

Technology Industry Update: Services & Software

October 8, 2026

HOSTED BY:



Sumeet Jain
Investment Analyst
CLSA

***ISG** Index™
3Q 2026

Market Level Set



- 1 IaaS:** The AI infrastructure boom is still accelerating.
- 2 SaaS:** AI is reshaping the software-as-a-service market, not killing it.
- 3 Services:** Tech spending is surging, but services growth is not keeping pace.
- 4 Enterprise:** AI investment is accelerating, but the ROI reckoning has begun.

Global Broader Market

3Q Results

Combined market: exceeded \$50B for first time ever

Managed services: slight improvement over 3Q25

As-a-service: ACV nearly doubled Y/Y

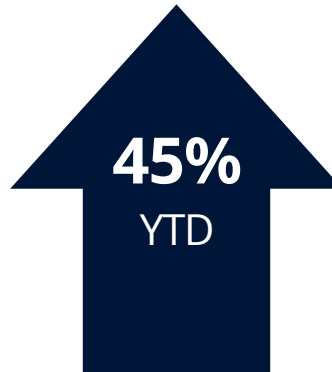
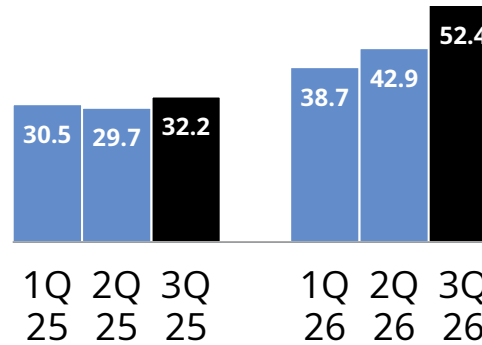
YTD Results

Combined market: up 45%

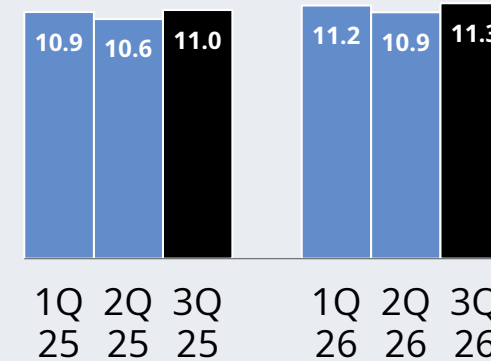
Managed services: up 2.7%

As-a-service: up 68%

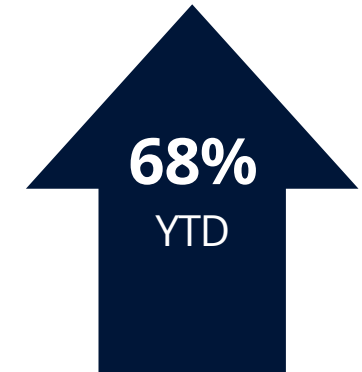
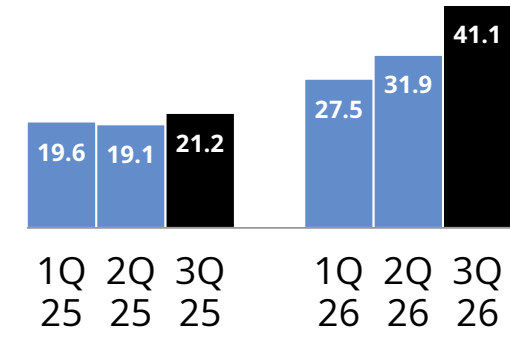
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value

Managed Services ITO Results

3Q Results

ITO: ACV essentially flat (up .3%)

YTD Results

ITO: down -3.5%; first YTD decline since 2019

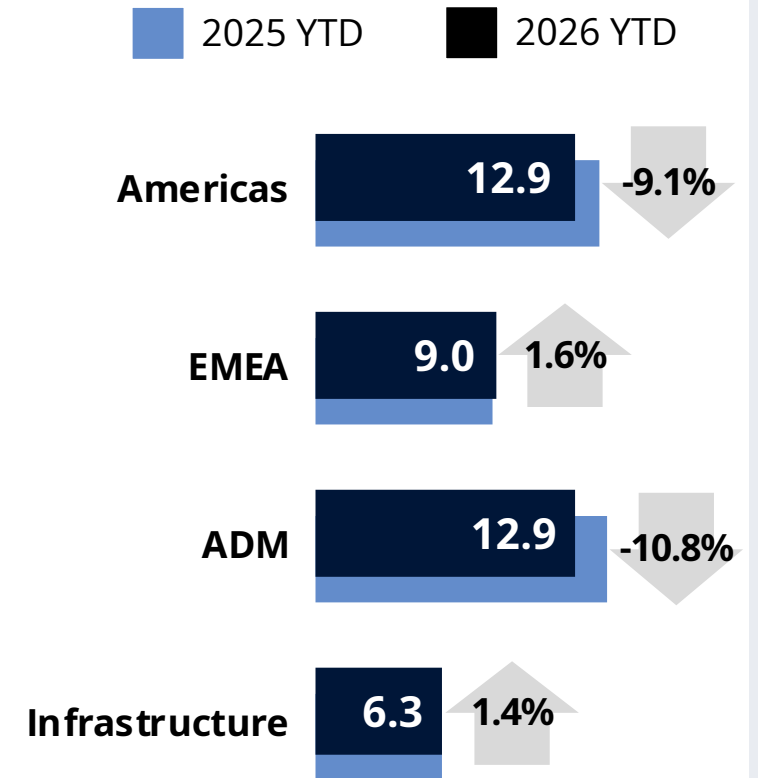
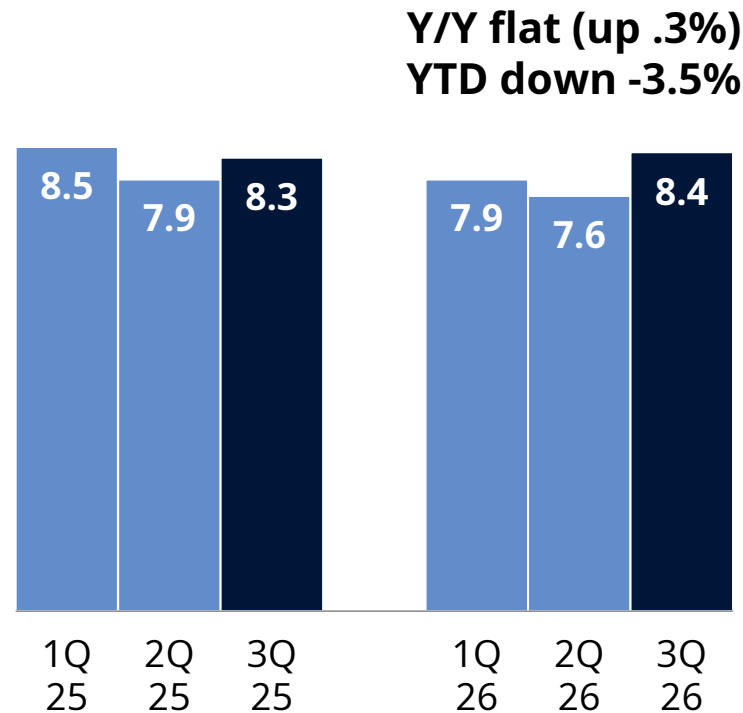
Americas: down -9.1%

