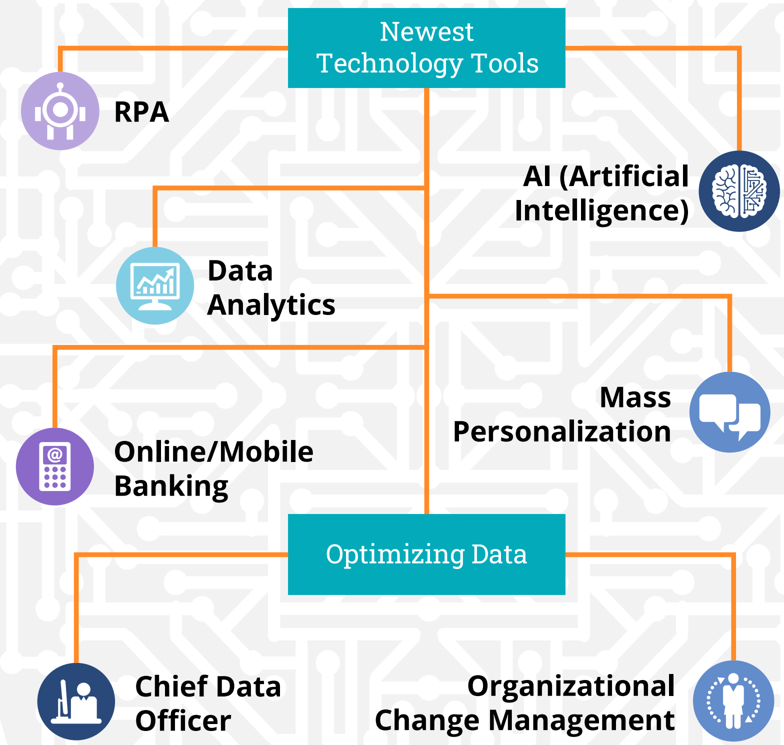
Leveraging Existing Technology Effectively



Customer Centricity

Challenge of integrating systems, monetizing data & maintaining security, To ensure customer centricity

Develop Technology Roadmap to Create "Digital Mesh"



Banking and Financial Services – Provider Implications

Be Creative!

Banks want to hear your ideas and thoughts on innovation

ISG Index™ Insider

"Automation of knowledge work is going to have a large impact on the overall economy during the next couple of decades"

EMEA 2019 ISG Index™
Inside Track from

ISG Insights™

Wayne Butterfield

Director, ISG Automation

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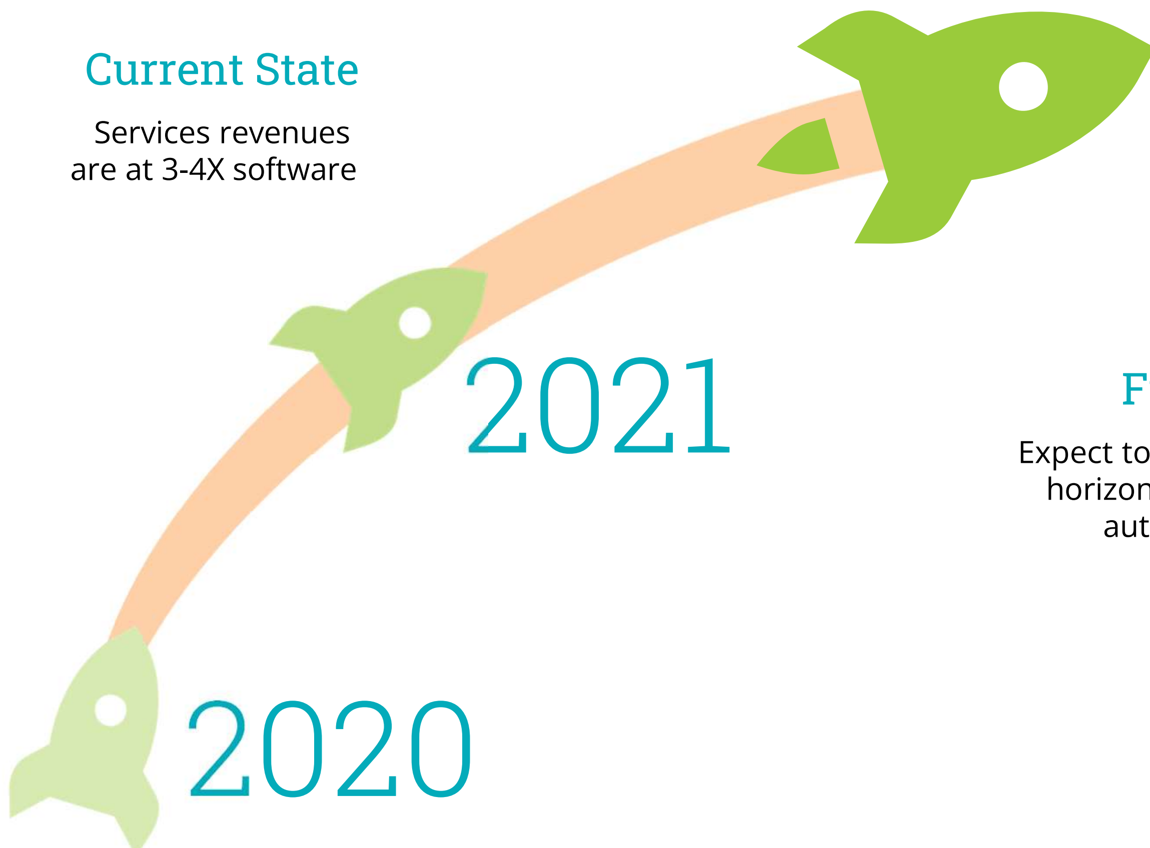
Explosive Growth in RPA Software Market

