Global Sourcing and As-a-Service Market Insights

SECOND QUARTER 2018

Hosted by:
Moshe Katri, Wedbush Securities
July 11, 2018

ISG Index™

imagine your future®

Welcome to the 63rd Quarterly ISG Index

Covering the state of the combined Traditional Sourcing and As-a-Service industry for the global commercial market.

Steve Hall
Partner and President
ISG

Esteban Herrera
Partner and Global Leader
ISG Research

Owen Wheatley
Partner, BFS Atlantic

Stanton Jones
Director and Principal Analyst
ISG Research

2Q18 Combined Market ACV up 31% Y/Y;
As-a-Service ACV accelerates, while Traditional Sourcing increases nearly 20%, surpassing $7B

Americas ACV up 30%+, supported by As-a-Service growth while Traditional Sourcing breaks through the $3B ceiling for fourth straight quarter

EMEA ACV up 20%+ with As-a-Service now increasing at a faster pace than in the Americas; Traditional Sourcing rebounds and exceeds $3B in ACV for the first time in almost two years

Asia Pacific ACV up 40%+, nearly reaching the $2B level; As-a-Service ACV breaks through $1B, while Traditional Sourcing registers its best quarter since 2014

At a Glance

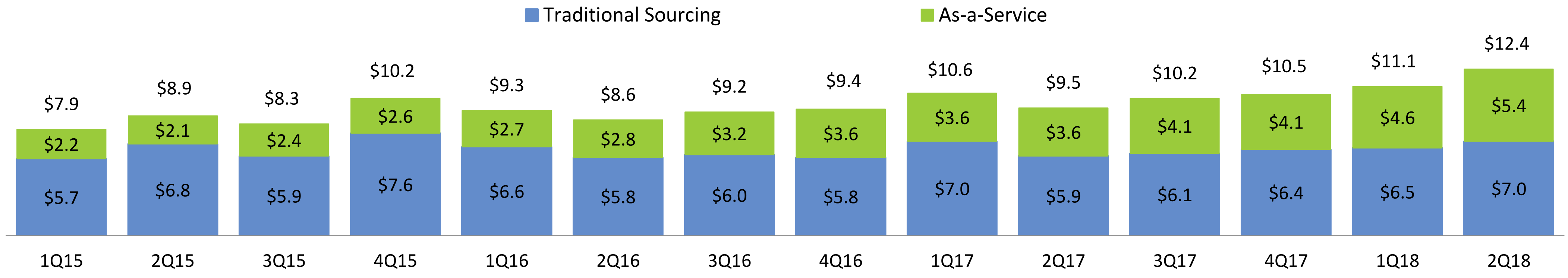
Scorecard		2Q18 ACV ($B)*	2Q Y/Y Change	1H ACV ($B)*	1H Change
Global Commercial Combined Market		$ 12.4	31%	$ 23.6	17%
By Type	Traditional Sourcing	$ 7.0	19%	$ 13.5	5%
	As-a-Service	$ 5.4	51%	$ 10.1	39%
By Region	Americas Combined	$ 5.9	33%	$ 12.1	29%
	EMEA Combined	$ 4.6	23%	$ 8.2	-4%
	Asia-Pacific Combined	$ 1.9	44%	$ 3.3	45%

*Contracts with ACV ≥ $5M from the ISG Contracts Knowledgebase™

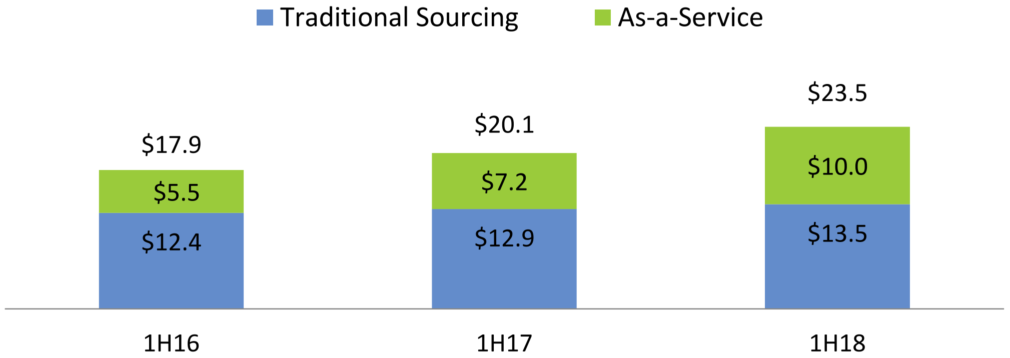
Global Commercial Sector Contracting Trends

