



FIRST QUARTER 2020

Managed Services and As-a-Service Market Insights

HOSTED BY: RISHI JHUNJHUNWALA, IIFL INSTITUTIONAL EQUITIES

April 8, 2020

imagine your future®

ISG Confidential. © 2020 Information Services Group, Inc. All Rights Reserved.
Proprietary and Confidential. No part of this document may be reproduced in any form or by any
electronic or mechanical means, including information storage and retrieval devices or systems,
without prior written permission from Information Services Group, Inc.

Welcome to the 70th Quarterly

***ISG** Index™



Steve Hall
Partner &
President ISG



Kathy Rudy
Chief Data &
Analytics Officer



Barry Matthews
Partner and Leader,
ISG North Europe



John Westfield
Partner, Consumer
Industry Group, Travel
& Transportation



Stanton Jones
Director &
Principal Analyst
ISG Research

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

At a Glance

Global Combined Market

Combined Market ACV up 7%; Managed Services up 2%, as demand slowed in March on COVID-19 concerns; As-a-Service up 11% on demand for hyperscale services, offsetting weakness in SaaS.

Impact of COVID-19

85% of Q1 Managed Services deals awarded in January and February; pandemic-related drop-off began in early March across Europe and later in the Americas; Americas results saw less of an impact due to late-March timing.

Regional Perspective

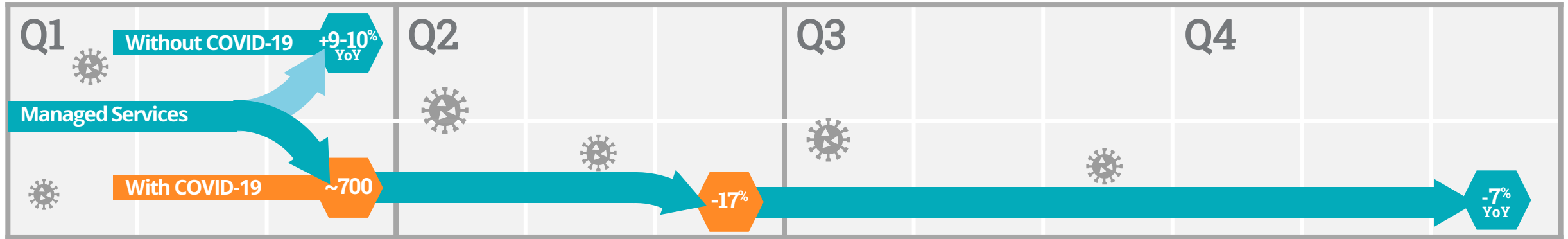
Each region delivered Y/Y Combined Market growth: Americas grew in both As-a-Service and Managed Services; EMEA up in Managed Services only; Asia Pacific up in As-a-Service only.

* Managed Services, formerly called Traditional Sourcing, is defined as ITO/BPO, Infrastructure, ADM and Network markets, which we've always reported on.

Scorecard

	1Q20 ACV (\$B)	1Q Y/Y Change	TTM ACV (\$B)	TTM Change
Global Commercial Combined Market	14.8	6.9%	55.9	6.1%
By Type				
Managed Services *	6.8	2.2%	27.9	2.8%
As-a-Service	8.0	11.3%	28.0	9.5%
By Region				
Americas Combined	7.6	8.7%	28.4	5.6%
EMEA Combined	4.9	3.8%	19.2	5.0%
Asia Pacific Combined	2.3	7.6%	8.3	10.2%

What is the Impact of COVID-19 on the Managed Services Market?



First Quarter

- Managed Services was depressed 700 basis points
- Managed Services ACV was on track for 9-10% rise Y/Y
- As-a-Service impacted minimally; IaaS saw brief surge due to WFH mandate

Second Quarter

- Managed Services braces for 17% decline
- SaaS providers may feel hit as firms reduce costs & user licenses amid furloughs
- IaaS providers may get boost as firms move more workloads to public cloud

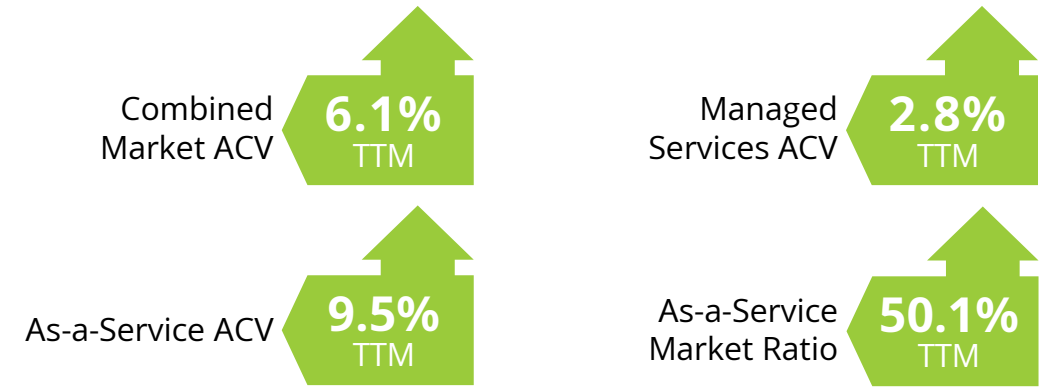
Second Half

- Managed Services rebound expected in 2H
- Overall ACV for the year may drop 7% Y/Y
- Digital transformation likely to accelerate post-COVID
- SaaS spending likely to shift to cybersecurity, cloud migration, collaborative tools