UI Path
Raised €900 million
Total Valuation €7.2B

Automation Anywhere
Raised over €750M
Nearly €6.3B valuation

Blue Prism
Went public 2016
Market Cap of €1B

Current State
Services revenues
are at 3-4X software



2022

2021

2020

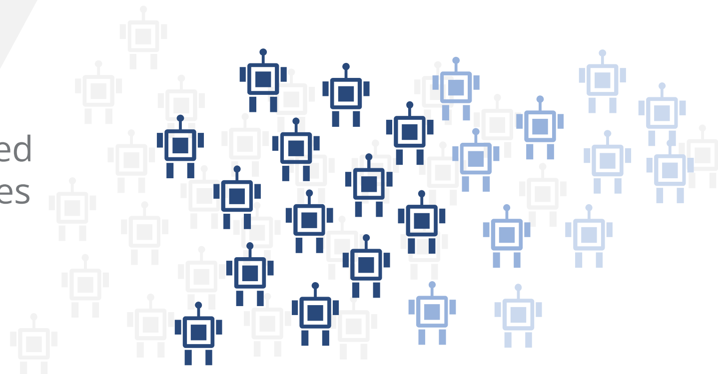
Future State
Expect to see more vertical- and
horizontal-specific managed
automation services

Breaking Through the RPA Wall

70% Companies have implemented RPA

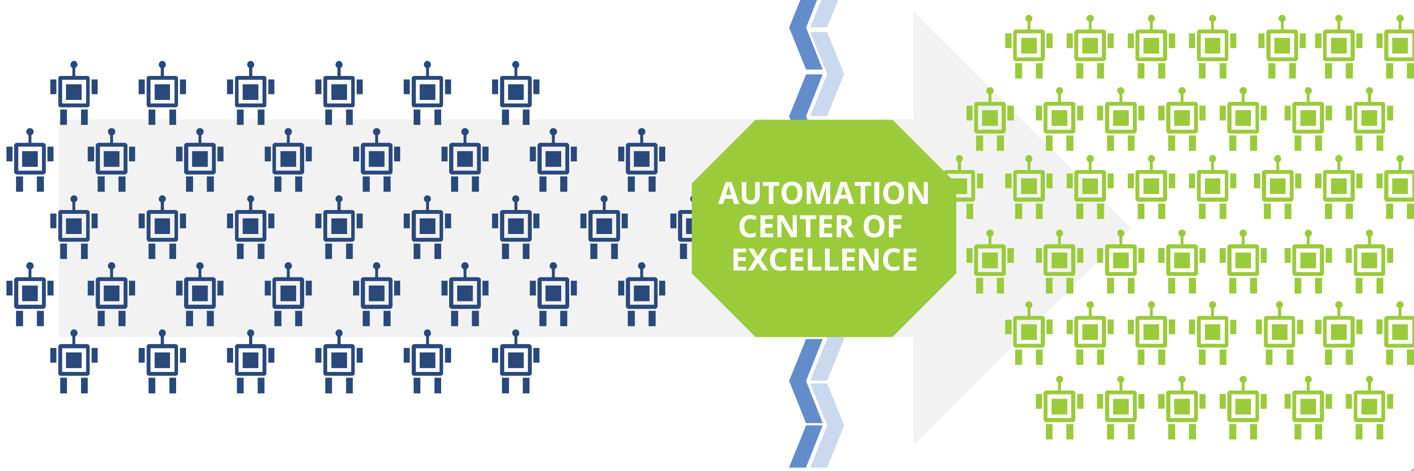
59% Companies automated less than 20 processes