EMEA: up 1.6%

ADM: down -10.8%

Infrastructure: up 1.4%

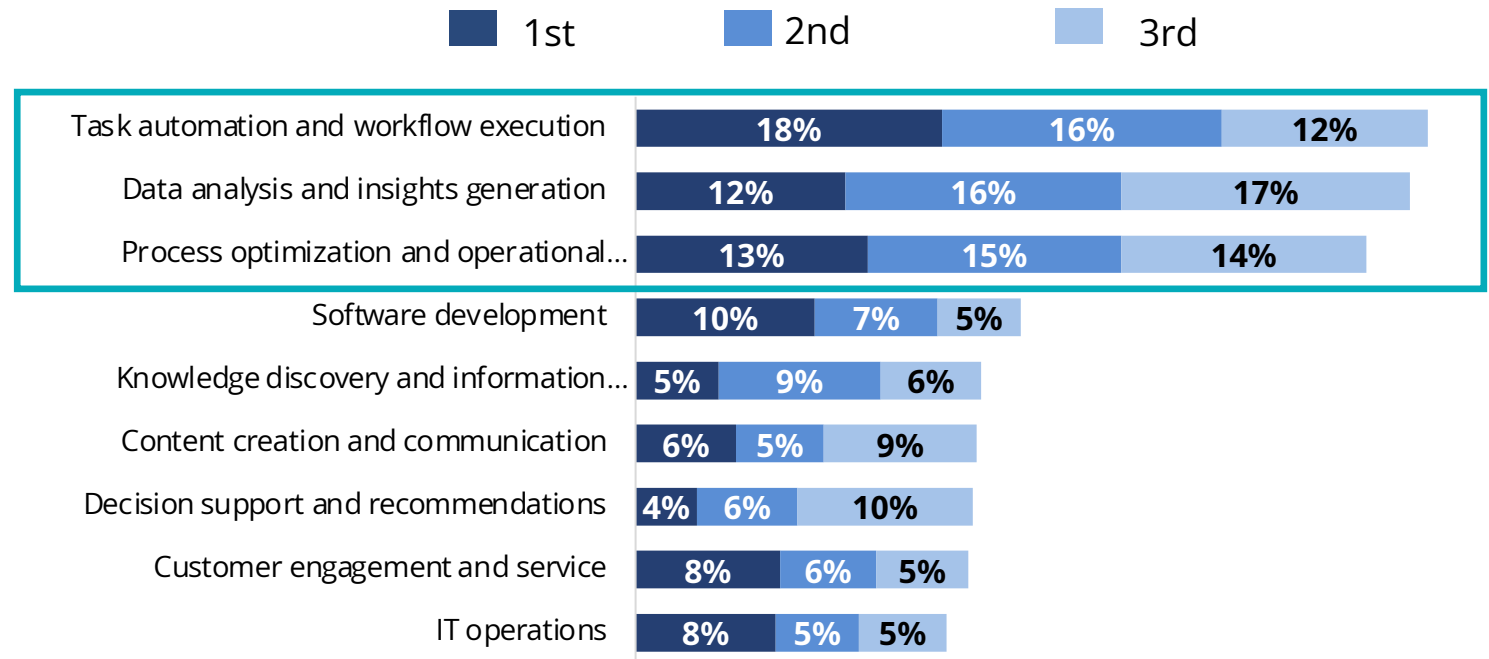
ACV \$B



AI Impact on Applications

- Business value is seen in workflow automation, data analysis and process optimization
- AI embedded in business processes can reduce the work of context-gathering
- Process redesign remains a bottleneck before development begins

Highest Value to the Enterprise AI Objectives Over the Last 12 Months

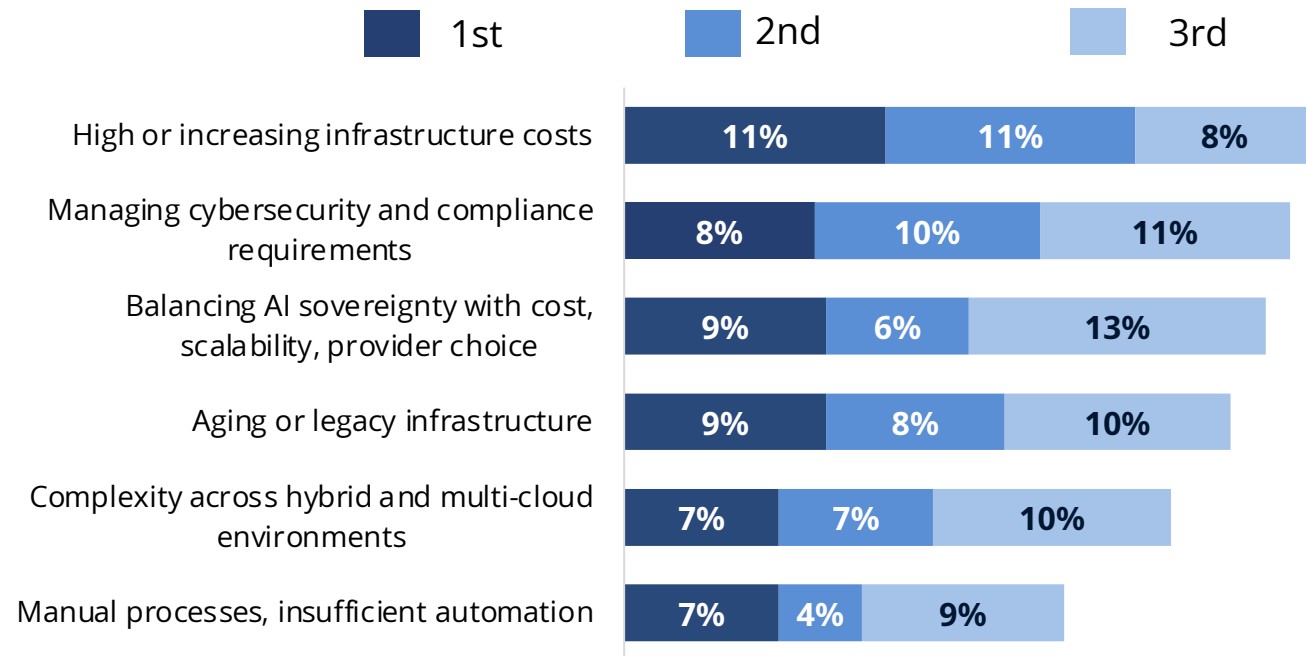


Source: ISG Market Lens, 2026 AI Value Study; n=400 (choices with small sample sizes removed)

AI Impact on Infrastructure

- AI increases costs of compute, storage and networking
- AI data centers are creating shortages for hardware: memory, storage and GPUs
- Automation and MSP contract consolidations are driving savings

Top Infrastructure Challenges



Source: ISG Market Lens, 2026 Infrastructure Study, n= 200, (most frequent choices; not all responses shown)

Engineering Services Results

3Q Results

Engineering: flat

YTD Results

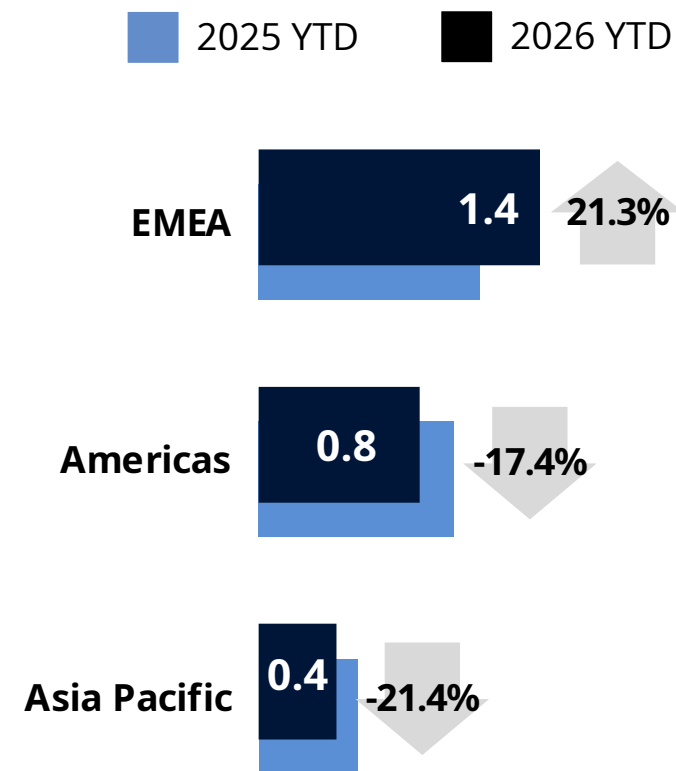
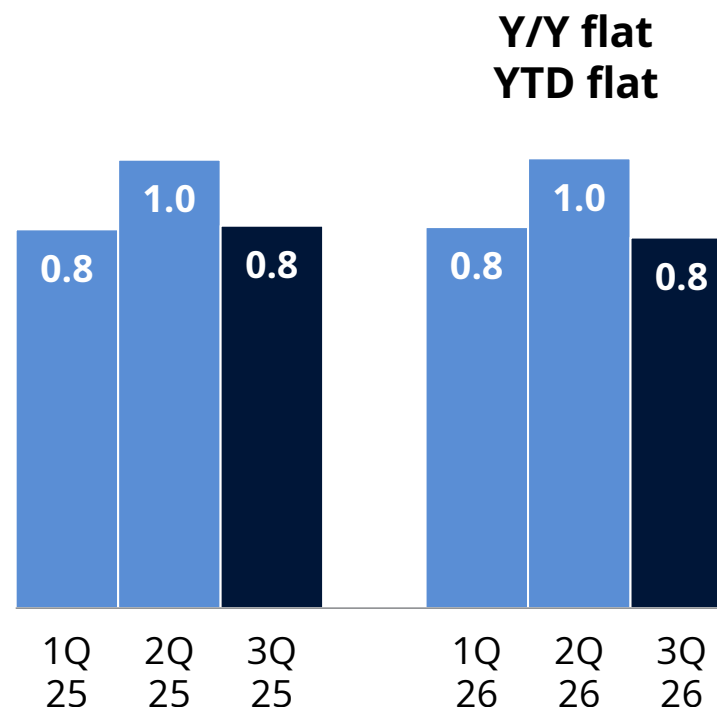
Engineering: flat

