

Managed Services & As-a-Service Market Insights

12 October 2021

HOSTED BY



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Managing Director,
Equity Research

Wedbush Securities

*ISG Index™

3Q 2021

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Welcome
to the 76th Quarterly

*
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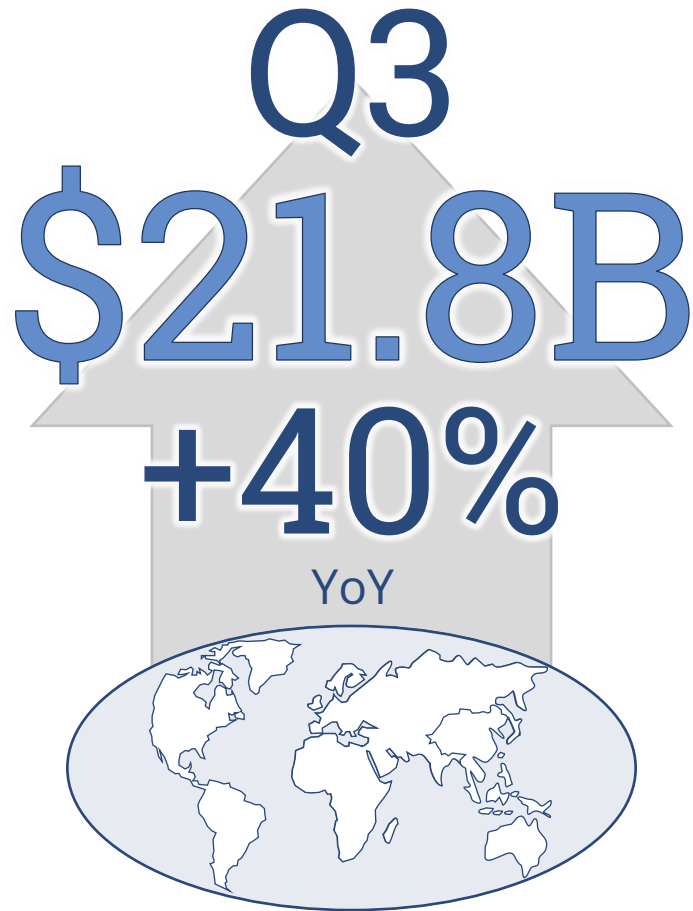


Gaurav
Gupta
Partner, Digital
Engineering

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

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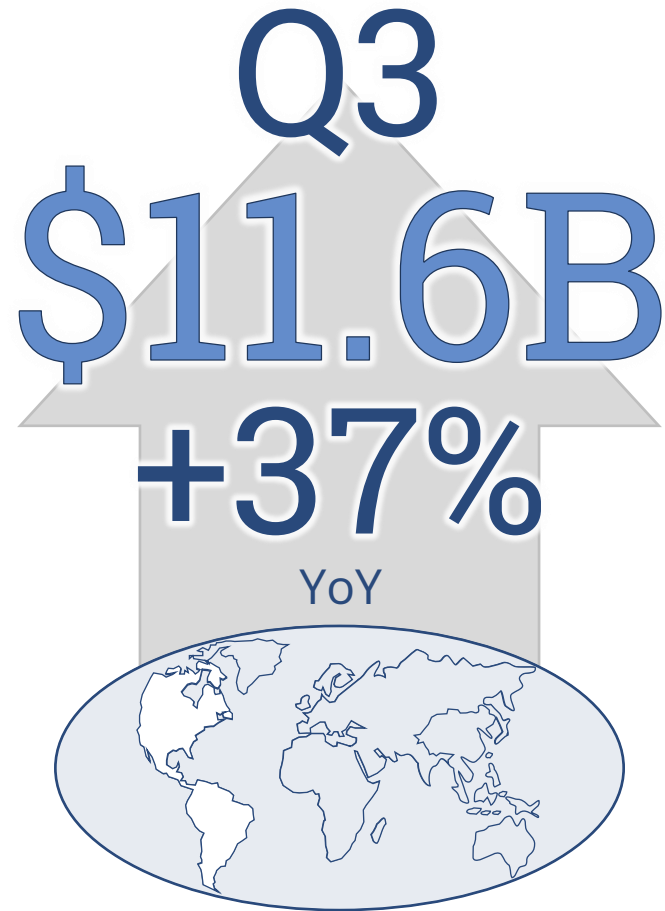
ISG's Top Findings – 3Q 2021