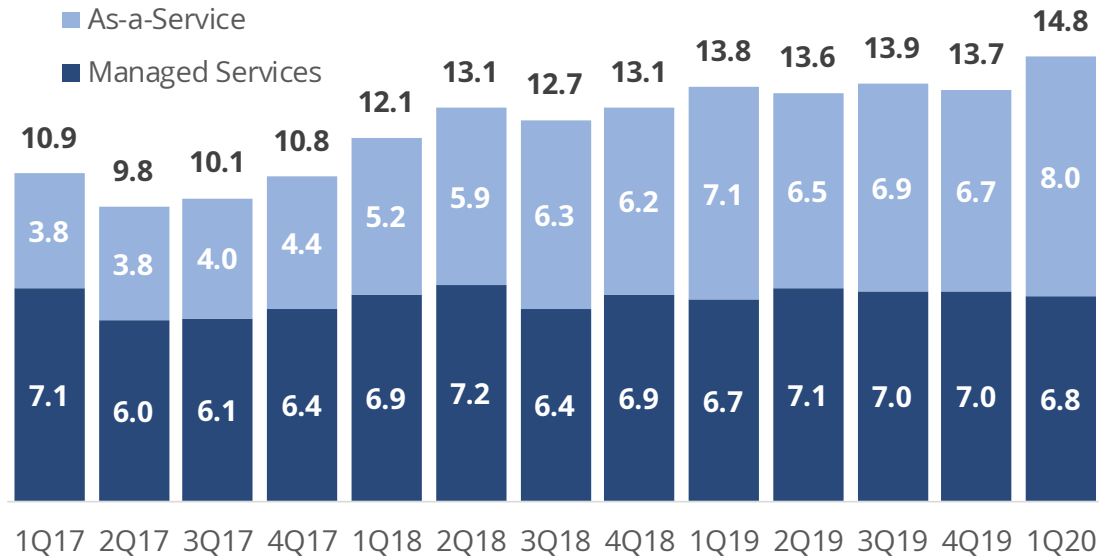
Global Commercial Sector

Quarterly Trends

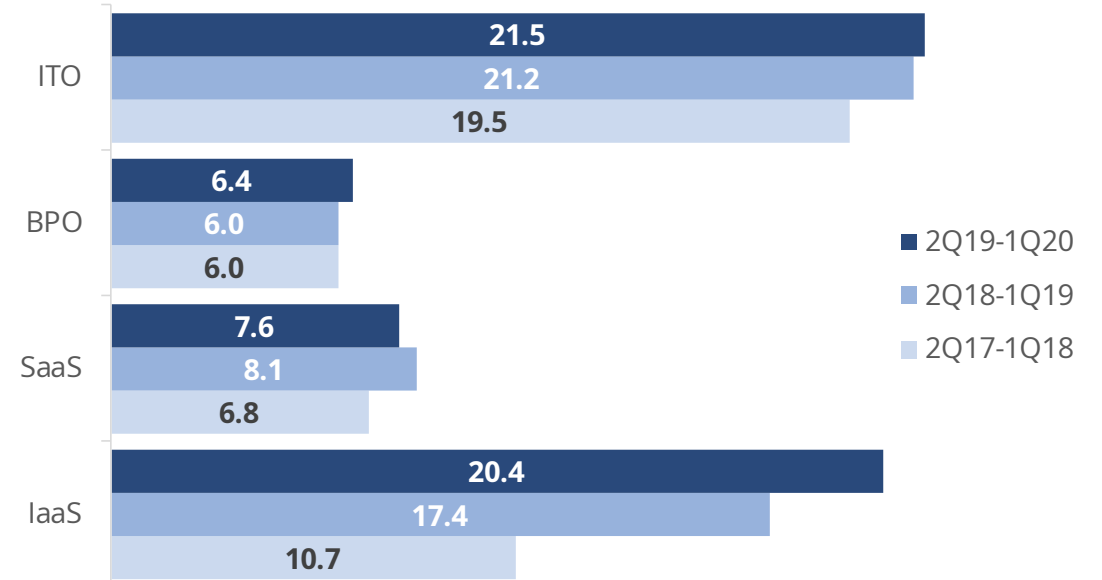
- 1Q20 Combined Market surpassed \$14B for the first time ever
- Managed Services advanced slightly after starting the quarter strong with some larger deals
- Pandemic has seen strong hyperscale demand, as providers like Microsoft, AWS and Google regularly see peak loads



Combined Market Quarterly ACV (\$B)



Global Commercial Sector ACV by Function (\$B)





Service & Technology Provider Standouts – GLOBAL

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	OptumInsight*	Atento	Mphasis	CSG Systems	Persistent Systems
AT&T*	IBM Global Services	Amdocs	Tech Mahindra	Axians	NS Solutions	Digita*	SoftwareONE*
Atos	Infosys	Bechtle	Teleperformance	EPAM Systems*	Sutherland	Ensono	Startek
Capgemini	NTT Data	Computacenter	T-Systems	JLL	Unisys	EXL	
Cognizant	TCS	HCL	Wipro	LTI	Virtusa		
				Mindtree			
As-a-Service Market							
Alibaba	Microsoft	Adobe Systems	Intuit*	Allscripts*	CDK Global*	Atlassian	JDA Software*
Amazon	Salesforce	Equinix	ServiceNow	Autodesk	Digital Realty	CyrusOne	OVH
Google			Workday*			DocuSign	Proofpoint*
						Flexential	RingCentral*