EMEA: up 21.3%; seven consecutive quarters of growth

Americas: down -17.4%; weakest YTD growth rate on record

Asia Pacific: down -21.4% after strong 1Q result

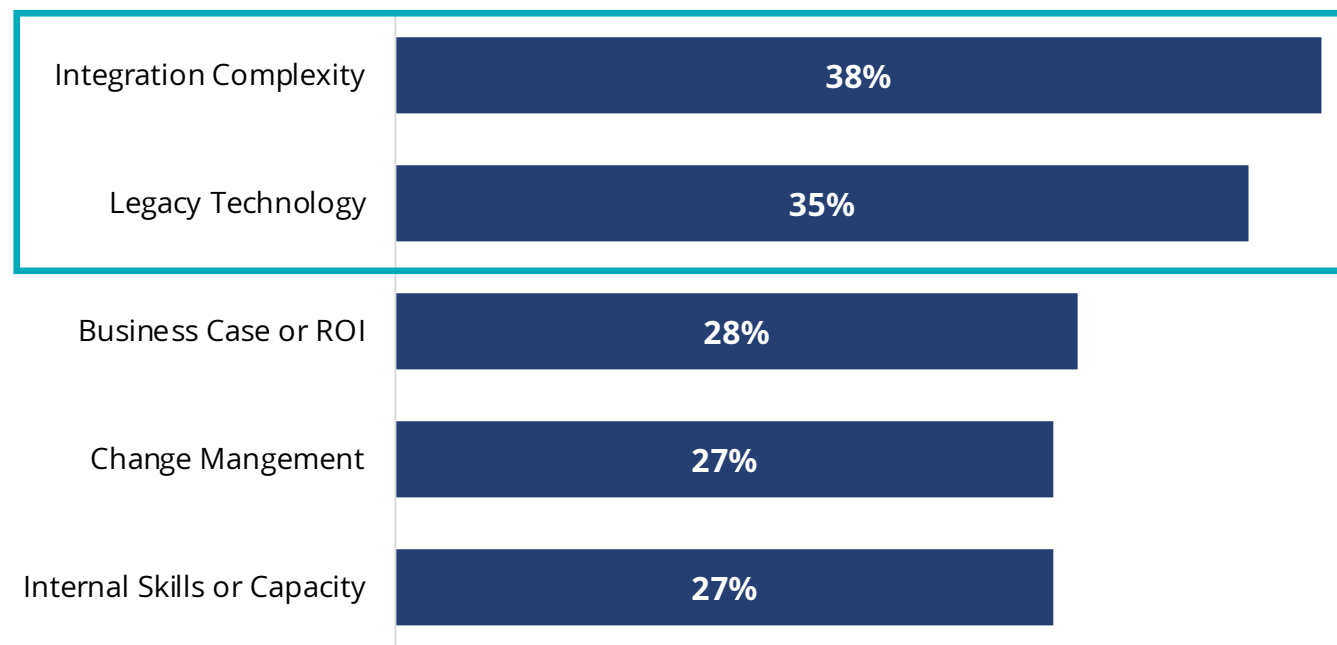
ACV \$B



AI Impact on Engineering

- As with ADM, engineering is facing impacts from AI.
- Modernization efforts are broadly underway, but the majority of work is managing integrations and legacy technology.
- Much of this work is a prerequisite to getting further value from AI in Engineering.

Engineering Modernization Challenges



Source: ISG Market Lens, 2026 Engineering Services Study; n=150, Not all responses shown; Sponsored By LTTS

Managed Services BPO Results

3Q Results

BPO: up 12.3%; fourth consecutive quarter of double-digit Y/Y growth

YTD Results

BPO: up 34.6%; fastest YTD growth since 2021

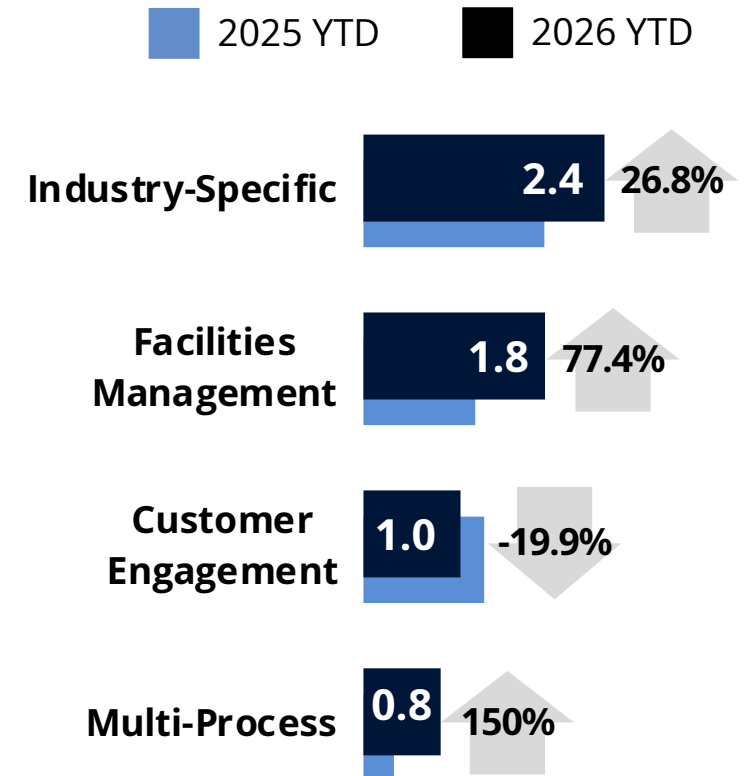
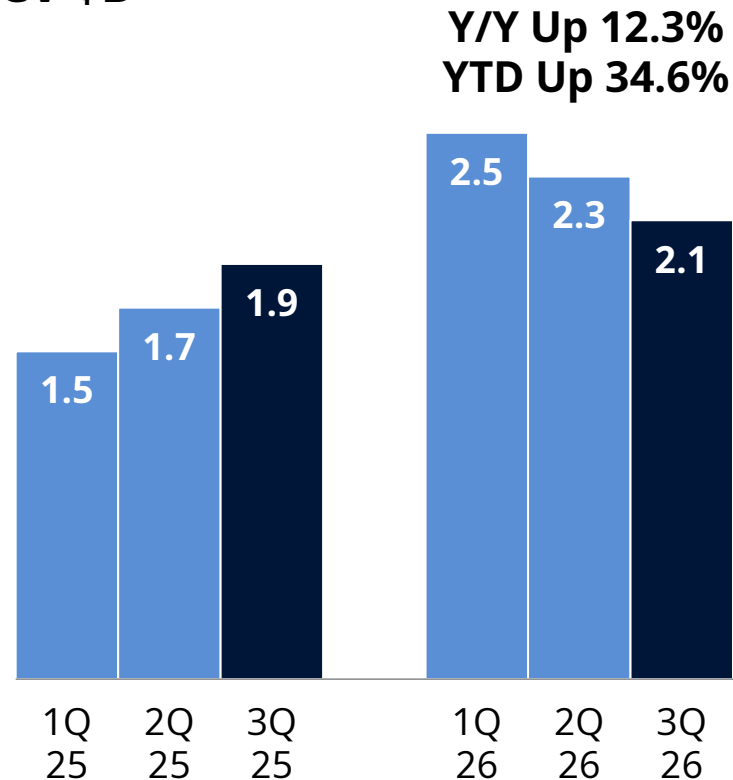
Industry-Specific: up 26.8%