Combined Market ACV
has accelerated
since 3Q20

40% growth rate is highest since
we moved to Combined Market
view in 2014

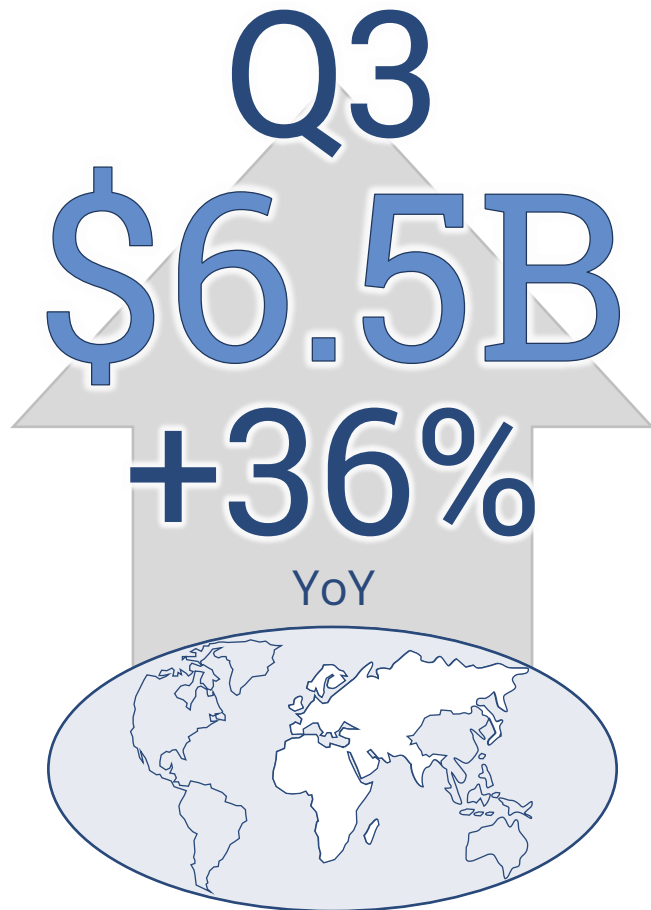
ISG's Top Findings – 3Q 2021



Americas Managed Services ACV crossed \$8B ACV for second consecutive quarter

Combined Market ACV has accelerated since the 4Q20 decline

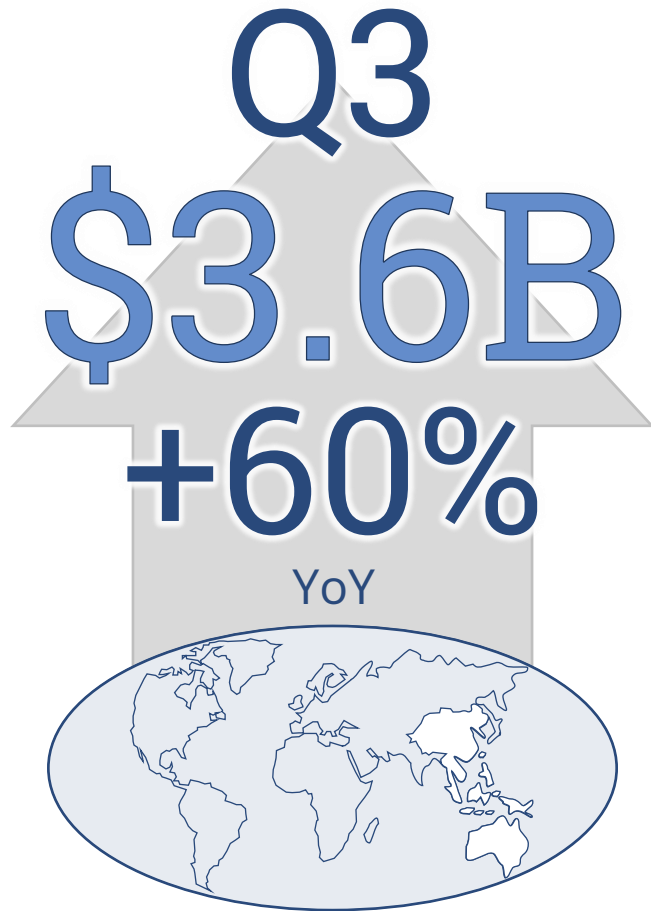
ISG's Top Findings – 3Q 2021



EMEA Combined Market
four consecutive
quarters above \$6B ACV

Managed Services ACV generated \$3B of ACV but experienced its third successive sequential decline as both the U.K. and DACH market pulled back

ISG's Top Findings – 3Q 2021



Asia Pacific advanced at a rate of 60% for second straight quarter

led by strength in Managed Services as many of its regional markets posted double-digit gains



Global Broader Market Results

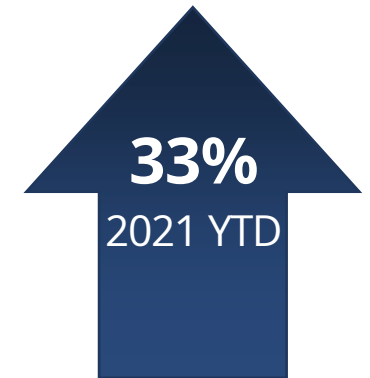
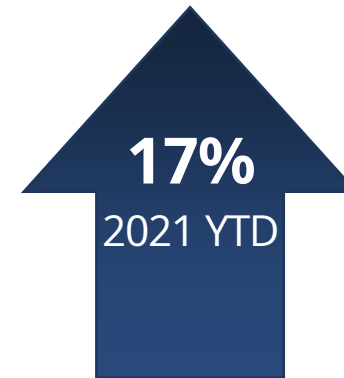
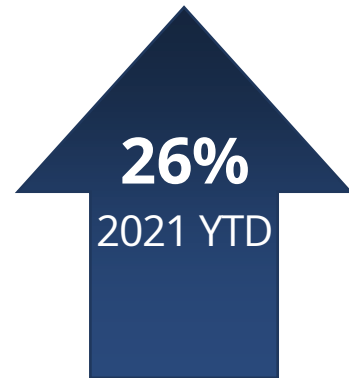
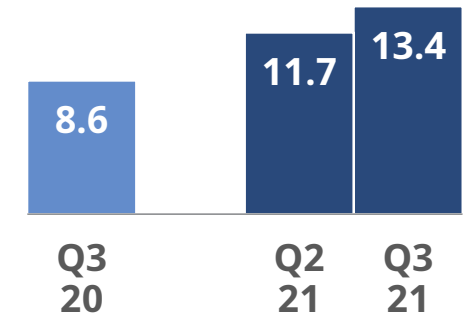
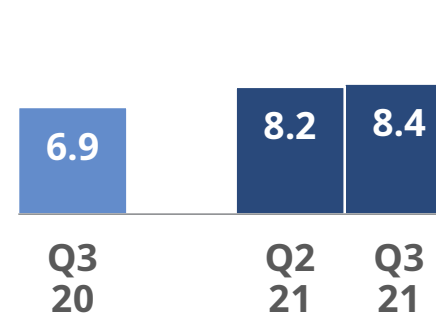
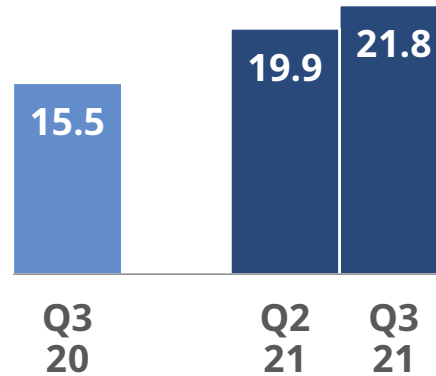
Quarterly Trends

Combined market added nearly \$2B in ACV from 2Q21

Managed Services sets another record, up 22% Y/Y

Managed Services saw most awards in a quarter (564) and most mega-deals since 3Q19 (6)