Combined Market sees its fourth straight successive quarterly growth period, up 31% Y/Y with As-a-Service tracking the same growth curve; Traditional Sourcing surpasses $7B mark for the first time since 2015, supported by growth in Applications Outsourcing.

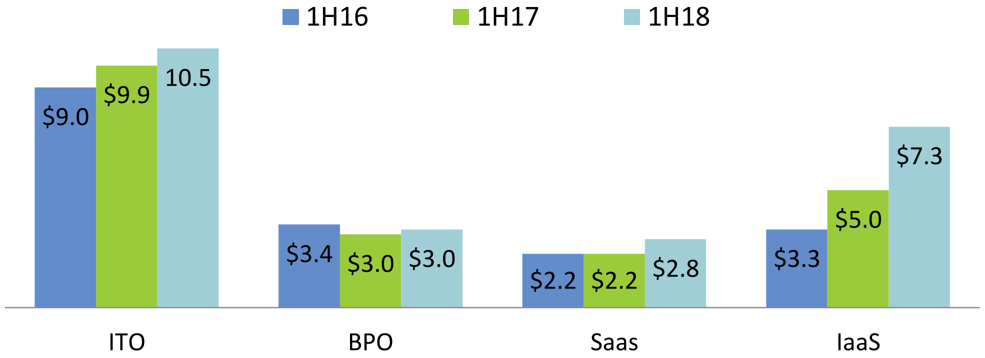
Global Combined Market Quarterly ACV ($B)



Global Commercial Sector 1H ACV ($B)



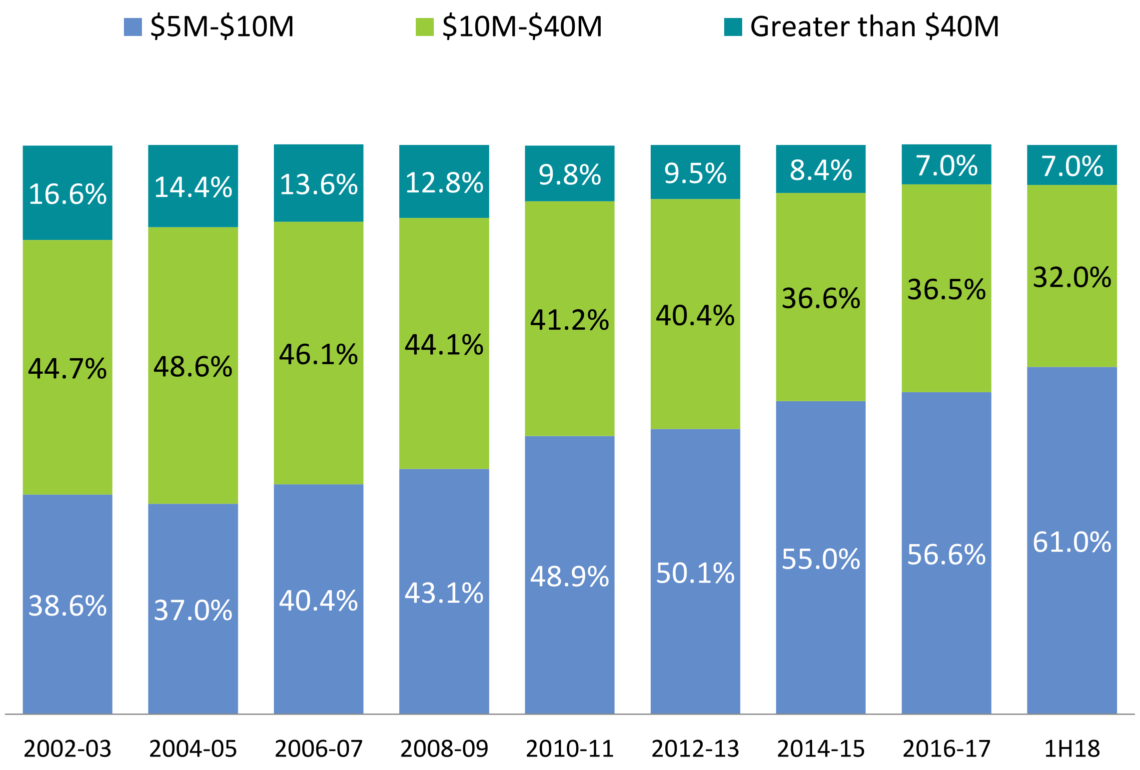
Global Commercial Sector 1H ACV by Type ($B)