Facilities Management: up 77.4%

Customer Engagement: down -19.9%

Multi-Process: up 150%

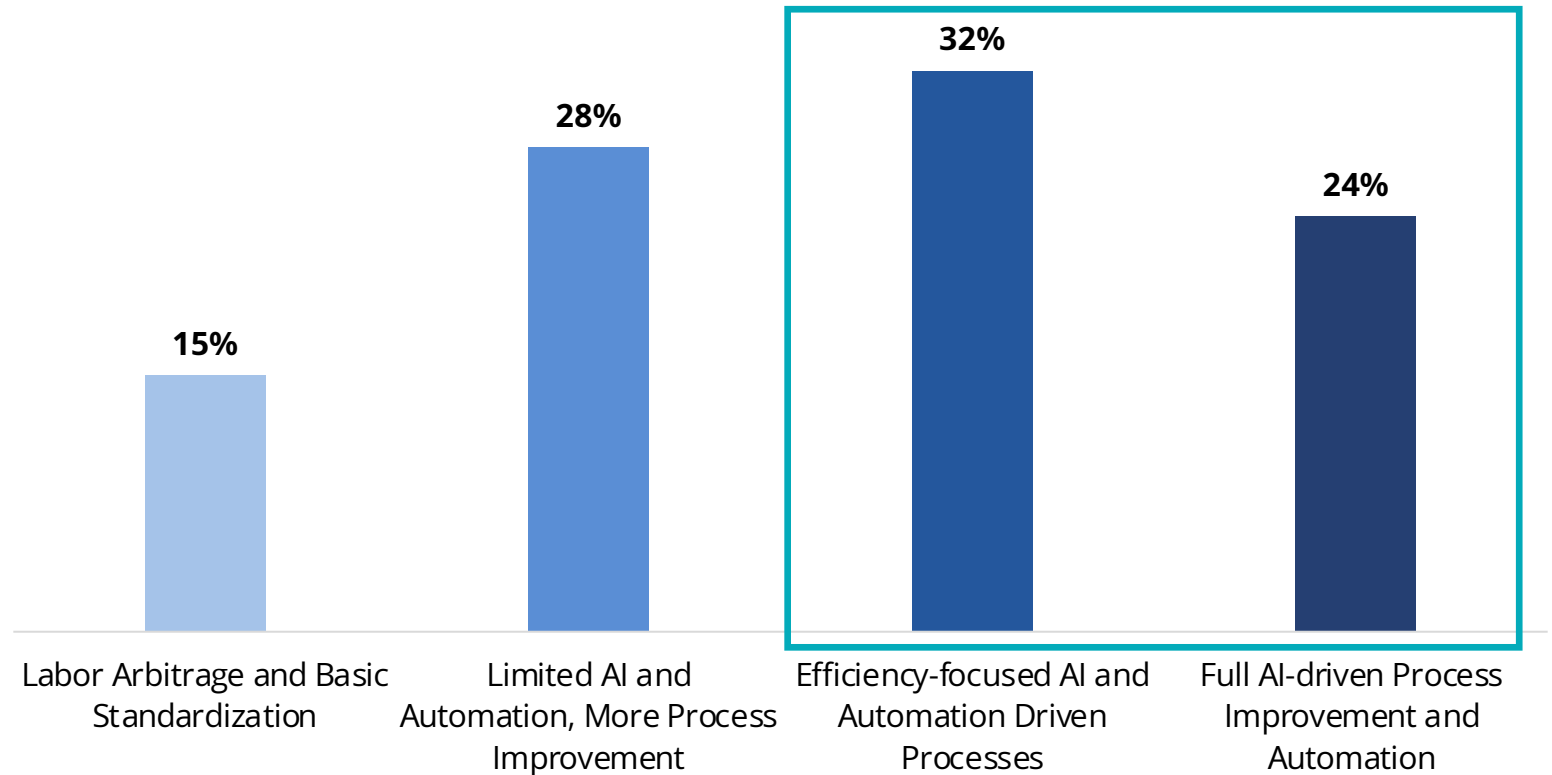
ACV \$B



AI Impact on Business Process Transformation

- 56% of clients report their BPO transformations contain AI
- Business process transformation requirements include people, process, technology and elements of IT
- Changing nature of BPO deals is paving way for many other providers to enter
- BPO provider competitive landscape is changing

BPO Transformation Status



ISG Market Lens 2026 BPO study, n=200
ACV = Annual Contract Value

Managed Services Regional Results

Americas

3Q: ACV down -5.8%; declines in three of past four quarters

YTD: ACV down -5.5%

EMEA

3Q: ACV up 11.8%; double-digit gains in three of past four quarters

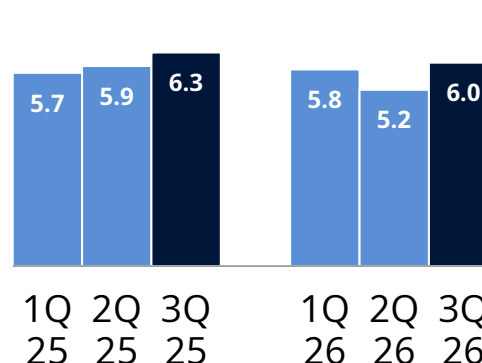
YTD: ACV up 13%

Asia Pacific

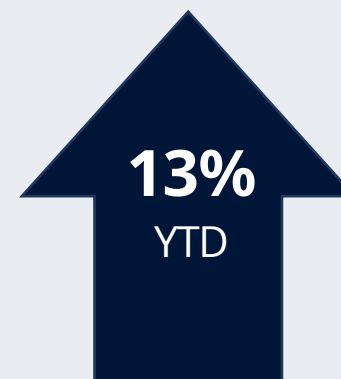
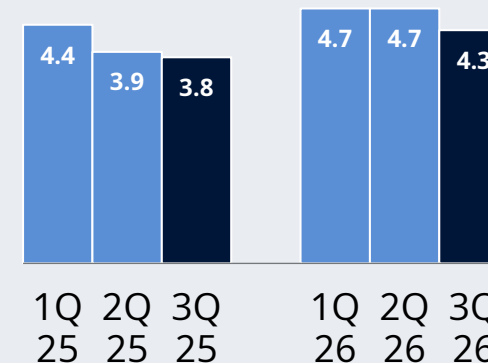
3Q: ACV up 16%; first back-to-back \$1B quarter since 2024

YTD: ACV up 12.3%

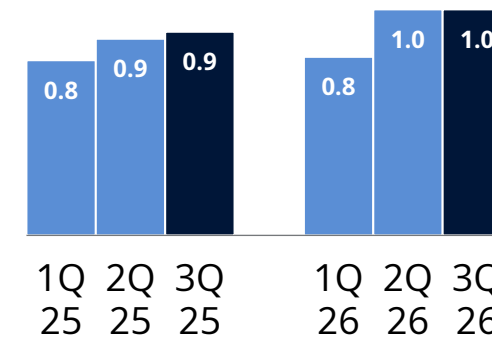
ACV \$B



Americas



EMEA



Asia Pacific

ACV = Annual Contract Value

Managed Services Selected Industry Results

BFSI

3Q: ACV down -20.2%; lowest quarterly ACV since 2022

YTD: ACV down -5.2%

CPG & Retail

3Q: ACV up 124%; best quarter ever for combined segment

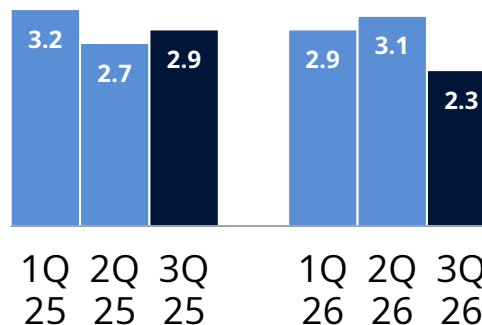
YTD: ACV up 56%

Manufacturing

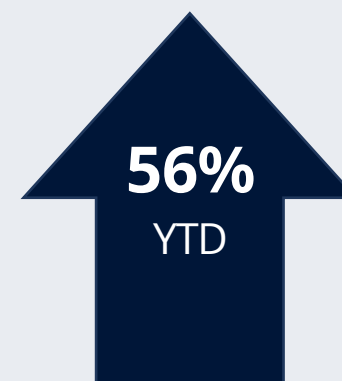
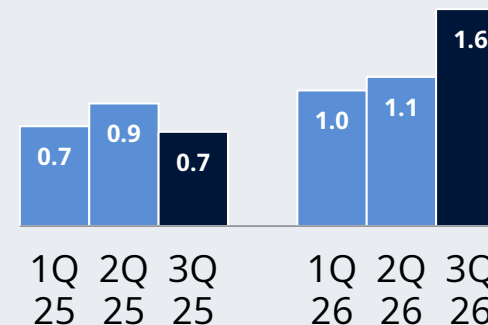
3Q: ACV up 13.5%; first \$2B quarter since 2Q25

YTD: ACV flat

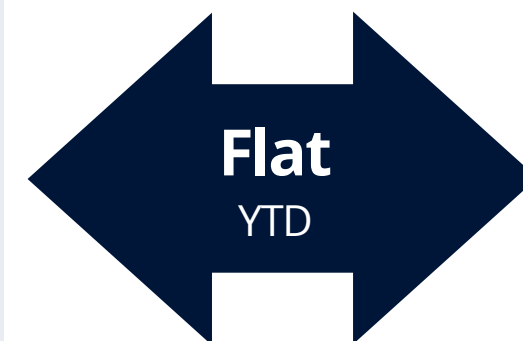
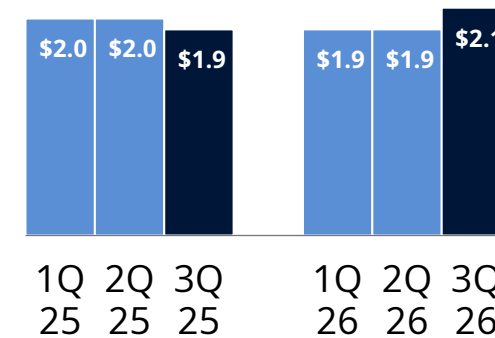
ACV \$B