Post-pandemic cloud demand surges; As-a-Service up 55% Y/Y



Combined Market

Managed Services

As-a-Service

2021 YTD = January to September ACV = Annual Contract Value



Global Results by Function

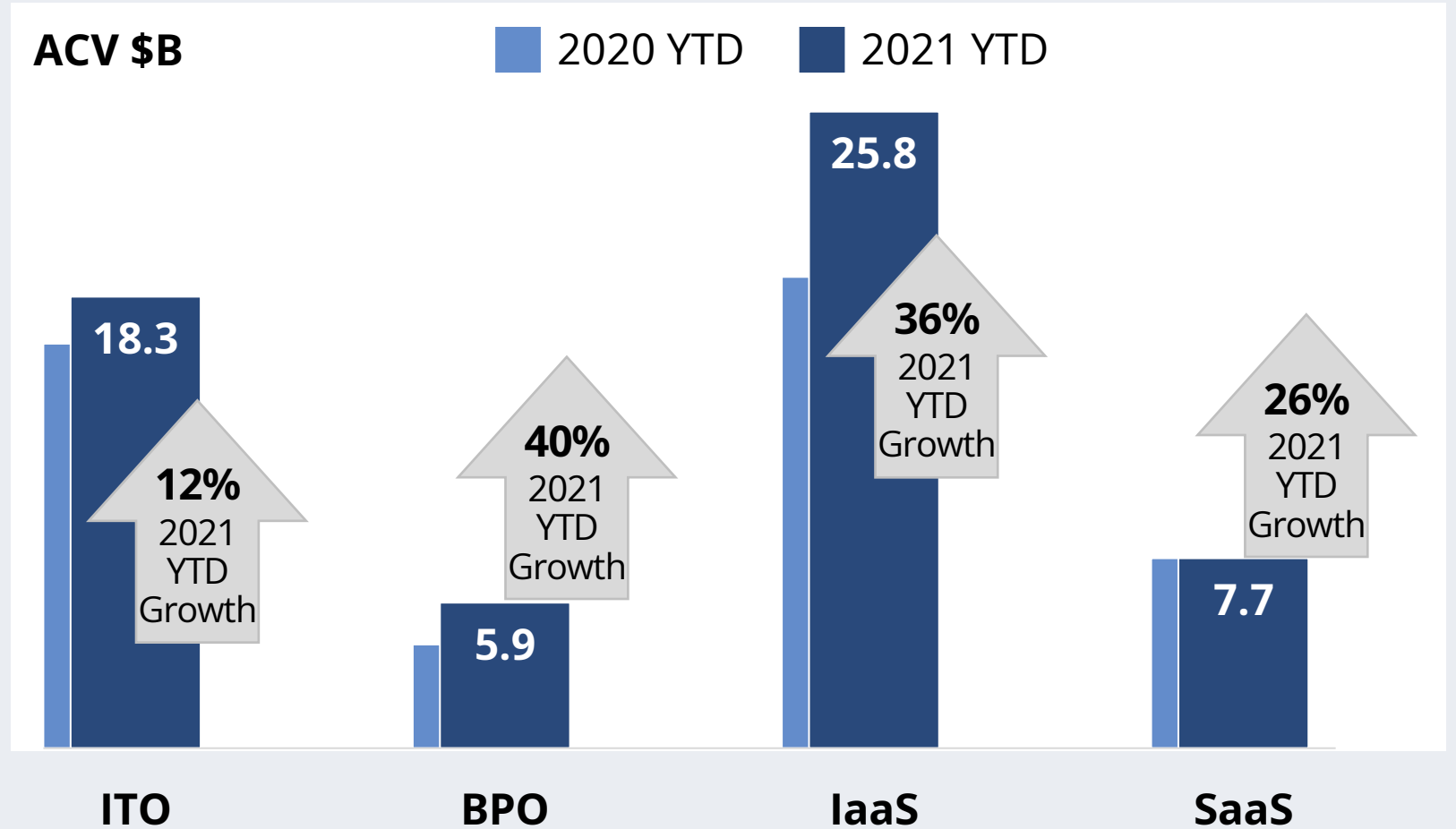
2021 YTD Trends

ITO ACV up 12%, with ADM activity up 29% versus 2020 and 34% versus 2019

BPO ACV up 40% versus 2020 and up 11% versus 2019, driven by surge in ER&D

IaaS ACV generated \$25B, up 36%; YTD growth rate is best since 2018

SaaS ACV up 26% accelerating from the mid-2020 slowdown



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 *	Sitel Group *	Asseco	Mphasis	Birlasoft	Persistent Systems
	Atos	IBM Global Services	CGI	Sopra Steria	EPAM Systems	Rackspace	EXL	Softtek
	Capgemini	Infosys	Genpact	Tech Mahindra	LG CNS *	TietoEvry	Globant	WNS Global Services
	Cognizant	Tata Consultancy Services	Global Payments	Teleperformance *	LTI	TTEC	L&T Technology Services	
	DXC Technology		OptumInsight	T-Systems	Mindtree	Unisys		
			Samsung SDS	Wipro				
	Adobe	Google Cloud	Equinix	ServiceNow	Digital Realty	Shopify	21Vianet *	OVH *
	Alibaba	Microsoft	Intuit		Palo Alto Networks	Twilio	Atlassian Corporation	Snowflake Computing
	Amazon Web Services	Salesforce				UKG *	Coresite	Veeva Systems
							Crowdstrike	Zoom Video

* New to leaderboard in 3Q21

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



Americas Broader Market Results

Quarterly Trends

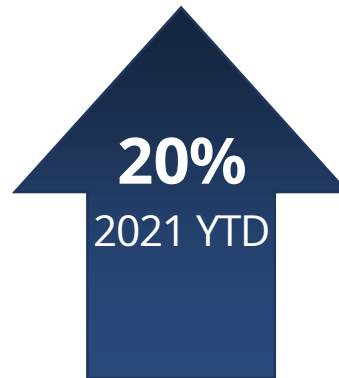
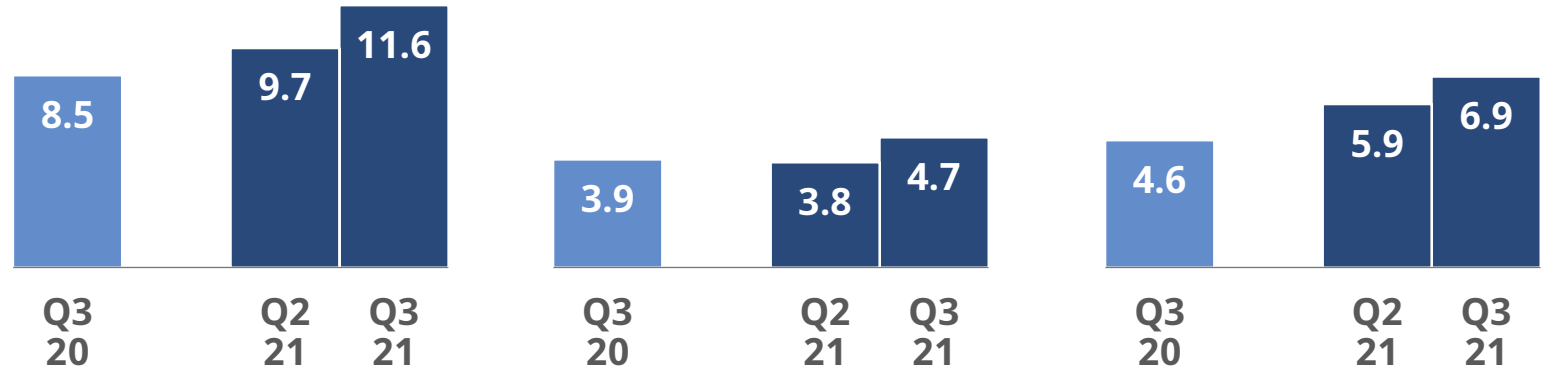
Combined Market ACV surpassed \$11B for the first time, with ACV up 37% Y/Y

Managed Services ACV of \$4.7B was the most ever, up 21% Y/Y

282 contracts awarded were most ever in a quarter

Five mega-deals awarded were most since 3Q17

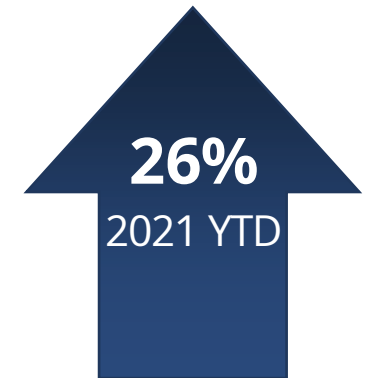
XaaS approached \$7B and was up over 50% Y/Y