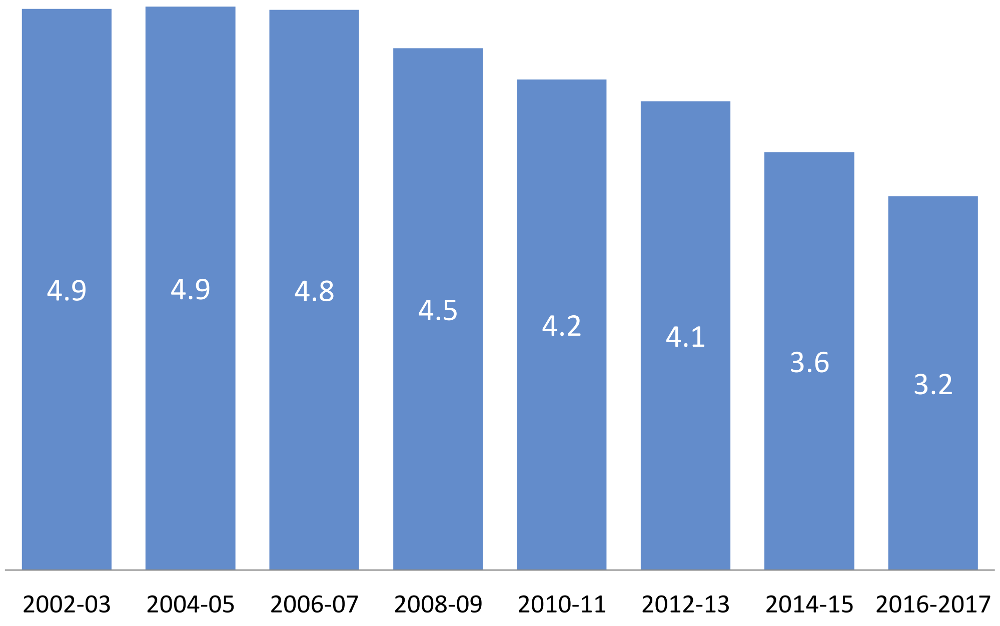
Smaller Contract Awards and Shorter Contract Durations

With Digital maturing and scaling, award sizes are starting to become large enough to make the ISG Index threshold, resulting in a sizable increase in smaller contract awards; at the same time, clients are demanding shorter deal terms as they crave flexibility and speed to market.