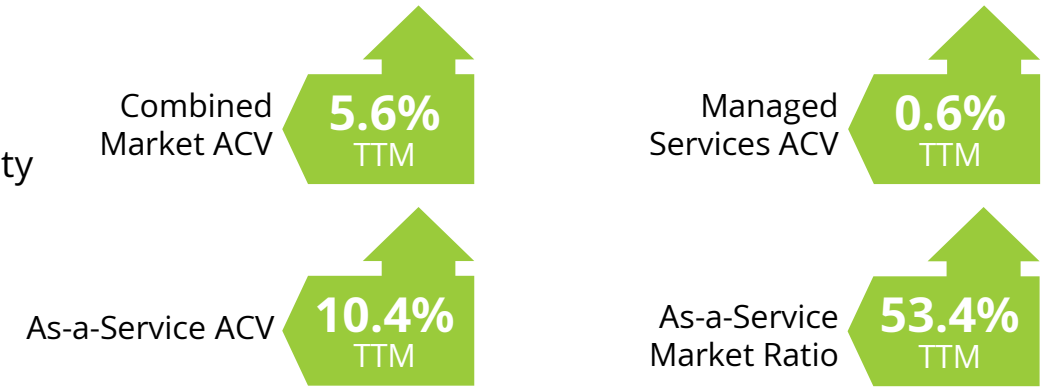
* New to leaderboard in 1Q20

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

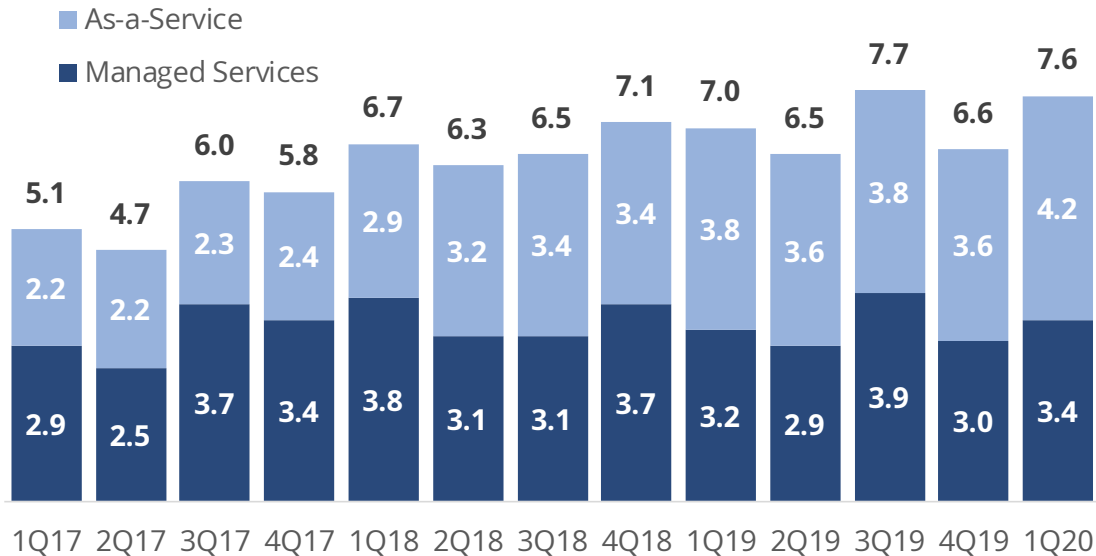
Americas Commercial Sector

Quarterly Trends

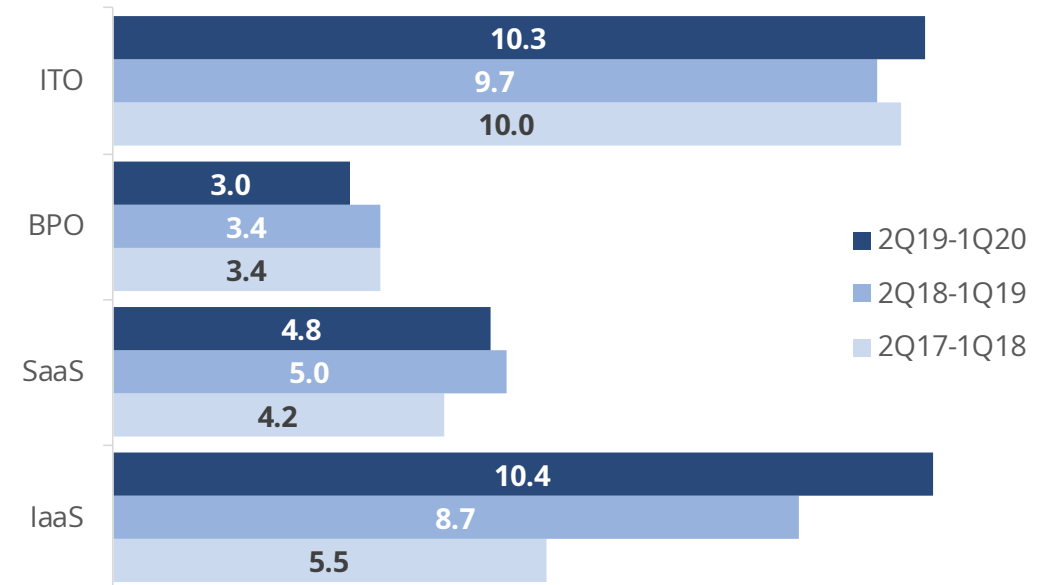
- Managed Services advanced 6% Y/Y with three straight quarters over \$3B; Infrastructure ACV was up 20%+ on strong network activity
- As-a-Service ACV surpassed \$4B for the first time
- COVID-19 impacted the Americas later in the quarter, resulting in stronger numbers than in the other regions



Combined Market Quarterly ACV (\$B)



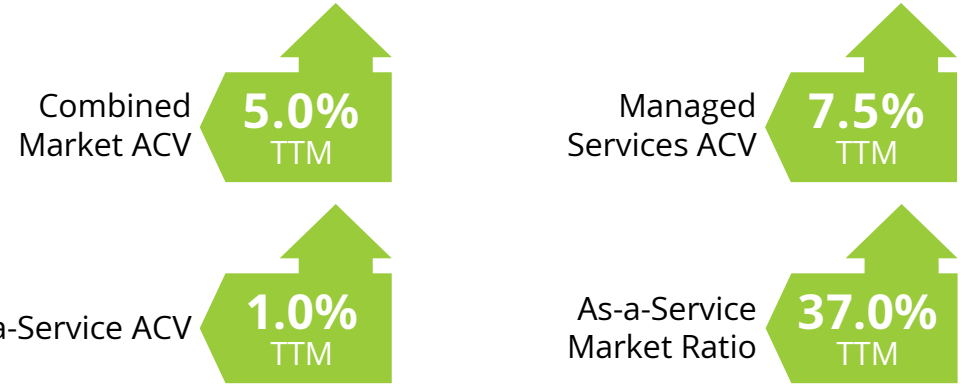
Americas Commercial Sector ACV by Service Type (\$B)



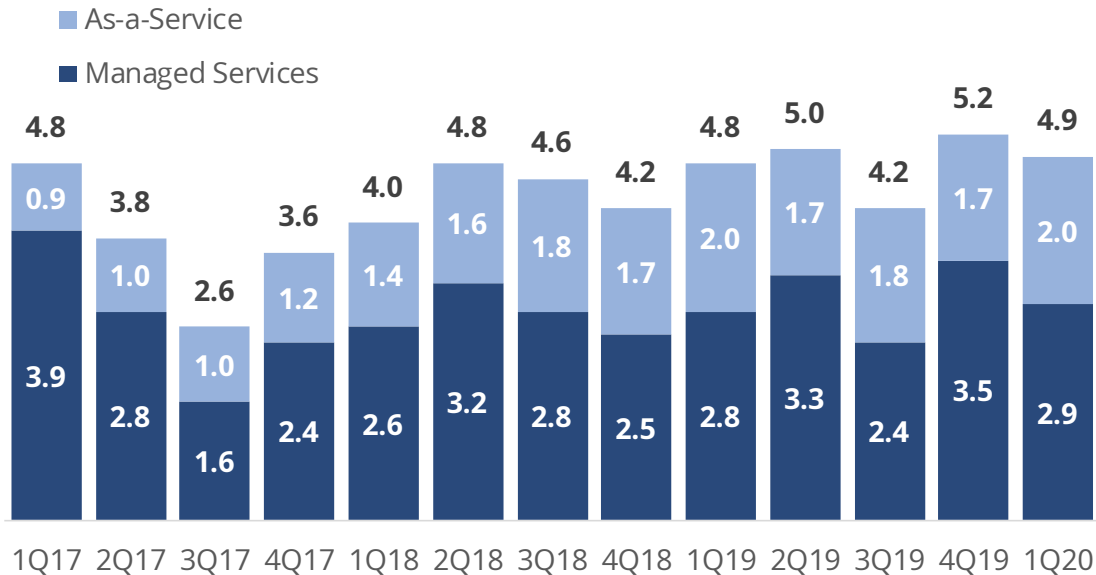
EMEA Commercial Sector

Quarterly Trends

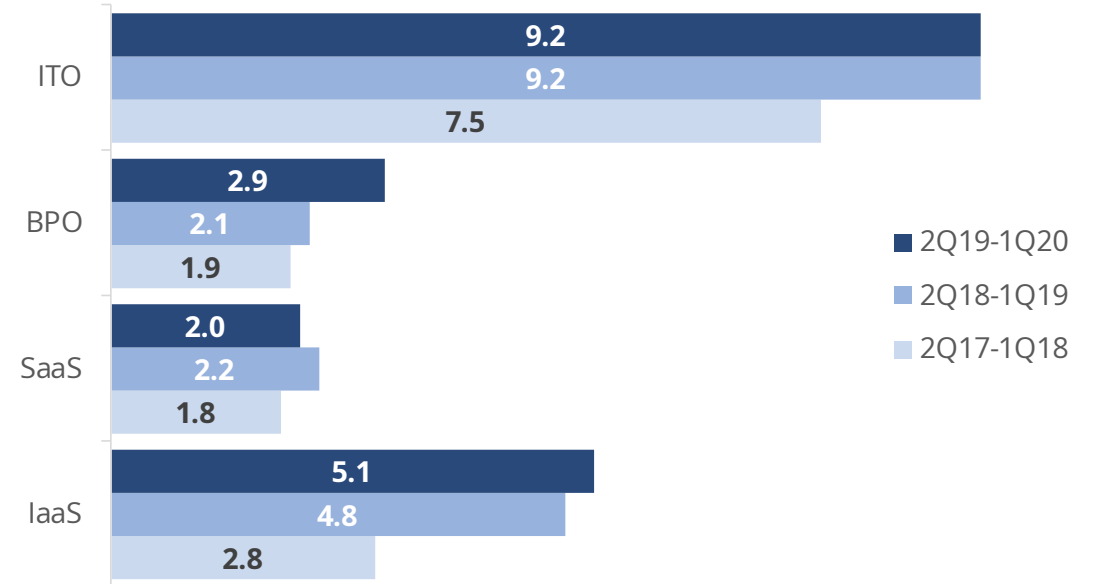
- Managed Services was up 6% Y/Y against an easy compare; DACH and Benelux contributed to the rise
- As-a-Service ACV up just 1% Y/Y as enterprise battle in public cloud infrastructure intensified
- Initial lockdown measures implemented in Italy followed by DACH, Spain, the U.K. and rest of Europe