BFSI



CPG & Retail



Manufacturing

SaaS Results

3Q Results

SaaS: ACV up 21%; highest Y/Y growth since 2021

YTD Results

SaaS: ACV up 12%; top 10 SaaS providers up 6%

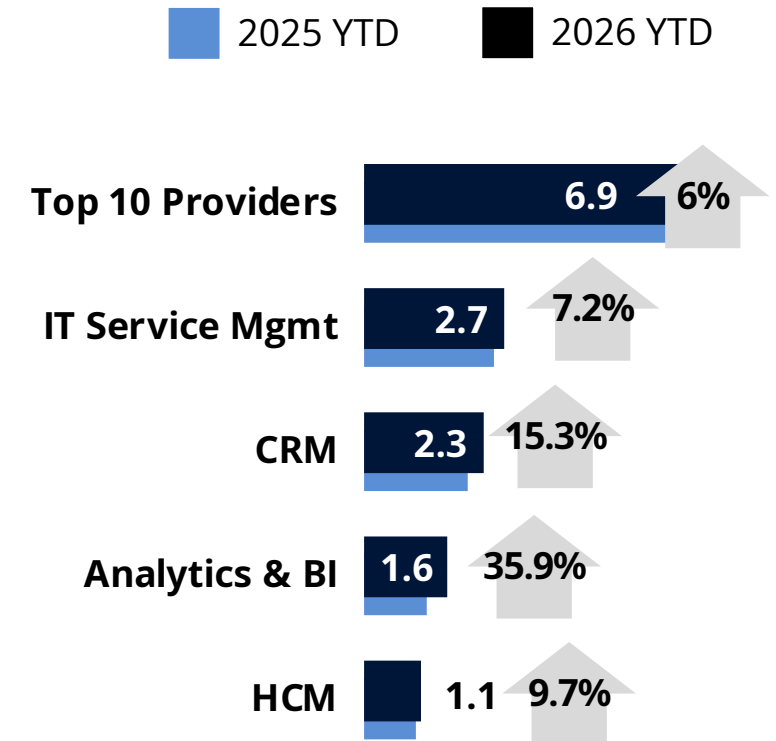
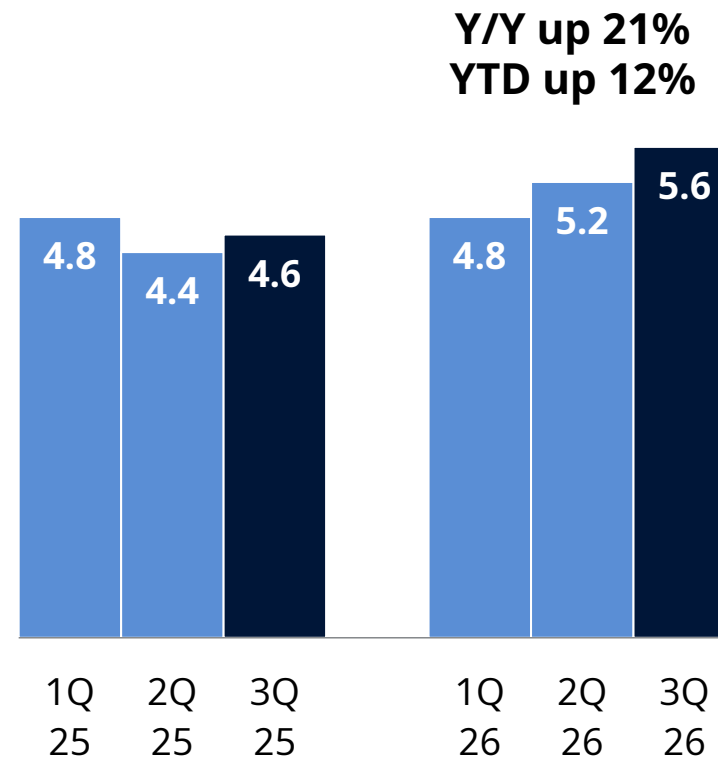
IT Service Mgmt: up 7.2%

CRM: up 15.3%

Analytics & BI: up 35.9%

HCM: up 9.7%

ACV \$B



IaaS Results

3Q Results

ACV: up 115%; best-ever growth rate

YTD Results

ACV: up 85.4%; Big 4 hyperscalers up 98.2%

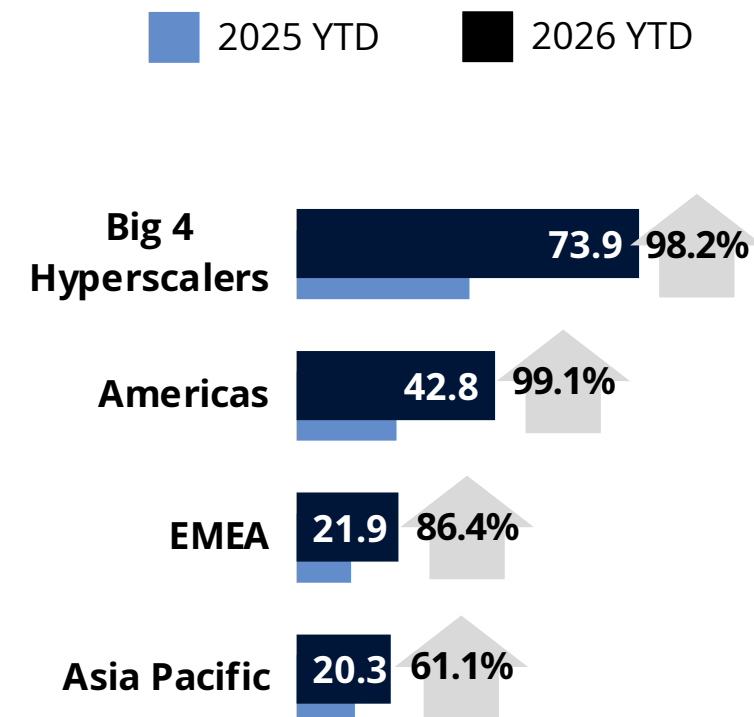
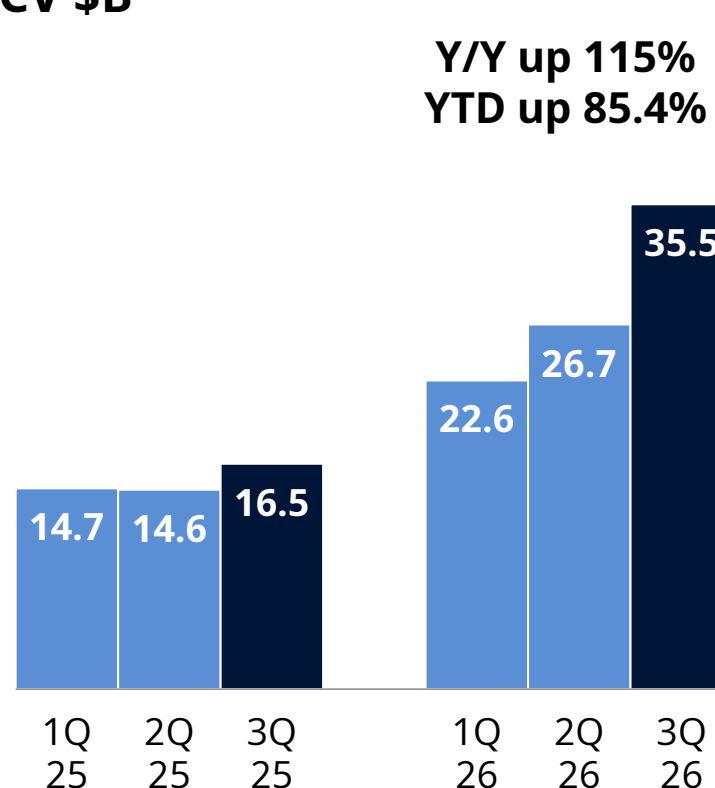
Americas: up 99.1%

EMEA: ACV up 86.4%

Asia Pacific: ACV up 61.1%

ACV \$B

Y/Y up 115%
YTD up 85.4%



ISG AI Index: Economic Analysis by Segment

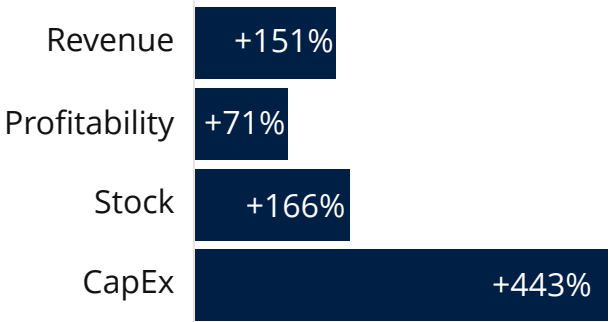
3Q26 market implication

AI value is concentrating in infrastructure. SaaS is converting demand into backlog and revenue. Managed services has not yet translated AI into sustained margin or market confidence.