Two-Year View of the Percentage of Contract Awards by ACV Band



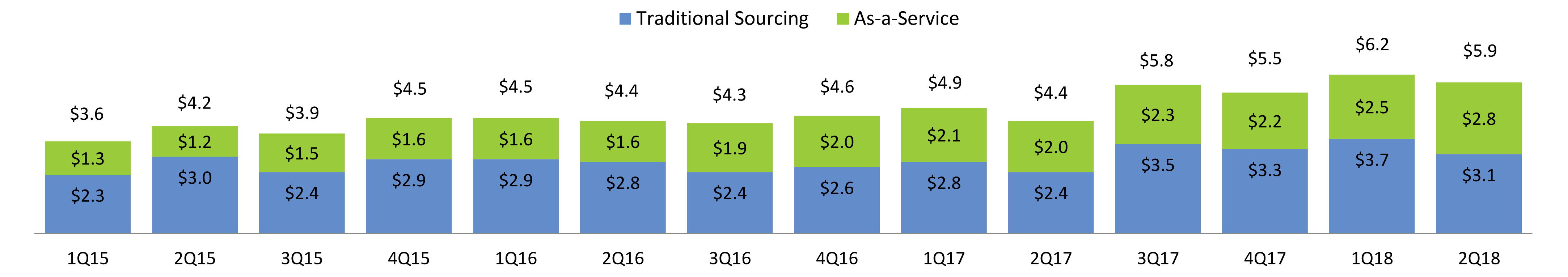
Two-Year Contract Duration Trends (Years)



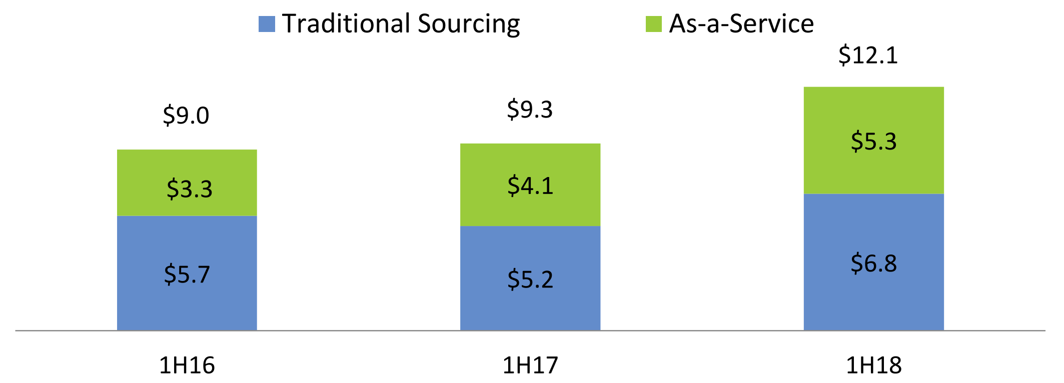
Americas Commercial Sector Contracting Trends

Combined Market ACV up over 30% Y/Y as the Americas registers strong results in both Traditional Sourcing and As-a-Service ACV; Americas has fourth straight quarter with $3B+ in Traditional Sourcing ACV, supported by a surge in smaller deal activity.

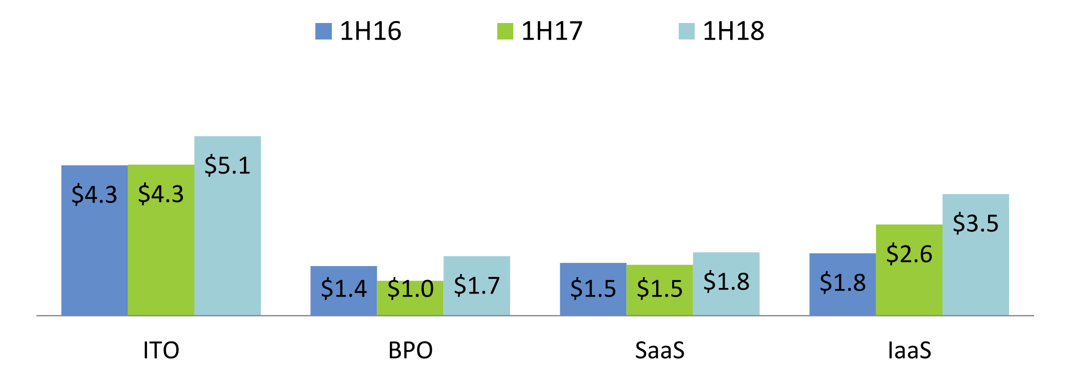
Americas Commercial Sector Quarterly ACV ($B)