Combined Market



Managed Services



As-a-Service

2021 YTD = January to September ACV = Annual Contract Value



Americas Results by Function

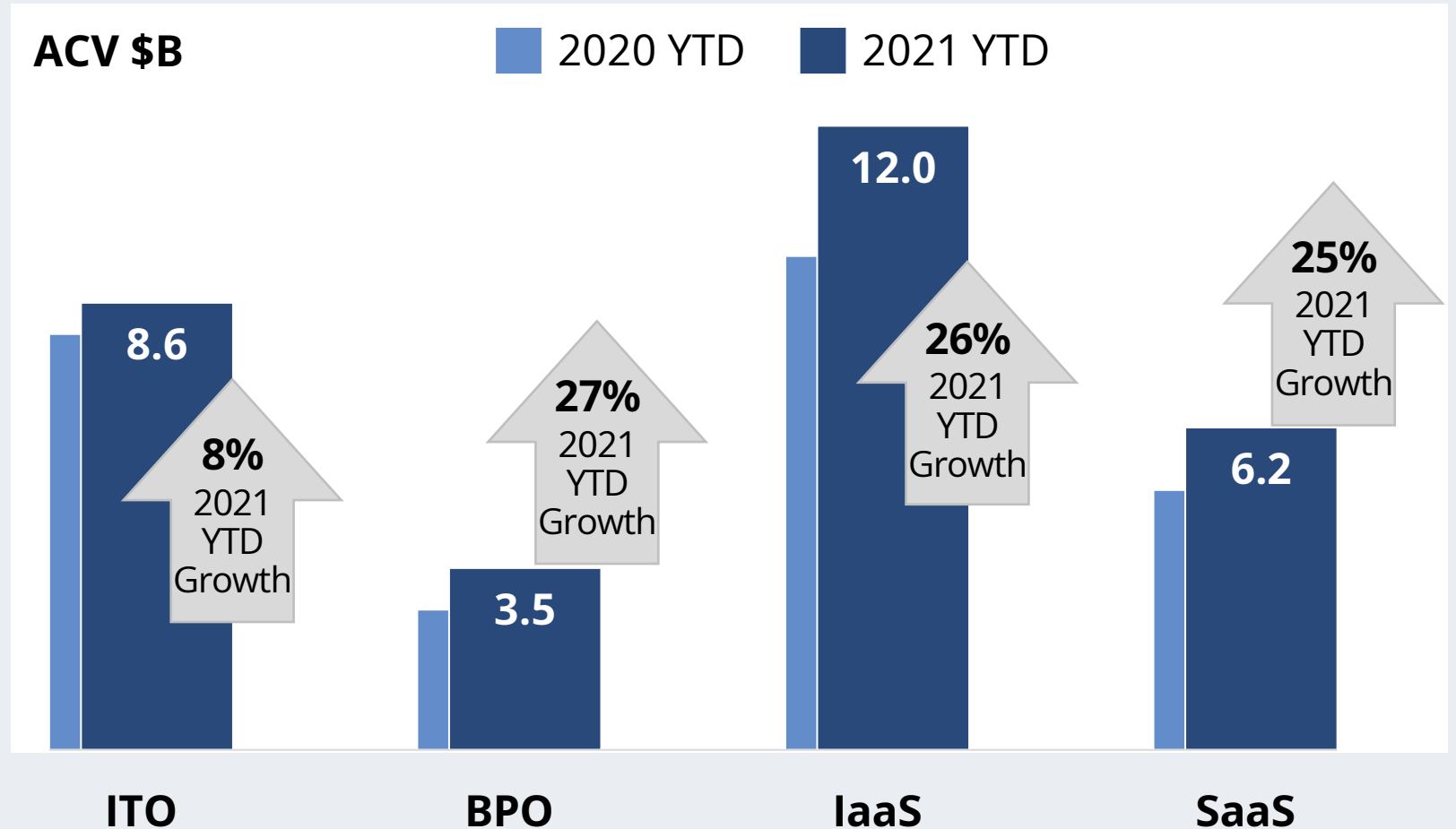
2021 YTD Trends

ITO ACV up 8% versus 2020 and up 12% versus 2019; ADM market was active, up 28%

BPO grew 27% versus 2020 on increasing activity in ER&D and Industry-specific BPO

IaaS growth of 26% supported by a record setting quarter in 3Q21:

SaaS ACV was up 25% versus 2020 and was the best YTD growth rate since 2016



ACV = Annual Contract Value



Asia Pacific Broader Market Results

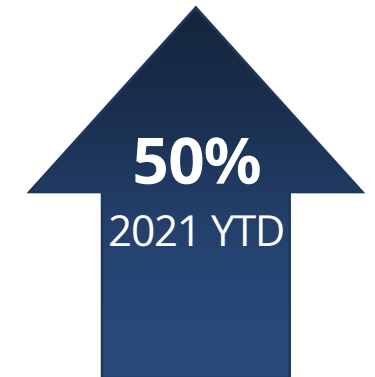
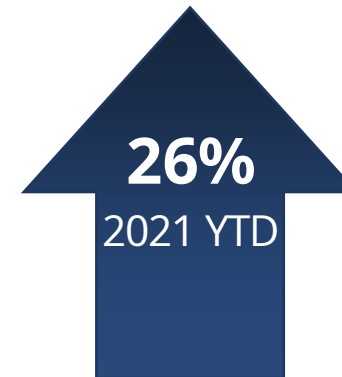
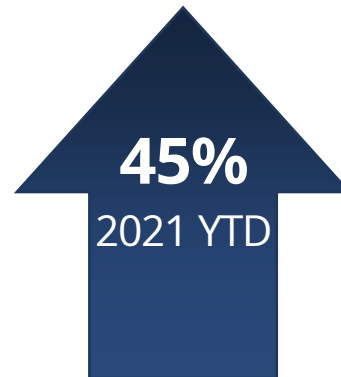
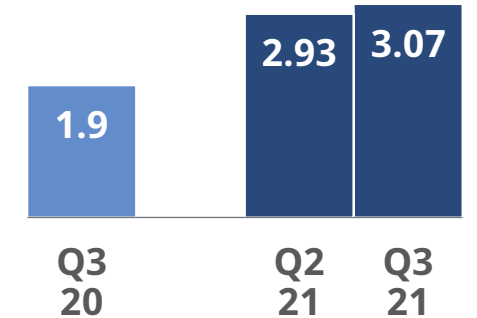
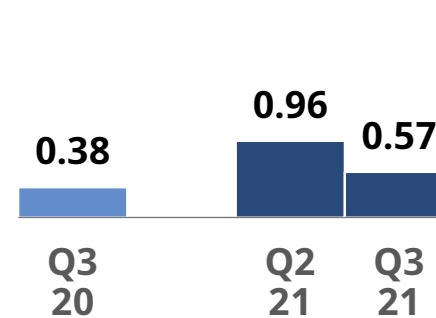
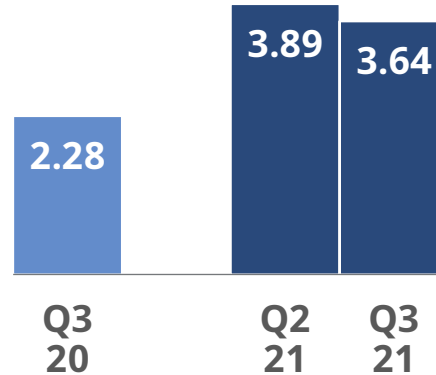
Quarterly Trends