Combined Market Quarterly ACV (\$B)



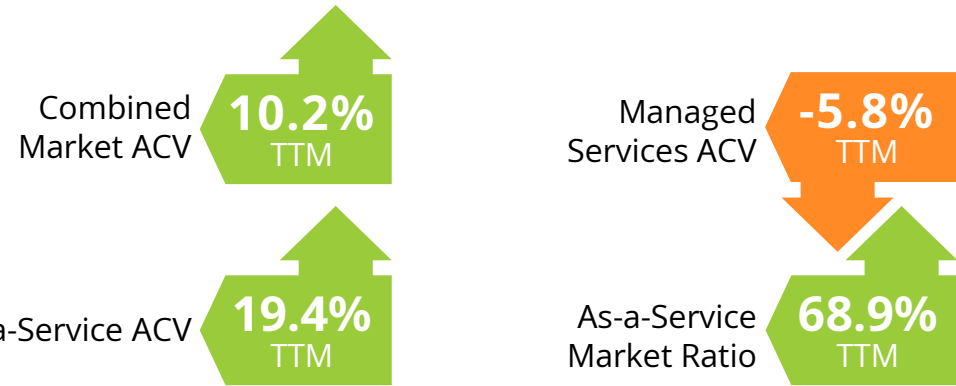
EMEA Commercial Sector ACV by Service Type (\$B)



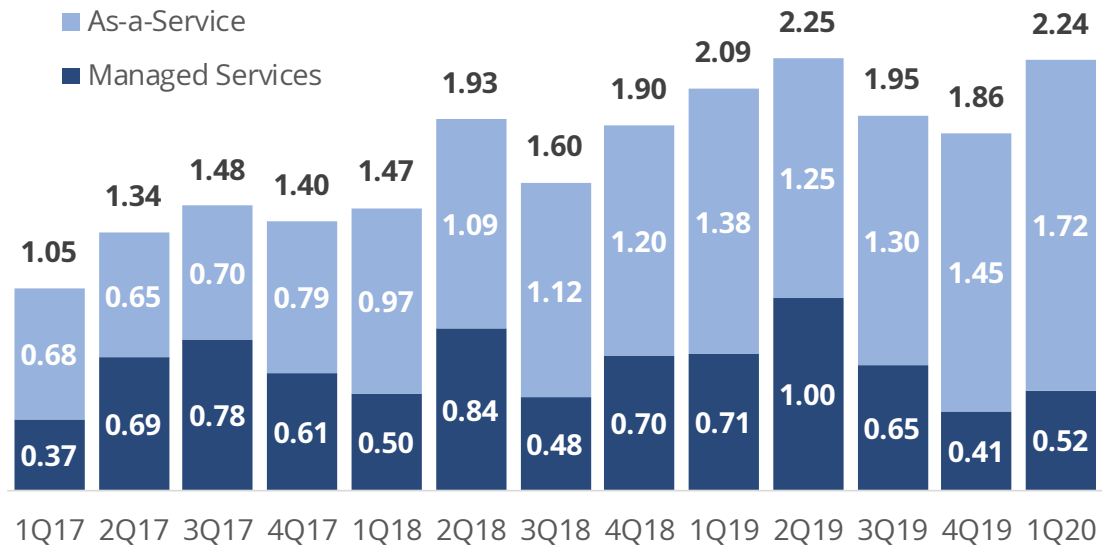
Asia Pacific Commercial Sector

Quarterly Trends

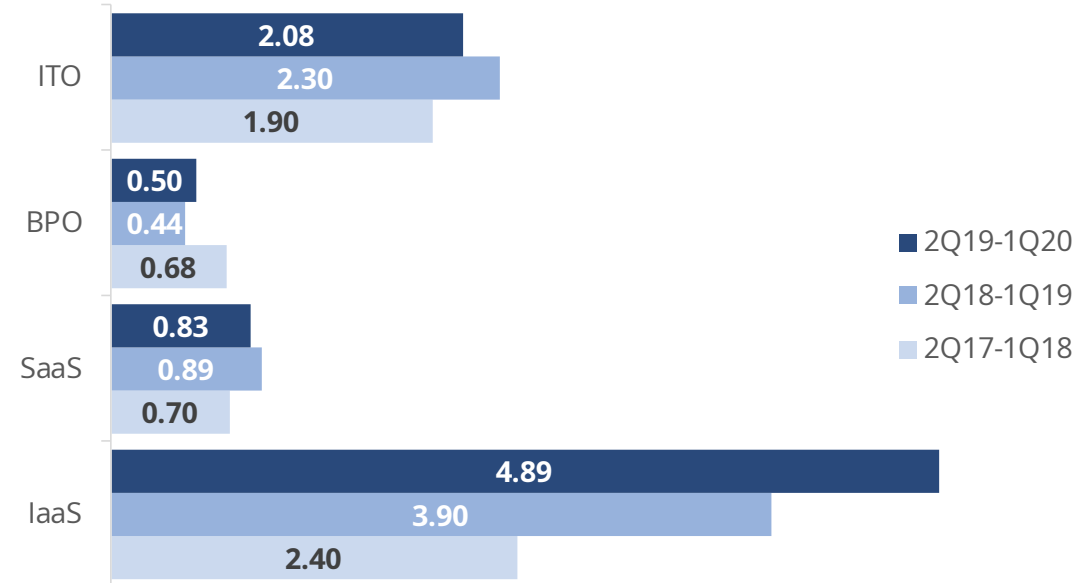
- 1Q20 Combined Market up 8%; As-a-Service accounted for over 75% of activity for second consecutive quarter
- Managed Services sector remained tepid; down 27% against a difficult compare; Most geographies fell Y/Y
- As-a-service accelerated despite some demand constraints in China during the early part of the quarter












Combined Market Quarterly ACV (\$B)



Asia Pacific Commercial Sector ACV by Service Type (\$B)



Global Commercial Sector Industry Award Trends

2Q19-1Q20 (TTM) Annual Growth	Global Market 2019 Full Year 	Business Services 	Retail & Consumer Packaged Goods 	Energy 	Financial Services 	Healthcare & Pharma 	Manufacturing 	Telecom & Media 	Travel, Transport Leisure 
	\$55.9B ACV	\$9.9 ACV	\$6.5B ACV	\$3.5B ACV	\$11.3B ACV	\$5.8B ACV	\$8.4B ACV	\$5.8B ACV	\$4.7B ACV
Combined Market	6.1%	12%	-1%	-9%	0%	16%	2%	30%	5%
Managed Services	2.8%	8%	-20%	-14%	-6%	24%	3%	54%	0%
As-a-Service	9.5%	13%	14%	3%	12%	6%	1%	6%	9%
Americas	5.6%	13%	-6%	-1%	8%	13%	-10%	30%	1%
EMEA	5.0%	4%	2%	-15%	-1%	28%	7%	23%	14%
Asia Pacific	10.2%	18%	11%	-6%	-23%	13%	41%	50%	-11%

* ISG Index™

FIRST QUARTER 2020

Emerging Trends in Travel, Transportation, & Hospitality

“We live and work in a vastly different world than even just a month ago – one we could have never imagined.”