Americas Commercial Sector 1H ACV ($B)



Americas Commercial Sector 1H ACV by Type ($B)



AMERICAS
Sourcing Standouts

the ISG 15

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
Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
Atos
Capgemini
CBRE *
Cognizant
DXC Technology
IBM
Infosys
NTT DATA
TCS

As-a-Service Market

Amazon Web Services
Google
Microsoft
Oracle
Salesforce

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Black Knight Inc.
Cerner
First Data *
Genpact *
HCL
OptumInsight
Tech Mahindra
Total System Services
Unisys
Wipro
Worldpay

As-a-Service Market

Adobe Systems
Digital Realty
Equinix
Iron Mountain

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

C3/CustomerContactChannels
CSG Systems
Ensono
EXL
FirstSource Solutions *
Hexaware
HGS
KPIT Technologies
Mindtree
StarTek
Syntel
Virtusa

As-a-Service Market

CyrusOne
IPSoft
LogMeIn

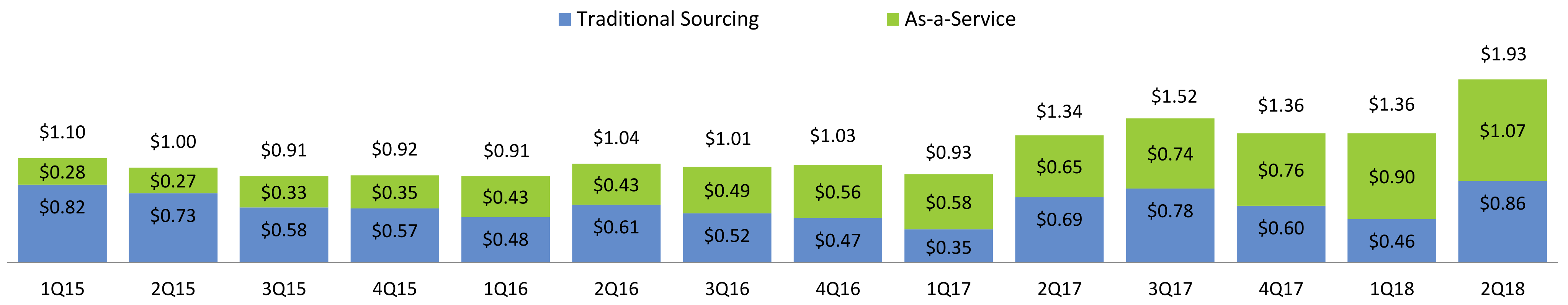
Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.

* New to leaderboard since 1Q18

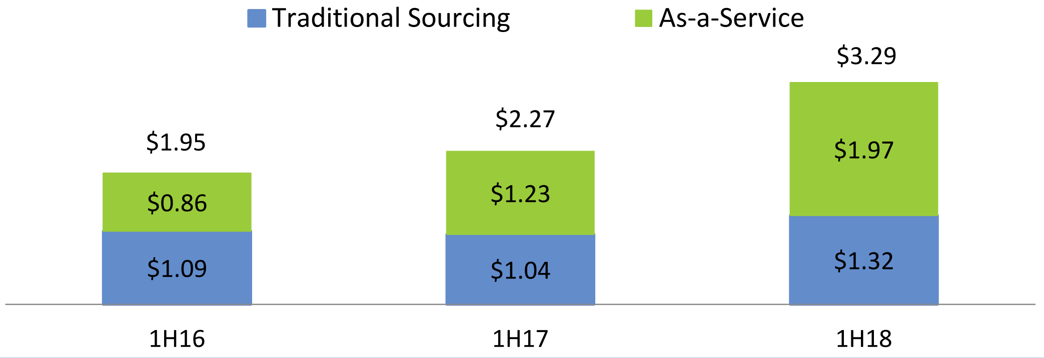
Asia Pacific Commercial Sector Contracting Trends

Combined Market up over 40% with As-a-Service ACV growing faster than any other region; Traditional Sourcing sees its best quarterly performance since the beginning of 2014, driven by strength in ANZ and North Asia.