IaaS

+254%

since AI inflection
+60.3% Y/Y +24.4% Q/Q



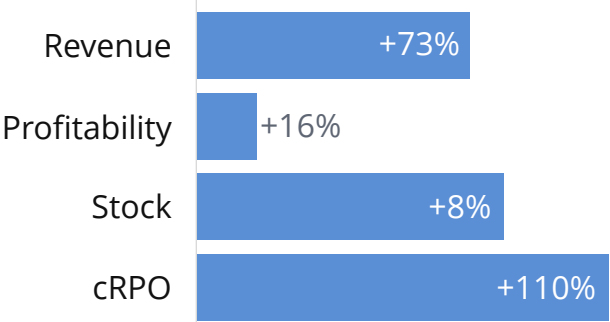
AI value is concentrating in IaaS. Revenue, stock value and especially CapEx are compounding from the AI build-out.

Source: AI Scorecard. Since AI inflection is Dec. 2022.

SaaS

+78%

since AI inflection
+17.2% Y/Y +7.4% Q/Q

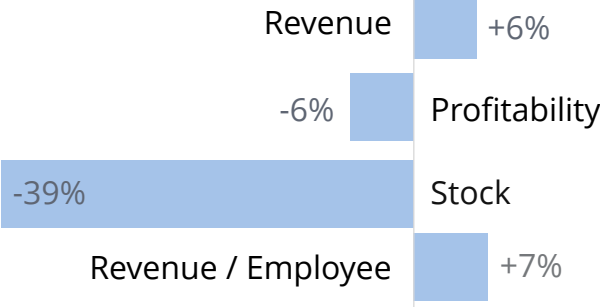


SaaS remains healthy: cRPO and revenue indicate solid demand, while profitability remains modest.

Managed Services

-4.3%

since AI inflection
-3.7% Y/Y +1.4% Q/Q



Services are lagging the AI investment cycle: growth is stable, but profitability and equity confidence remain under pressure.

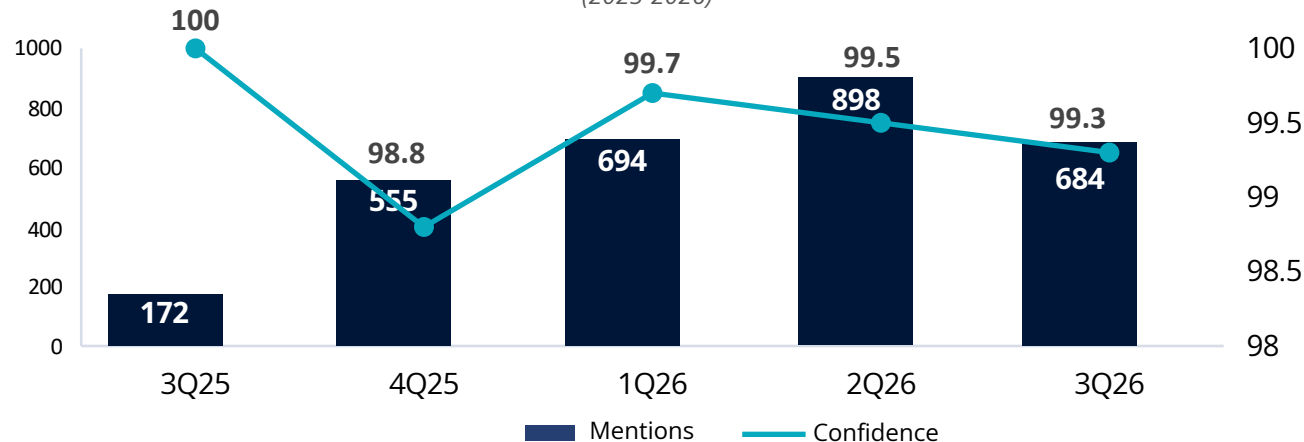
ISG AI Index: Confidence Analysis

Key Findings

- This quarter we assessed enterprise earnings commentary, not only technology-provider sentiment.
- Numbers of enterprise AI mentions are up roughly 4x versus 3Q25 and peaked above 5x in 2Q26, confirming AI is now an ongoing management topic.
- Sentiment remains very positive, with the AI confidence index near 99 despite more scrutiny around economics and value.
- The discussion is broadening into operating impact, productivity, customer adoption, revenue and workflow redesign.

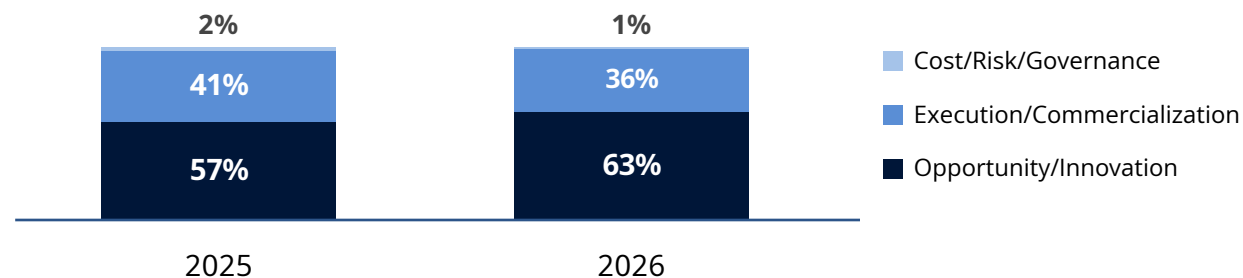
AI Mentions Compared to Enterprise Confidence Levels

(2025-2026)



Enterprise AI Narrative Is Scaling from Discussion to Deployment

(share of classified AI business evidence)



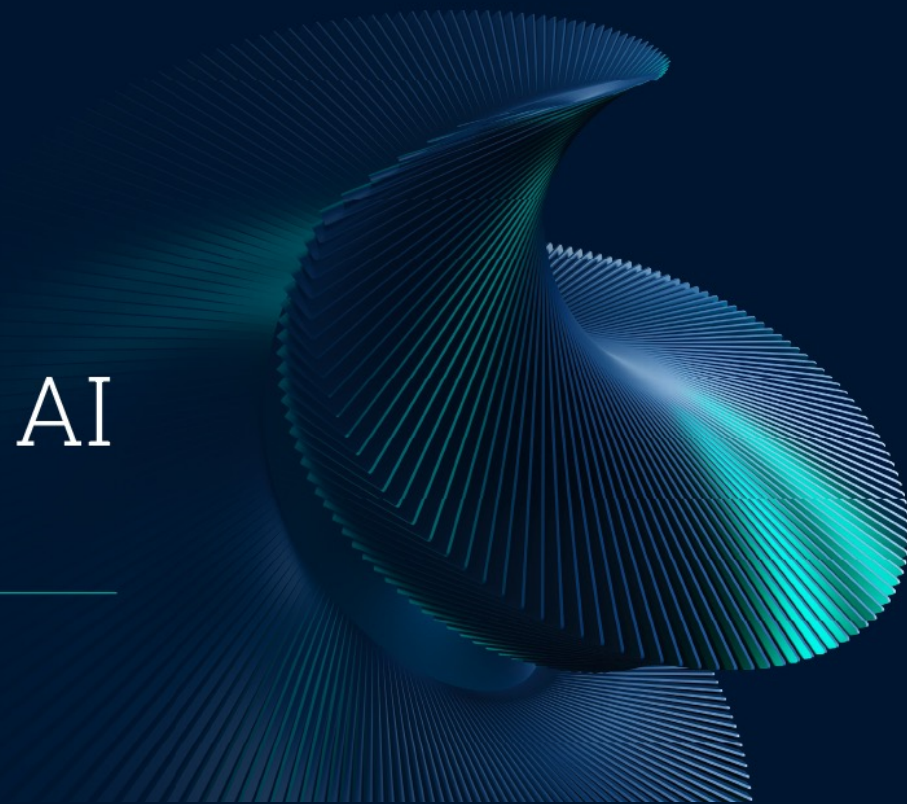
Source: AI Sentiment v3 Results. Enterprise earnings commentary; estimated management passages; likely analyst questions excluded. 3Q26 source dates through Aug. 20.