John Westfield
Partner & Practice
Leader – Travel,
Transportation, &
Hospitality

imagine your future®

ISG Confidential. © 2020 Information Services Group, Inc. All Rights Reserved.
Proprietary and Confidential. No part of this document may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval devices or systems, without prior written permission from Information Services Group, Inc.

Travel, Transportation, & Hospitality – Impact of COVID-19

Current State of the Industry



Cruise Ships Have Stopped Sailing

Many Cruise Lines only have limited cash reserves

Hotel Occupancy Rates

Have fallen 80-90% since the beginning of the COVID-19 pandemic

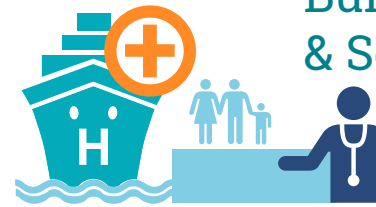


Airlines Reducing Schedules

Many smaller travel agencies have already failed



Industry Response



Building Creative Revenue Streams & Social Responsibility Initiatives

Cruise lines are turning ships into floating hospitals

Hotels Closing Properties

Layoffs may cause workers to switch to less vulnerable industries



Increased Demand for Rail & Truck Cargo

Airlines are using planes for critical supply cargo flights



Travel, Transportation, & Hospitality – Remaining Viable

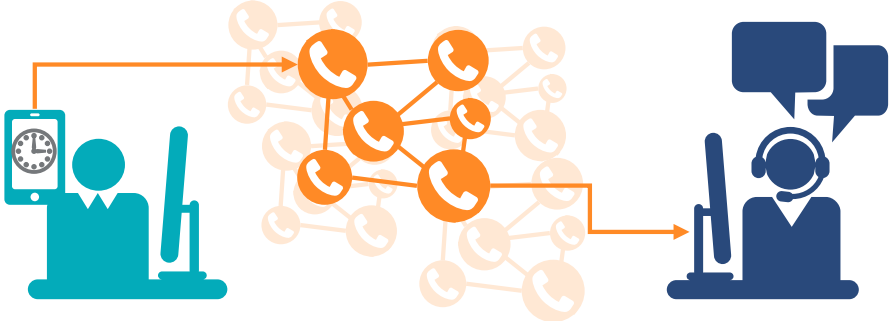
Travel, Transportation, & Hospitality

These industries need cash on hand and are aggressively pushing partners for deep cost reductions



Innovative Customer Communication

There is unprecedented demand from contact centers



Cybersecurity Is a Concern

Companies want to ensure that assets, physical and digital, are protected from bad actors taking advantage of the pandemic



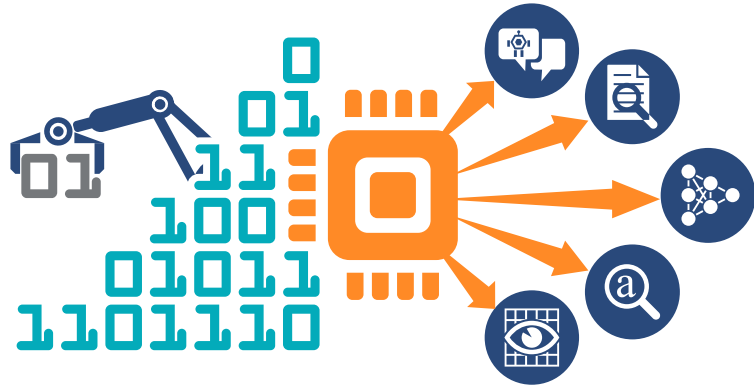
Enhanced Customer Loyalty Programs

Such as removing the expiration from earned travel rewards points, to help smooth customer relations

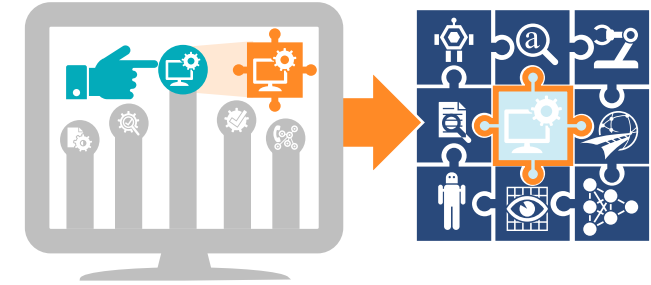


Travel, Transportation, & Hospitality – Environment Post COVID-19

Digital Labor Augmentation



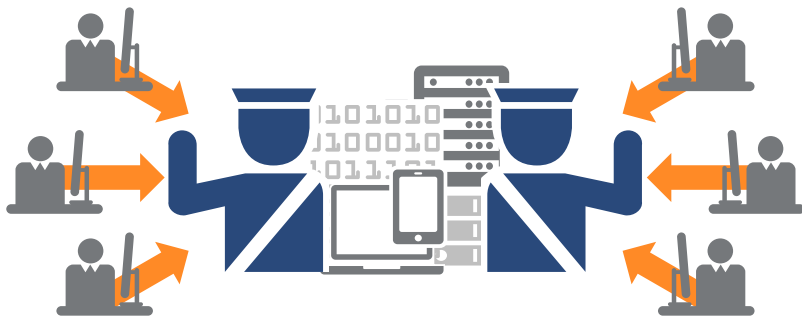
Leverage Predictive Analytics



Mobility Matters & IOT



Focus on Security of Data and Physical Assets



Infuse Innovation Into Multi-Provider Environments



Key Takeaways

- 1 Enhance Customer Engagement** Through Innovative Communication
- 2 Personalize Users' Experience** Leveraging Data Already Collected
- 3 Introduce Services** that are Meaningful, Sustainable, & Innovative
- 4 Optimize and Modernize Assets,** Infrastructure, Applications, & Processes
- 5 Maintain Relentless Focus** on Digital & Physical Security

*ISG Index™ Insider

“

*COVID-19 and the
Future of Operational Resilience*

”