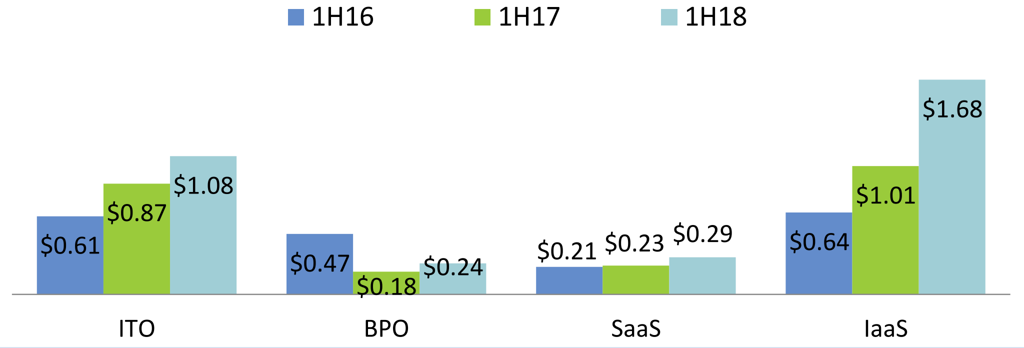
Asia Pacific Commercial Sector Quarterly ACV ($B)



Asia Pacific Commercial Sector 1H ACV ($B)



Asia Pacific Commercial Sector 1H ACV by Type ($B)



Asia Pacific
Sourcing Standouts

the
ISG15

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
Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
Cognizant
DXC Technology
IBM
NEC
Nokia
NTT Data
Ricoh
TCS

As-a-Service Market

Alibaba
Amazon Web Services
Google
Microsoft
Oracle
Tencent

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Amdocs
Genpact
HCL
ITOCHU Techno-Solutions *
Kyocera Document Solutions *
LG CNS *
Nomura Research Institute
Samsung SDS
SK Holdings *
Sutherland Global
Tech Mahindra
Telstra
Wipro

As-a-Service Market

Adobe Systems
Equinix

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

Beyondsoft
Chinasoft
Datacom *
Hexaware
Ness Technologies
Posco ICT
Relia, Inc. *
Shinsegae I&C
Sichuan Troy Information Tech *
SsangYong Information & Comm.
Taiji Computer Corp. *
Virtusa

As-a-Service Market

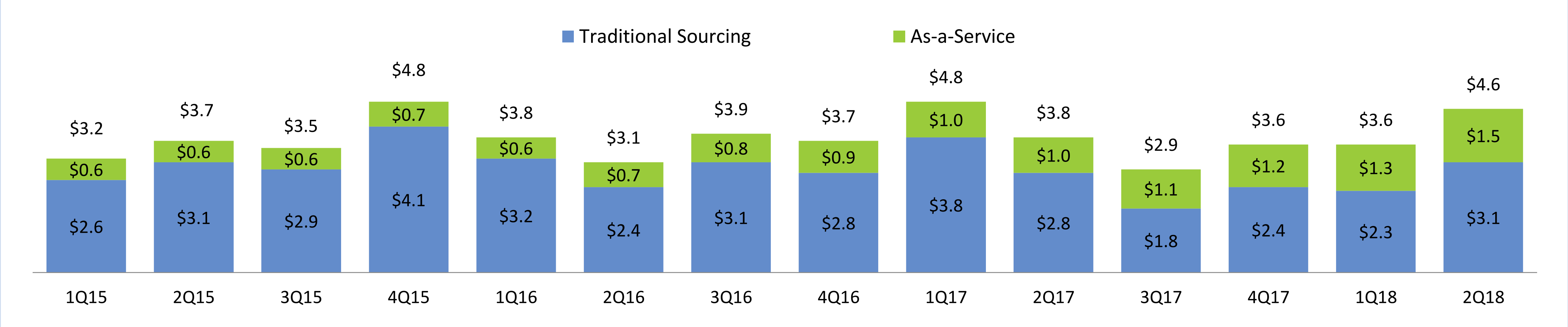
IPSoft
Kingdee
LogMeIn

Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.
* New to leaderboard since 1Q18