Combined Market ACV up 60% Y/Y for the second consecutive quarter

Managed Services ACV up 50% Y/Y but down 40% Q/Q

Pullback in larger awards in the Managed Services sector

XaaS ACV surpassed \$3B for the first time ever



Combined Market

Managed Services

As-a-Service

2021 YTD = January to September ACV = Annual Contract Value



Asia Pacific Results by Function

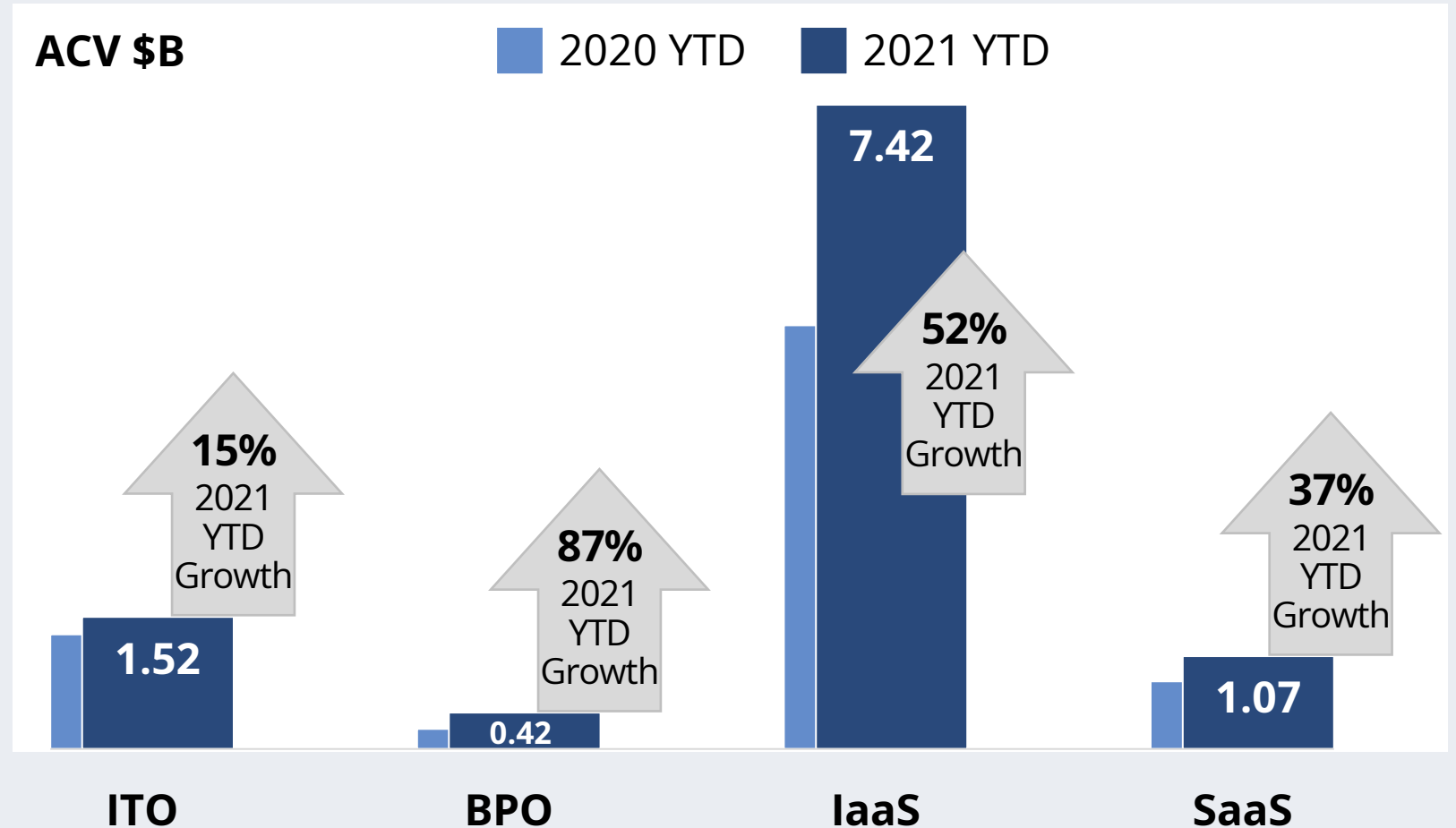
2021 YTD Trends

ITO segment up 15%; both ADM and Infrastructure contributed to the upside

BPO up \$400M in incremental ACV over 2020, driven by increases in Industry-specific BPO

IaaS up over 50% with strong 2Q and 3Q providing upside

SaaS accelerated 37%, its best growth rate since we incorporated SaaS metrics in 2014



ACV = Annual Contract Value



EMEA Broader Market Results

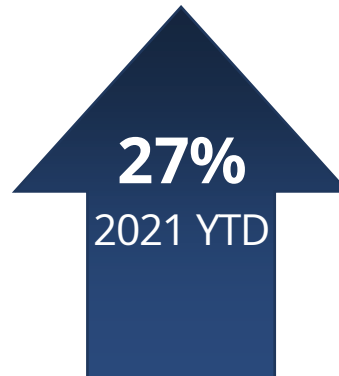
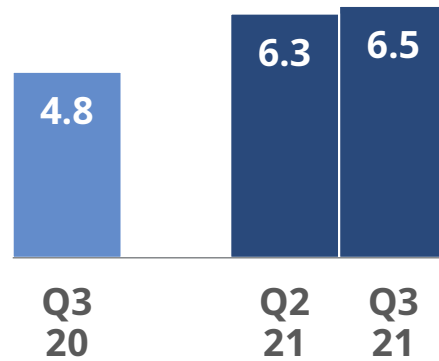
Quarterly Trends

Combined Market ACV up 30% Y/Y but has remained in a tight range just above \$6B for the past year

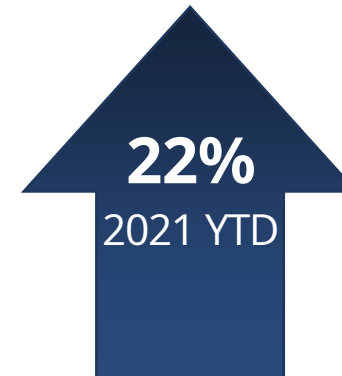
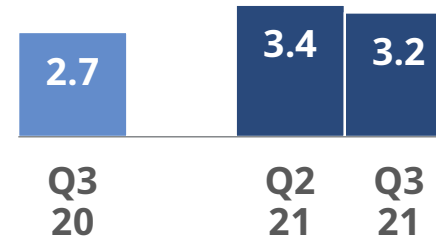
Managed Services posted a \$3B+ quarter but also saw ACV decline sequentially for third successive quarter

Most regions saw increases in ACV except for the U.K. and DACH

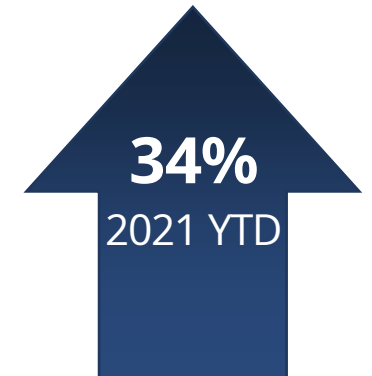
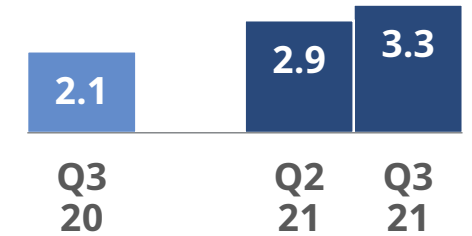
XaaS ACV accelerated and surpassed \$3B