1Q20 ISG Index™ Inside Track from

*ISG Insights™



Stanton Jones

Director &
Principal Analyst
ISG Research

imagine your future®

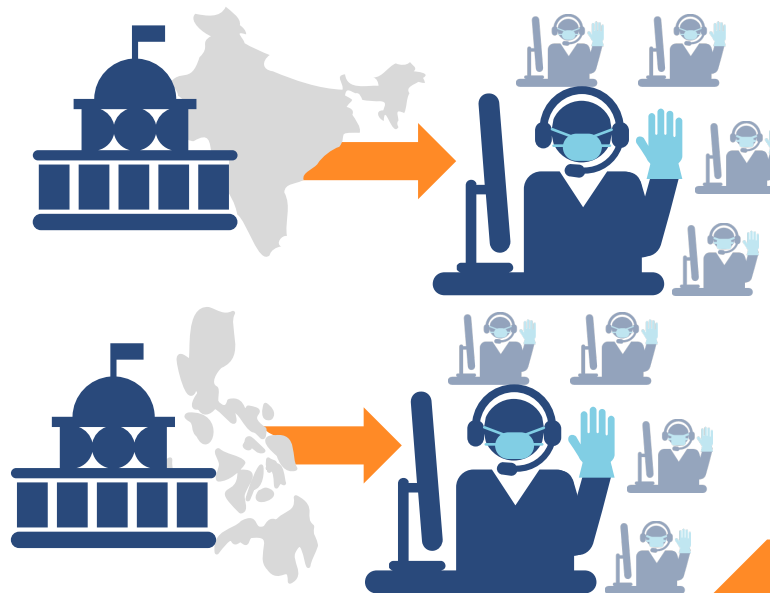
ISG Confidential. © 2020 Information Services Group, Inc. All Rights Reserved.
Proprietary and Confidential. No part of this document may be reproduced in any form or
by any electronic or mechanical means, including information storage and retrieval devices
or systems, without prior written permission from Information Services Group, Inc.

Service Provider Response: Services Are Stabilizing

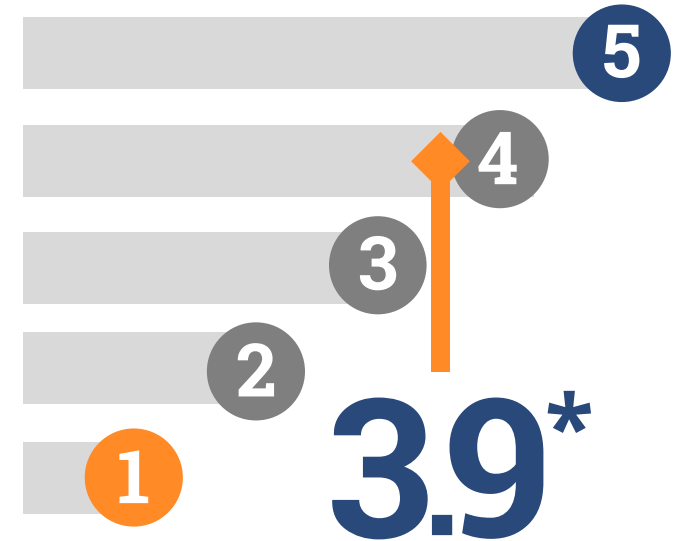
80% Of Provider Employees Working From Home



Governments Are Responding



Overall Service Delivery Rating



80%



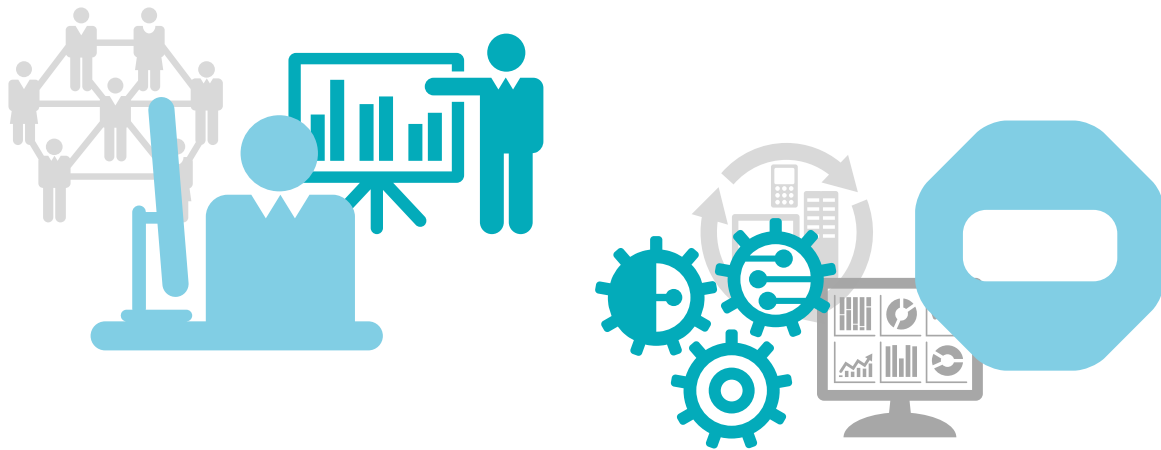
Of Previous Productivity Levels

Source: ISG Research, March/April 2020
*1= unable to deliver, 5 = no change in services

How Are Enterprises Responding?

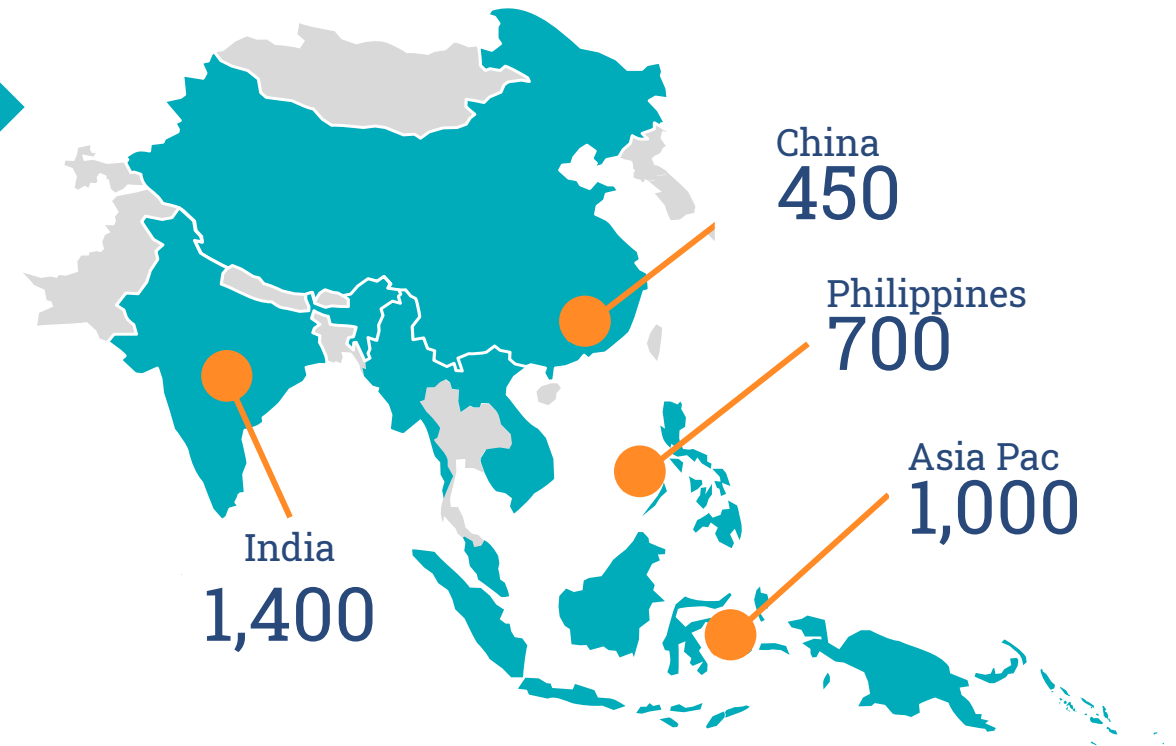
How Will COVID-19 Change New Technology Investments?