State of Enterprise AI

THE AI VALUE GAP

September 2026



DOWNLOAD
THE REPORT NOW:



Global Service & Software Provider Standouts

Our ISG Contracts Database 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 & Software Provider Standouts – Global



The ISG Contracts Database 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 Consulting	Amdocs	Indra Sistemas*	Coforge	Mphasis	B+N Referencia	Pomeroy
	Capgemini	Infosys	Bechtle*	LTM	EXL	Netcompany*	Birlasoft*	Sagility*
As-a-Service Market	Cognizant	NTT Data	Genpact	Tech Mahindra	Firstsource Solutions*	Neusoft	Eltel Networks	Softtek
	Deloitte	TCS			Globant*	Persistent Systems	Ensono	Sonata Software
	HCLTech	Wipro			Hexaware	Stefanini	GFT Technologies	Tata Technologies
					L&T Technology	TTEC	Mastek	Zensar
As-a-Service Market	Amazon Web Services	Microsoft	Atlassian	Equinix				
	Google Cloud	Oracle	Autodesk	Iron Mountain	CloudFlare	Visma	DigitalOcean	Vantage Data Centers
		SAP	CrowdStrike	Palo Alto Networks	MongoDB		Guidewire	
			Databricks	Snowflake				
				Workday				

* New or returning to leaderboard in quarter

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

Summary and Outlook

Summary

Managed Services

- ACV reached a record, but year-over-year growth remains modest.
- Markets remain mixed, with growth in EMEA and Asia offsetting weaker performance in the Americas.
- AI-driven productivity and pricing pressure continue to constrain top-line growth.

XaaS

- IaaS growth continues to accelerate
- SaaS is recovering, with stronger growth and backlog across several major platforms.
- Demand continues to exceed available capacity, although circular financing and capacity commitments across the cloud ecosystem make the ultimate level of underlying demand increasingly difficult to forecast.

Market Outlook

Macro Recap

- Technology demand remains strong despite a still-uncertain macro environment.
- AI infrastructure investment continues to overwhelm traditional spending patterns.
- Enterprise focus is shifting from AI experimentation toward ROI, productivity and scaled deployment.

Revenue Forecast

Market Segment	2026 Forecast	Change from Q2
Managed Services	2.1%	No change
As-a-Service	60%	Significant increase
IaaS*	80%	Significant increase
SaaS	12.5%	No change

*Given the scale of current hyperscaler investment and the capacity commitments across the AI ecosystem, we may still be underestimating IaaS growth.

Thank you!

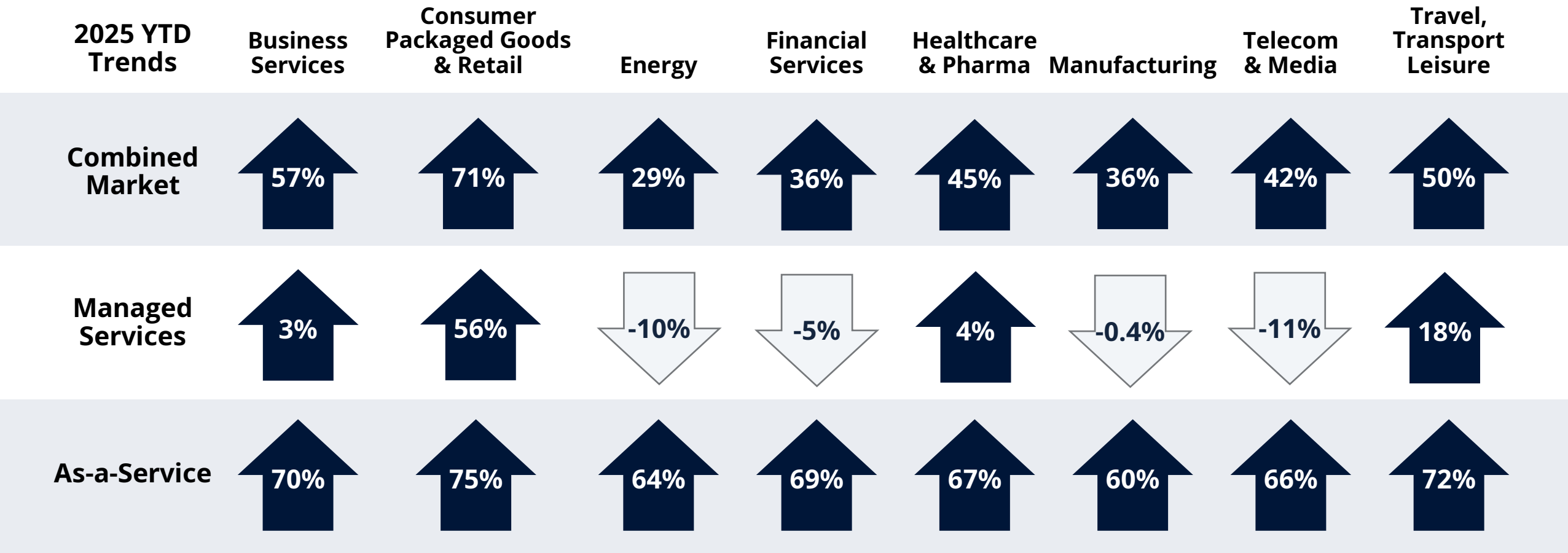
The 96th Quarterly
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Appendix



Industry Verticals



Americas Broader Market Results

3Q26 Results

Combined market ACV: up 61% Y/Y

Managed services ACV: down -6% Y/Y

XaaS ACV: up 129% Y/Y

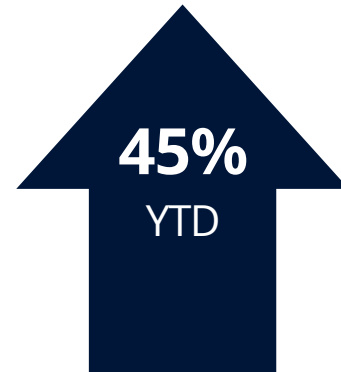
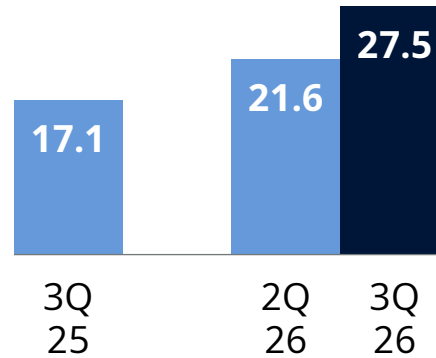
2026 YTD Results

Combined market ACV: up more than \$20B versus 2025

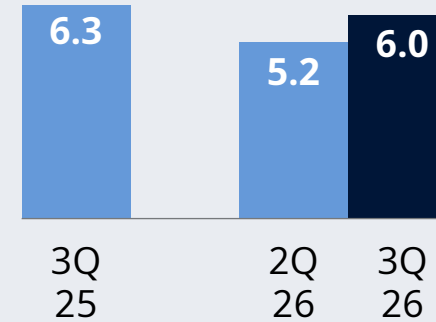
Managed services ACV: down compared to 2025 but up against 2024

XaaS ACV: up by \$22B from 2025

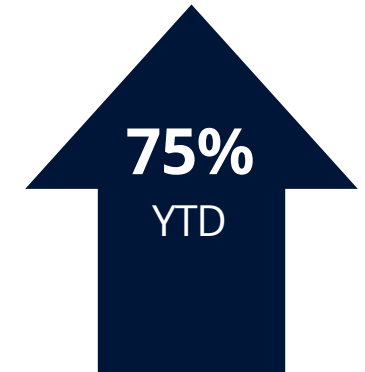
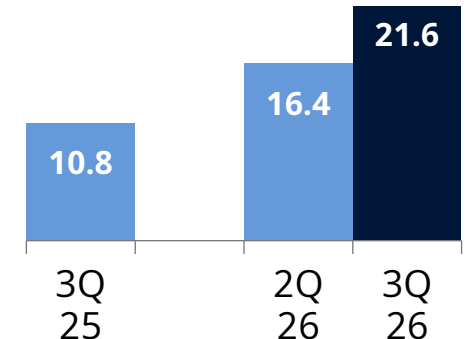
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value

Service & Technology Provider Standouts – Americas



The 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	Infosys	ABM Industries	L&T Technology Services	Coforge	L&T Technology Services	Birlasoft	Pomeroy
	Capgemini	Kyndryl*	Amdocs	Mphasis	EXL	Mphasis	Ensono	Sagility*
	Cognizant	NTT Data	Genpact	Persistent Systems	Firstsource Solutions	Persistent Systems	HGS	Softtek
	Deloitte	PwC*			Globant		HTC	Sonata Software
As-a-Service Market	HCLTech	TCS			Hexaware	Stefanini	Mastek	Tata Technologies*
		Wipro				TTEC		Zensar
	Amazon Web Services	Microsoft	Atlassian	Iron Mountain	Cloudflare	Rubrik	Compass Datacenters	ServiceTitan
	Google Cloud	Oracle	CrowdStrike	Palo Alto Networks	HubSpot	Shopify	Guidewire	Workiva
			Databricks	Paychex	MongoDB			
			Datadog*	Snowflake				
			Equinix	Workday				