Combined Market



Managed Services



As-a-Service

2021 YTD = January to September ACV = Annual Contract Value



EMEA Results by Function

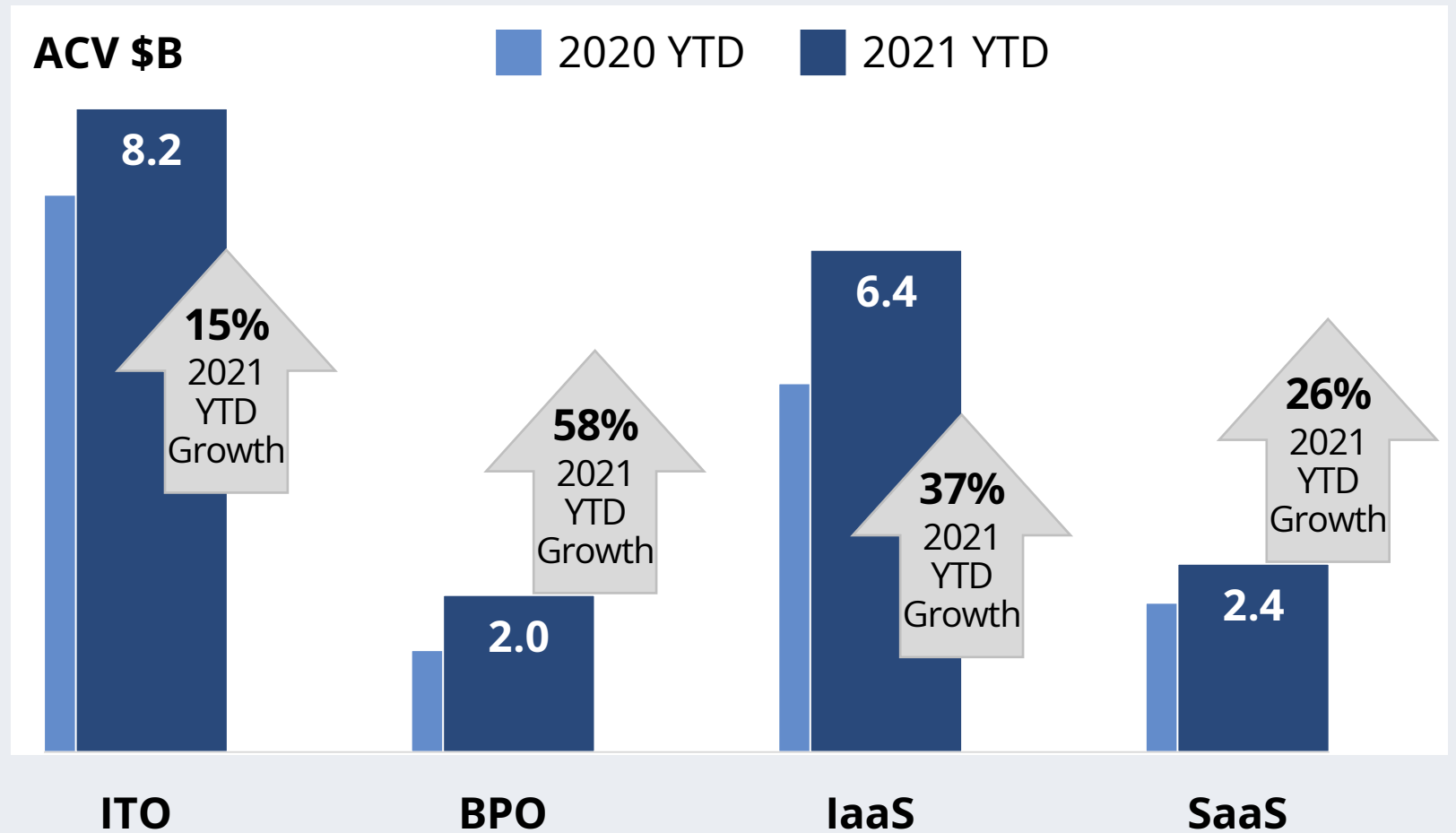
2021 YTD Trends

ITO ACV up 15% with ADM ACV up 36% and Infrastructure declining by 1.3%

BPO activity rebounded from weaker 2020, up 58% but still down 6% versus 2019 pre-pandemic levels

IaaS ACV accelerated to 37% growth on the strength of \$2B+ quarters in the middle of 2021

SaaS ACV again rebounded to record levels since 3Q20 trough



ACV = Annual Contract Value



Global Technology Services Industry Award Trends

2021 YTD Growth	Business Services \$9.5B ACV	Retail & Consumer Packaged Goods \$8.2B ACV	Energy \$3.7B ACV	Financial Services \$12.2B ACV	Healthcare & Pharma \$5.4B ACV	Manufacturing \$9.8B ACV	Telecom & Media \$5.8B ACV	Travel, Transport Leisure \$5.1B ACV
Combined Market	↑ 30%	↑ 38%	↑ 26%	↑ 20%	↑ 13%	↑ 27%	↑ 28%	↑ 31%
Managed Services	↑ 49%	↑ 44%	↑ 16%	↑ 9%	↓ -18%	↑ 13%	↑ 36%	↑ 15%
As-a-Service	↑ 24%	↑ 35%	↑ 43%	↑ 34%	↑ 36%	↑ 38%	↑ 22%	↑ 42%