No Impact to Plans **30%** Delay Technology Rollout ~ 90 Days **60%**



60% of Our Clients Expect to Return to Normal Operations Within **90-120 Days**

COVID-19's Effect on Captive Centers



Approximately **40%** of Captive Centers have less than **500 people**

Operational Resilience – The Next Normal Operating Model

COVID-19 will accelerate transformation to the new operating model
Preparing for a COVID-19-level event from both an employee and customer perspective

Rush To Acquire Talent

- Proactively paying to recruit & retain talent
- Senior industry-specific digital expertise
- Talent-specific M&A activity

Preparing Employees

- Provide training and tools
- Reward systems in place for virtual workers
- Switch from face-to-face to in-person work quickly

Service Provider Ecosystem

- Shore up short term resiliency and cash positions
- Acquire underperforming captive centers and data centers

Preparing Customers

- To engage physically & digitally
- Move seamlessly between them during emergency situations

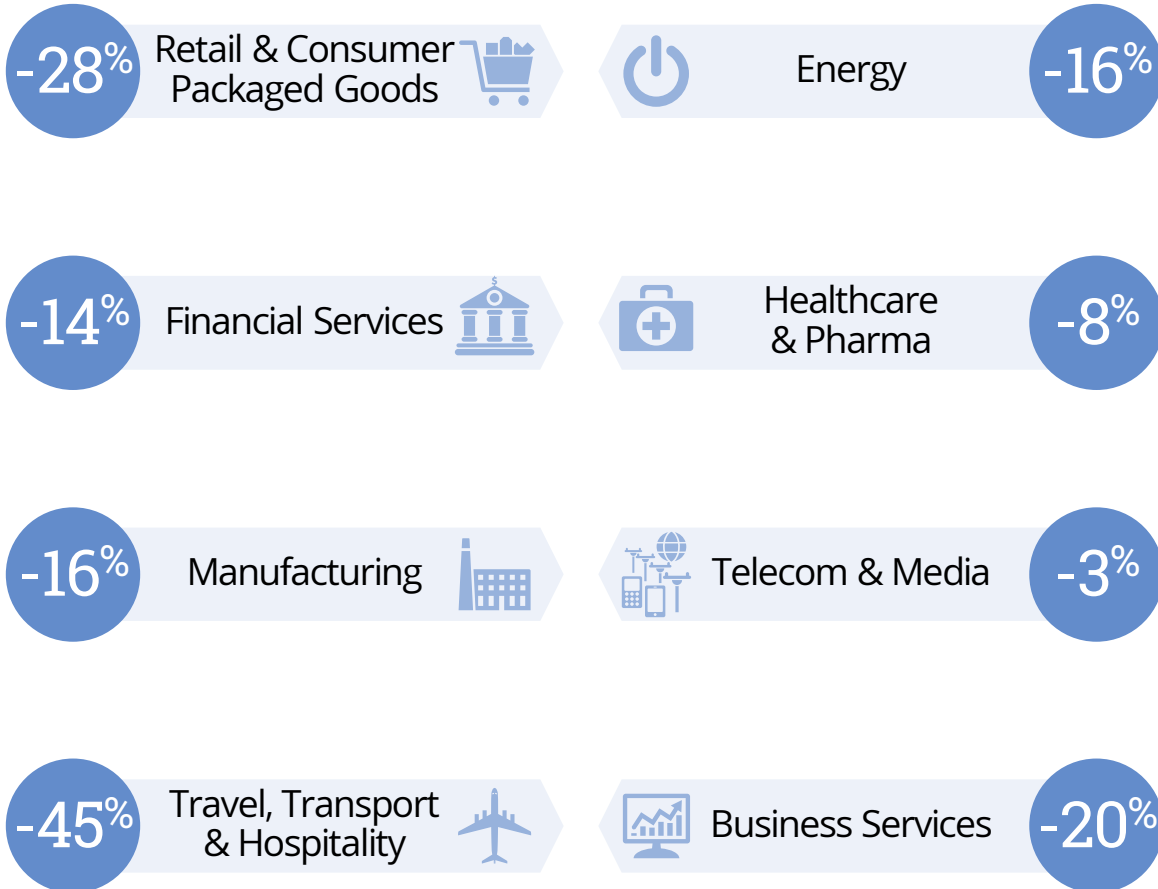


Key Themes – Operational Resilience

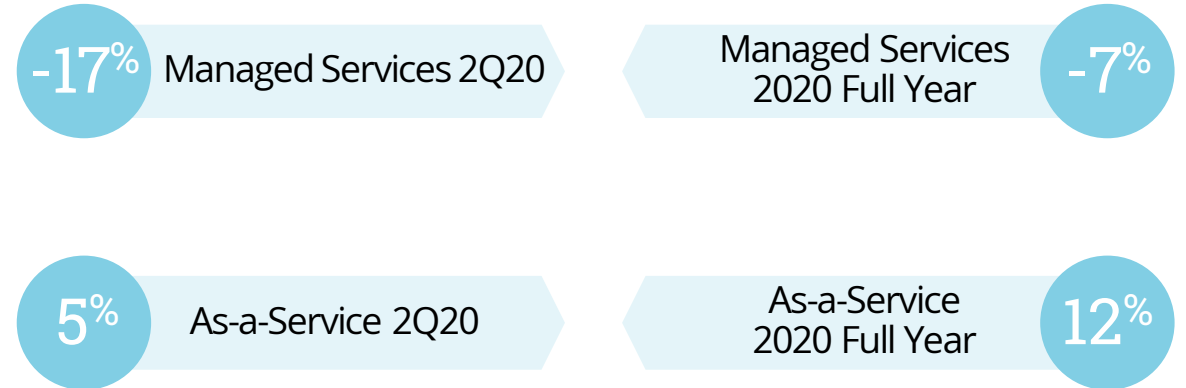
- 1** **Services are Stabilizing**, but Productivity is Down
- 2** **Short-term:** Delays in New Technology Spending
- 3** **Mid-term:** Enterprises Monetize Captive Centers
- 4** **Longer-term:** Enterprises use Digital Spending to Boost Resiliency
- 5** **Robust 3rd Party Ecosystem** will be Critical Source of Talent & Expertise