12% Automated 50 or more processes



Average Utilization of BOTS Is Only

44%

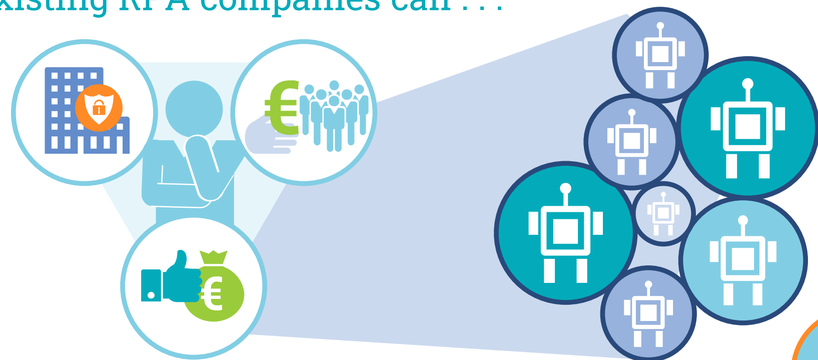


An Effective Automation Center of Excellence

Defines strategy and operating model, lays the foundation for building and supporting bots and establishes metrics and reporting standards

Implications: RPA Software and Managed Services Providers

Existing RPA companies can . . .



- Be bought by a big software company
- Stay private
- Do an IPO

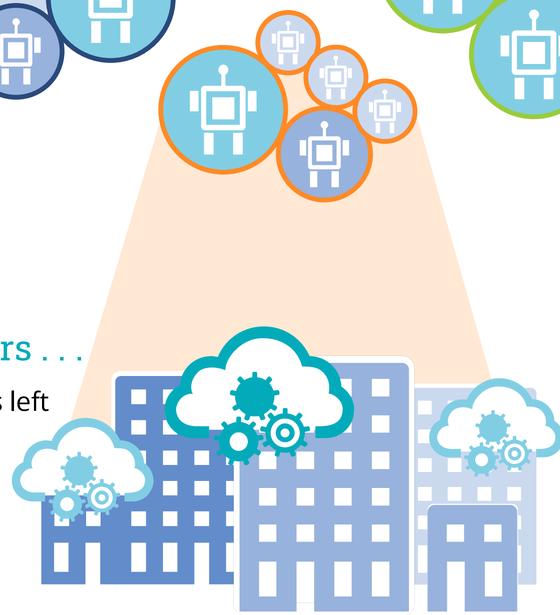
RPA
Market

Big software companies . . .

- New to the market, they have resources, customer base and expertise in product introduction
- Can they produce new product and catch up? Yes

BPO/ITO Providers . . .

- Will take whatever is left



ISG 2019 EMEA Index – Summary and Market Forecast

Summary – 2019

EMEA Combined Market
In 2019, EMEA Combined Market registered continuation of healthy growth trends with 8% gains in Managed Services and a 13% increase in As-a-Service.

Managed Services
Most European markets were up substantially with exception of DACH as customers leverage cost take-out opportunities.

Europe digital-based awards grew at 19%, outperforming the overall Broader Market.

As-a-Service
Achieved record-breaking results, up 13% versus a year ago; 37% of Combined Market ACV is now accounted for by As-a-Service, compared with 22% just three years ago.

Outlook – 2020

EMEA As-a-Service Market Forecast
Ongoing battle between AWS and Microsoft for market share supremacy in Europe; also watching Google Cloud to see if it can increase market share in the enterprise space.

22.9%
2020e

EMEA Services Market Forecast
Forecast is slightly lower than global projection of 3.2%; continue to monitor largest service providers as they rebalance strategies to emphasize digital-led transactions in an increasing addressable market or whether to pursue legacy deal flow.

2.8%
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

Like to Learn More?

Thank You

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