ACV = Annual Contract Value

Trends in Digital Engineering



Gaurav Gupta

Partner & Global Head, Digital Engineering

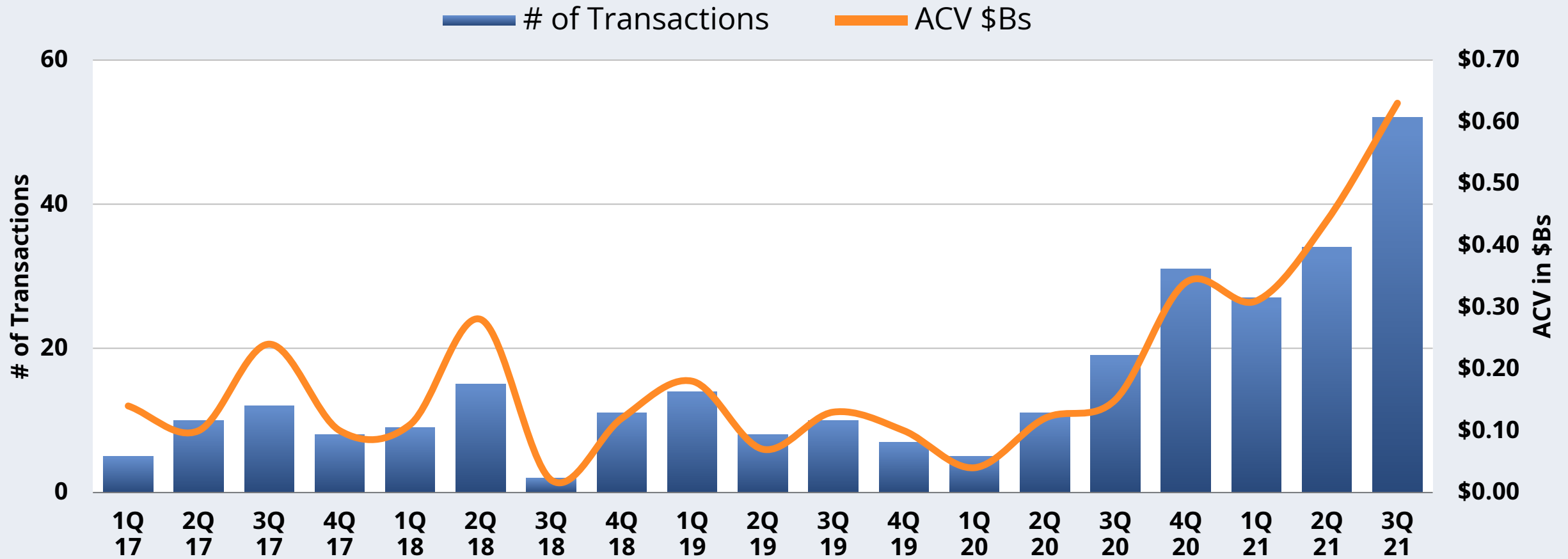


Stanton Jones

Director & Principal Analyst















“Accelerating toward
a connected and
intelligent future.”

Engineering ACV Is On the Rise

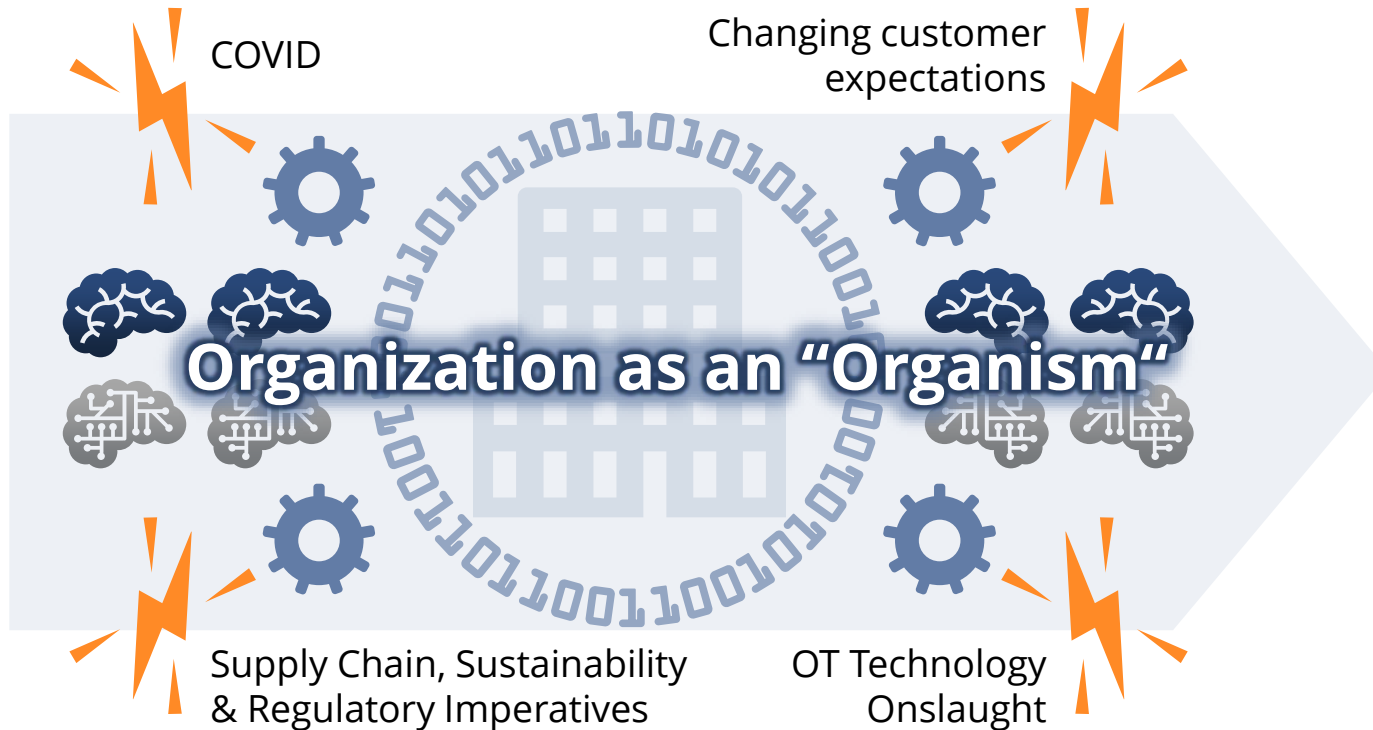


Engineering Is Not the Same Anymore

(Further Accelerated by COVID Pandemic)

- 1** Designing for ~~Products~~  Product +  Connected/data enabled Services +  Experiences
- 2** Completing functionality at ~~point of sale~~  Start of Production |        Operating for continuous releases
- 3** Capturing profit via ~~hardware/products~~   Software, data and sustainability
- 4** ~~Secure, isolated~~ production and supply chain environments  Industry 4.0 driven hyper-connected, intelligent and heterogeneous environments

2019, 2020: The Years Earth Changed ... [Or the Years of Magical Thinking?]

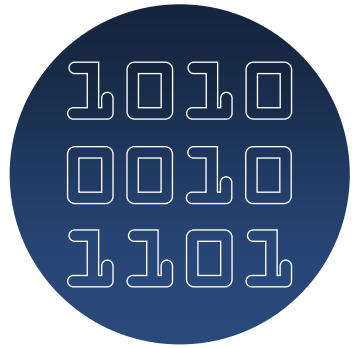


COVID as a catalyst:

- More top-down buy-in and a converged approach for transformation
- Remote, autonomous and predictive operations in plants and factories
- Digital Twins-/Thread for enhancing predictability of events, including resiliency through transparency across the value chain
- Globally distributed product development leveraging remote/extended teams and virtualization and cloud technologies

Digital Engineering Megatrend #1

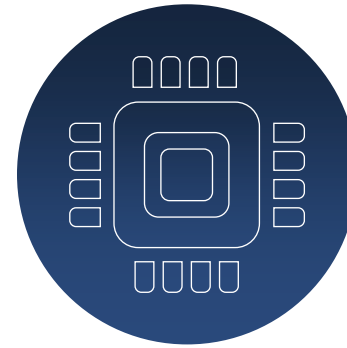
Increasingly more transformation programs will be defined spanning a **converged IT-ET-OT-CT* transformation** to increase value realization



**Realigned
Data**



**Reimagined
Organization**



**Reshaped
Security**

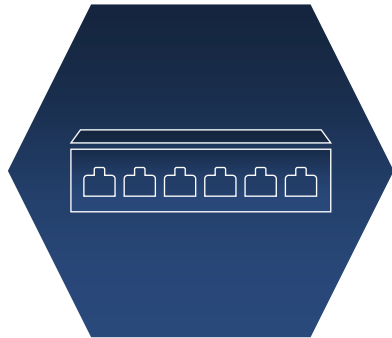


**Redesigned
Ecosystem**

*ET=Engineering Technology, OT=Operational Technology, CT=Consumer Technology

Digital Engineering Megatrend #2

Maturing of **Industry 4.0** driven by **Digital Twin-/Thread** across the product lifecycle and ecosystem



System Lifecycle Management



IoT Insights Driving Autonomous & Predictive Operations



Edge Adoption

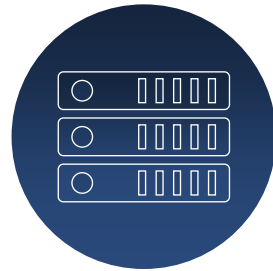
Digital Engineering Megatrend #3

As companies are reimagining their products and services for a connected world, **software and data-driven** capabilities become **table stakes**.