Summary and Outlook

Q2 Outlook



Revised Market Outlook



Trends Outlook

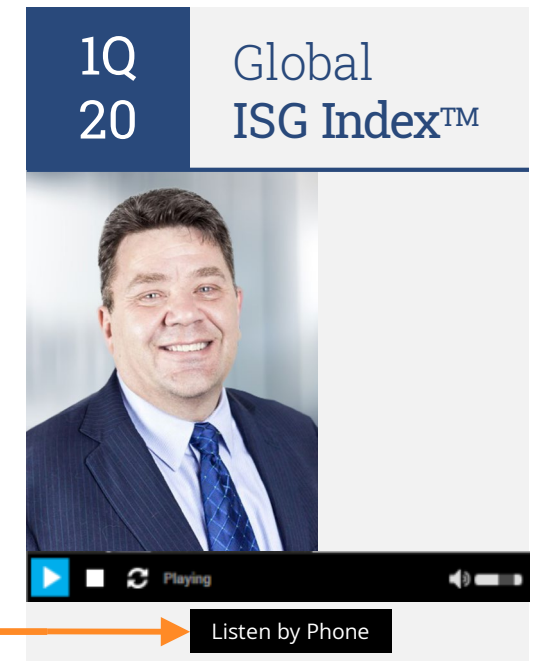
- Supply chain resiliency and B2C solutions will accelerate ERP and digital solutions
- Poor performing captives will likely be monetized to provide a cash infusion and improvement in business resiliency, thus creating opportunities for service providers to expand their portfolios.

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





Steven Hall

President, ISG EMEA and
Partner, ISG Digital Services

+44 7384 259676

steven.hall@isg-one.com

Like to Learn More?



Will Thoretz

Global Leader, Corporate
Communications and Brand

+1 203 517 3119

will.thoretz@isg-one.com



Kathy Rudy

Chief Data and
Analytics Officer

+1 972 653 2153

kathy.rudy@isg-one.com

Thank
You



Barry Matthews

Partner and Leader,
ISG North Europe

+44 7881 954710

barry.matthews@isg-one.com

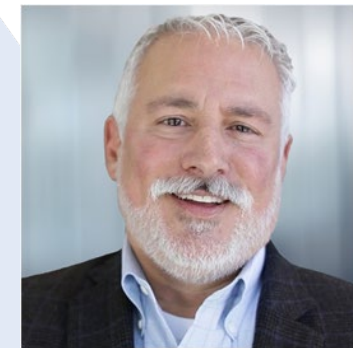


Stanton Jones

Director, Principal Analyst
ISG Research

+1 281 795 2636

stanton.jones@isg-one.com



John Westfield

Partner, Consumer Industry
Group, Travel & Transportation

+1 972 653 2153

john.westfield@isg-one.com



*ISG Index™

FIRST QUARTER 2020

Appendix

REGIONAL TECHNOLOGY PROVIDER STANDOUTS AND TCV SCORECARD

imagine your future®

ISG Confidential. © 2020 Information Services Group, Inc. All Rights Reserved.
Proprietary and Confidential. No part of this document may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval devices or systems, without prior written permission from Information Services Group, Inc.



Service & Technology Provider Standouts – AMERICAS

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	SS&C Technologies*	Atento	Sutherland	CSG Systems	KPIT Technologies*
AT&T	IBM Global Services	Amdocs	Tech Mahindra	EPAM Systems	Sykes	Ensono	Persistent Systems
Atos	Infosys	Cushman & Wakefield*	Teleperformance	JLL	TTEC	EXL	Startek
Capgemini	NTT DATA	HCL	Wipro	LTI	Unisys		
Cognizant	TCS	OptumInsight		Mindtree	Virtusa		
Mphasis							
As-a-Service Market							
Amazon	Salesforce	Adobe Systems	Paychex	Allscripts*	Digital Realty	Ceridian HCM	Paycom
Google	SAP	Equinix	ServiceNow	Autodesk	Ultimate Software*	CyrusOne	Proofpoint
Microsoft		Intuit Inc.*	Workday			Flexential	RingCentral
						HubSpot*	Slack*
						JDA Software*	

* New to leaderboard in 1Q20

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



Service & 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	Amdocs	Serco	Alten Group	LTI	Allgeier SE	HH Global*
Atos	IBM Global Services	Bechtle	Sopra Steria	Asseco	Mindtree*	Digita*	NNIT A/S
BT Group	Infosys	CGI	Tech Mahindra	Axians	MITIE	EXL	QIWI
Capgemini	ISS Global	Computacenter	Teleperformance	Cancom	Tieto	Fastweb	Reply SpA
Cognizant	TCS	HCL	T-Systems	Fiducia & GAD IT AG	Unisys	Gijima*	SoftwareONE*
		Orange Business Services	Wipro	Finanz Informatik	Virtusa*	HGS	SVA System Vertrieb Alexander GmbH
				JLL	Webhelp		
As-a-Service Market							
Amazon	Salesforce*	Adobe Systems					DocuSign*
Google	SAP	Equinix		Autodesk			OVH
Microsoft		United Internet					Visma*

* New to leaderboard in 1Q20

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



Service & Technology Provider Standouts – Asia Pacific

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	IBM Global Services	Amadeus	Nomura Research Institute	Digital China	SCSK	Beyondsoft	PLDT
Cognizant	NEC*	Amdocs	Samsung SDS	JLL	Sutherland	ChinaSoft	Relia
DXC Technology	NTT Data	Genpact	Sodexo	Neusoft	transcosmos	Fuji Soft	Shinsegae I&C
Fujitsu	TCS	HCL	Tech Mahindra	Nihon Unisys	TTEC*	Hyundai Information Technology*	Taiji Computer
Hitachi		IT Holdings (TIS)*	Telstra	NS Solutions	Unisys		WNS
		ITOCHU Techno-Solutions	T-Systems*				
			Wipro Limited				
As-a-Service Market							
Alibaba	Google			Autodesk		Atlassian	Veeva Systems
Amazon	Microsoft	Adobe Systems		CDK Global*	PTC	Kingdee	Xero
China Telecom	Tencent	Equinix		Digital Realty	Sage	Knowlarity Communications*	Zoho Corp.*

* New to leaderboard in 1Q20

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

First Quarter of 2020 TCV Scorecard

The ISG Index has moved to TCV as the primary measure of the broader market. We will continue to provide a high-level TCV view of the market via a scorecard analysis.

Scorecard

	1Q20 TCV (\$B)*	1Q Y/Y Change	TTM TCV (\$B)*	TTM Y/Y Change
Global Commercial Combined Market	33.0	2%	135.4	8%
By Type				
Managed Services	21.0	-1%	92.3	11%
As-a-Service	12.0	6%	43.2	3%
ITO	18.1	10%	68.1	10%
BPO	2.9	-39%	24.2	11%
IaaS	5.9	18%	20.4	17%
SaaS	6.1	-4%	22.8	-7%
By Region				
Americas Combined	15.5	9%	63.3	3%
EMEA Combined	13.0	-6%	55.2	13%
Asia Pacific Combined	4.5	1%	16.9	11%

*Contracts with TCV ≥ \$25M from the ISG Contracts Knowledgebase™



ISG (Information Services Group) (Nasdaq: III) is a leading global technology research and advisory firm. A trusted business partner to more than 700 clients, including more than 70 of the top 100 enterprises in the world, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 digital-ready professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data.

[isg-one.com](https://www.isg-one.com)