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

EMEA Broader Market Results

3Q26 Results

Combined market: up 56% Y/Y

Managed services: up by 12%

XaaS ACV: up 85% Y/Y

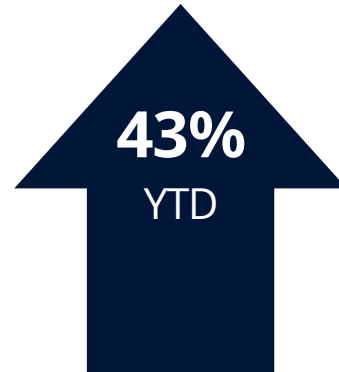
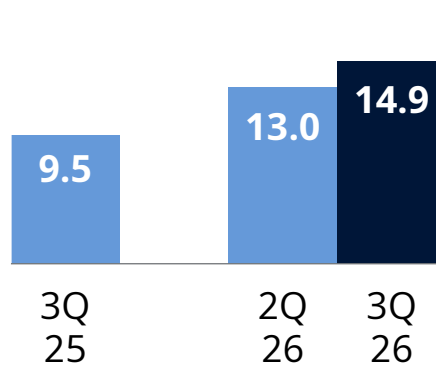
2026 YTD Results

Combined market ACV: up 43% YTD; highest Q3 in almost a decade

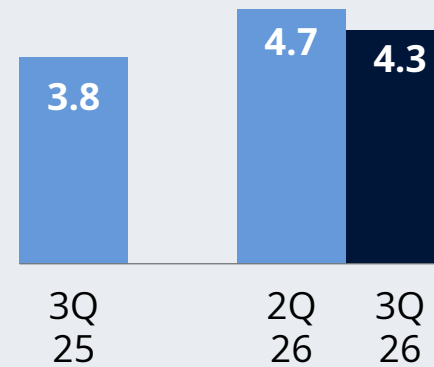
Managed services ACV: up by 13%; Q/Q basis 3Q26 declined from 2Q26

XaaS ACV growth of 67%.

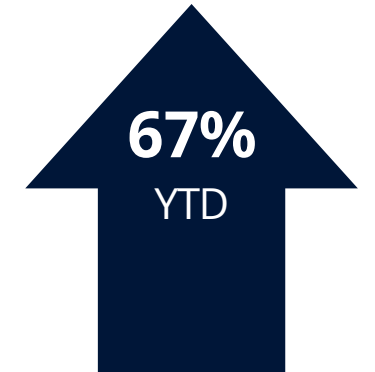
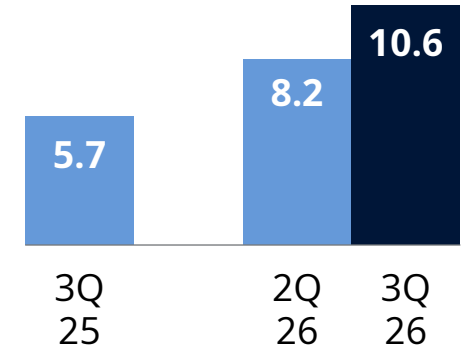
ACV \$B



Combined Market



Managed Services



As-a-Service

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Service & Technology Provider Standouts – EMEA



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Managed Services Market	Accenture	IBM Consulting*	Arvato*	MITIE	Adesso	Konecta*	Alexander Mann Solutions	GFT Technologies
	BT	Infosys	Atos*	SoftwareONE	AFRY	Nagarro	KPIT Technologies	Mastek
As-a-Service Market	Capgemini	NTT Data	Bechtle	Sopra Steria	Atea ASA	Netcompany	Aubay Tech	Protinus IT
	Cognizant	TCS	Capita	Tech Mahindra	Coforge	Persistent Systems	B+N Referencia	Tata Technologies
	HCLTech	Wipro	Genpact	Tieto Corp	EXL	Reply SpA	Eltel Networks	Transcom
			Indra Sistemas	T-Systems	Firstsource Solutions*		Ensono*	
	Amazon Web Services	Microsoft	Autodesk	Equinix	Cloudflare	OVH	DigitalOcean	Nemetschek
	Google Cloud	Oracle	Databricks		IFS AB	Visma	Vantage Datacenters	
		SAP						

* New or returning to leaderboard in quarter

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

Asia-Pacific Broader Market Results

3Q26 Results

Combined market: up 80%% Y/Y

Managed services declined 16% Y/Y

XaaS ACV up 92% Y/Y

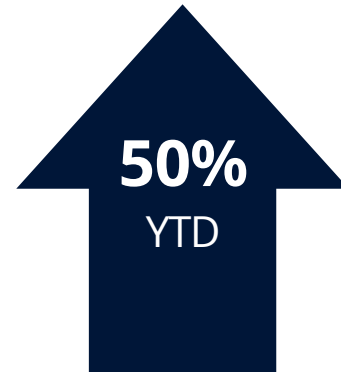
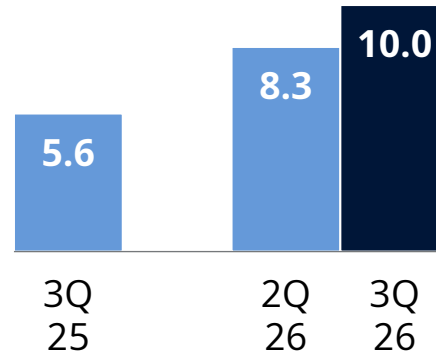
2026 YTD Results

Combined market: ACV up 50%;
fastest in the three regions

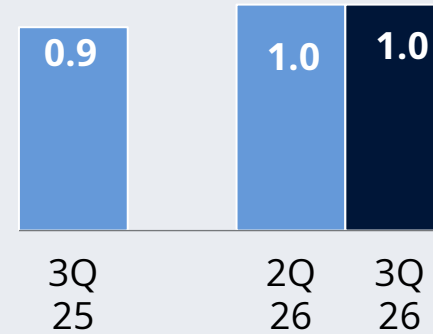
Managed services: ACV up 12%,
driven by strong infrastructure deals

XaaS: ACV growth of 56% YTD

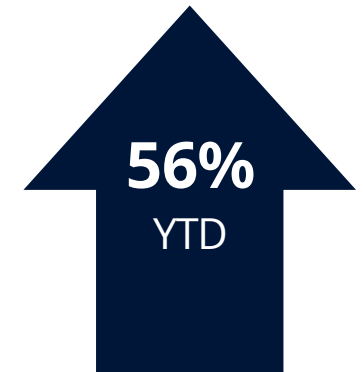
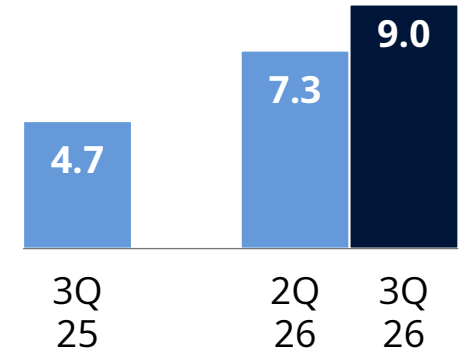
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value



Service & Technology Provider Standouts – Asia Pacific



The 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	Infosys	Amdocs	SCSK	Bellsystem24	Neusoft	BayCurrent Consulting	ITCenEntec
	Cognizant	NTT Data	Downer Group	Sodexo	Biprogy	NS Solutions	Ceragon Networks*	KPIT Technologies
As-a-Service Market	HCLTech	TCS	Genpact	Tech Mahindra	Coforge	Persistent Systems	Cyient	Tata Elxsi
	IBM Consulting	Wipro	ITOCHU Techno-Solutions	Transcosmos	Digital China*	SK C&C	Datamatics*	Tata Technologies
			Nomura Research		EXL*		Hyundai AutoEver*	
					NCS			
As-a-Service Market	Alibaba	Google Cloud	Applovin	Databricks*	21Vianet	Xero	CtrlS Datacenters	Kingdee
	Amazon Web Services	Microsoft	Atlassian	Datadog	CloudFlare	Yonyou	Digital Ocean	Kingsoft Cloud
	Baidu	Tencent Cloud	Autodesk	Palo Alto Networks	MongoDB		Keppel DC	NextDC

*New or returning to leaderboard in quarter

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



ISG (Nasdaq: III) is a global AI-centered technology research and advisory firm. A trusted partner to more than 900 clients, including 75 of the world's top 100 enterprises, ISG is a long-time leader in technology and business services that is now at the forefront of leveraging AI to help organizations achieve operational excellence and faster growth. The firm, founded in 2006, is known for its proprietary market data, in-depth knowledge of provider ecosystems, and the expertise of its 1,600 professionals worldwide working together to help clients maximize the value of their technology investments.

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