Expect OEMs to redefine their **software operating model** for higher productivity, throughput and quality.



**Virtualization /
Decoupling Hardware-
Software Development**



**Standardized
Toolchains and
Methodologies**

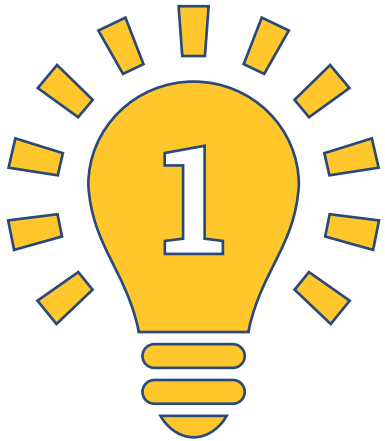


**Global
Talent
Footprint**



**Redefined
Make vs
Buy**

Summary: What Does This Mean for You?



Transformation spanning both Strategy and Implementation →
Engineering/OT deals become complex, multi-year and large



Blurring of the ecosystem boundaries opens up new sell-to and sell-with opportunities →
Innovative ways to partner, source, transform, govern

3Q21 ISG Index – Summary and Outlook

Summary

Managed Services Recovers

- Managed Services up 17% YTD, with the Americas setting the pace with a record-setting third quarter
- ADM, ER&D and Industry-specific BPO are growing rapidly, offsetting the decline in legacy infrastructure awards

New Highs in XaaS

- Record-setting ACV results with at least 25% YTD gains across each region
- Nearly \$9B in ACV has been added to the market compared to the first nine months of 2020
- XaaS accounts for nearly 60% of Combined Market ACV after crossing the 50% threshold just two years ago

Outlook

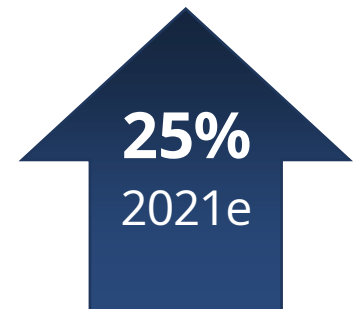
Managed Services Forecast

- Many positives in the market; recovery has been broad-based
- Growth should remain strong, assuming the market manages its near-term headwind of supply chain imbalances (the Great Resignation)




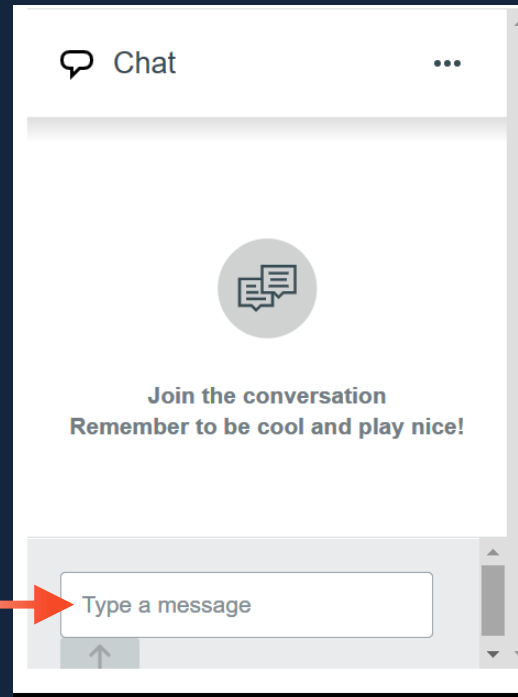
As-a-Service Market Forecast

- Even though market has been growing very fast for half a decade, it still appears to be in the early phase of a long-term secular growth story
- Near-term headwind of inflationary pressures could affect providers, unless they are able to adjust pricing



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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Thank you!

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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	IBM Global Services Infosys NTT Data Tata Consultancy Services	Bechtle CGI Concentrix Genpact Global Payments	Hitachi Vantara OptumInsight Sitel Group Tech Mahindra 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 Vmware Workday	Digital Realty Palo Alto Networks RingCentral	Shopify Splunk Twilio UKG	Coresite CrowdStrike	Snowflake Computing Zoom Video Communications

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



Service & Technology Provider Standouts – EMEA



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	IBM Global Services	Capita	Sitel Group	AKKA Technologies	Rackspace	Atea	Safaricom
	Atos	Infosys	CGI	Sopra Steria	Dustin AB	Swisscom	ENDAVA	SIA S.p.A.
	BT	ISS Global	Computacenter	Tech Mahindra	EPAM Systems	TietoEvy	KPIT Technologies	WNS Global Services
	Capgemini	Tata Consultancy Services	Global Payments	T-Systems	LTI	TTEC	NNIT A/S	
	Cognizant		Orange	Wipro	Mindtree	Unisys		
	DXC Technology		Serco		Mphasis			
	HCL							
As-a-Service Market	Amazon Web Services	Microsoft	Autodesk	ServiceNow	DropBox	Sage	Atlassian	Veeva Systems
	Google Cloud	Salesforce	Equinix	Vmware	Nice Systems	Twilio	DigitalOcean	Visma
							Global Switch	Zoom Video Communications
							OVH	Zscaler

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



Service & Technology Provider Standouts – Asia Pacific



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 Global Services	Amdocs	Sitel Group	Asseco	Neusoft	Data#3	Taiji Computer
	Capgemini	Infosys	CGI	Tech Mahindra	Digital China	Rackspace		
As-a-Service Market	Cognizant	Tata Consultancy Services	Concentrix	Teleperformance	EPAM Systems	transcosmos inc.	Sonata Software	WNS Global Services
	DXC Technology	HCL	Genpact	Wipro	Mindtree	TTEC		
			Samsung SDS		Mphasis	Unisys		
	Alibaba	Google Cloud	Autodesk	Equinix	Akamai	Shopify	21Vianet	Kingdee
	Amazon Web Services	Huawei	Citrix	ServiceNow	Palo Alto Networks	Splunk	Atlassian Corporation	Veeva Systems Inc.
	China Telecom	Microsoft	Dassault Systemes	Telstra		Twilio	CrowdStrike	Xero
		Tencent					DigitalOcean	Zoho Corp.
							Global Switch	Zoom Video Communications
							Keppel DC REIT	

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