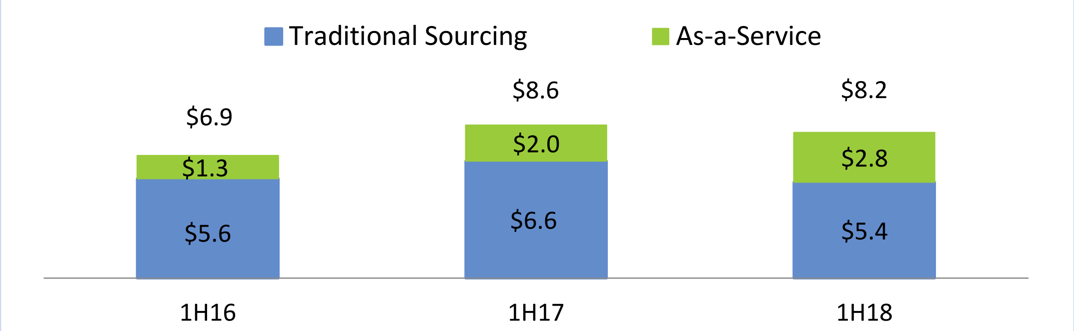
EMEA Commercial Sector Contracting Trends

Combined Market ACV in EMEA up 23% Y/Y with As-a-Service setting record highs and accounting for 33% of market activity; Traditional Sourcing exceeds $3B in ACV for the first time since 1Q17 with strength in the Nordics and a rebound in the U.K.

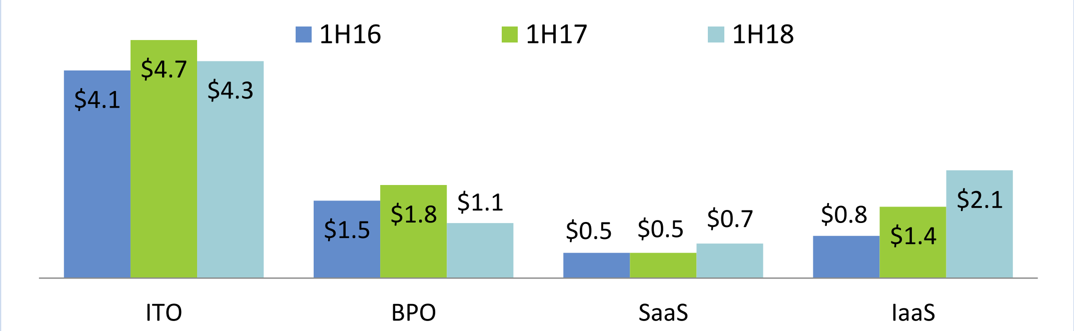
EMEA Commercial Sector Quarterly ACV ($B)



EMEA Commercial Sector 1H ACV ($B)



EMEA Commercial Sector 1H ACV by Type ($B)



EMEA
Sourcing Standouts

the ISG15

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
Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
AT&T
Atos
BT
Capgemini
Cognizant
DXC Technology
IBM
Infosys
TCS
T-Systems

As-a-Service Market

Amazon Web Services
Google
Microsoft
Oracle

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Bechtle
CGI *
Computacenter
Diebold Nixdorf
Econocom *
EVRY *
Giesecke & Devrient *
HCL
Indra Sistemas, S.A. *
Orange Business Services
Unisys
Wipro

As-a-Service Market

Adobe Systems
Equinix
United Internet

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

Allgeier SE *
Avaloq *
Bouvet ASA *
Comparex AG
EXL
GFT Technologies
Ibermatica SA
Mindtree
NNIT A/S
Reply SpA
Verifone
Virtusa

As-a-Service Market

Interxion
LogMeIn
OVH

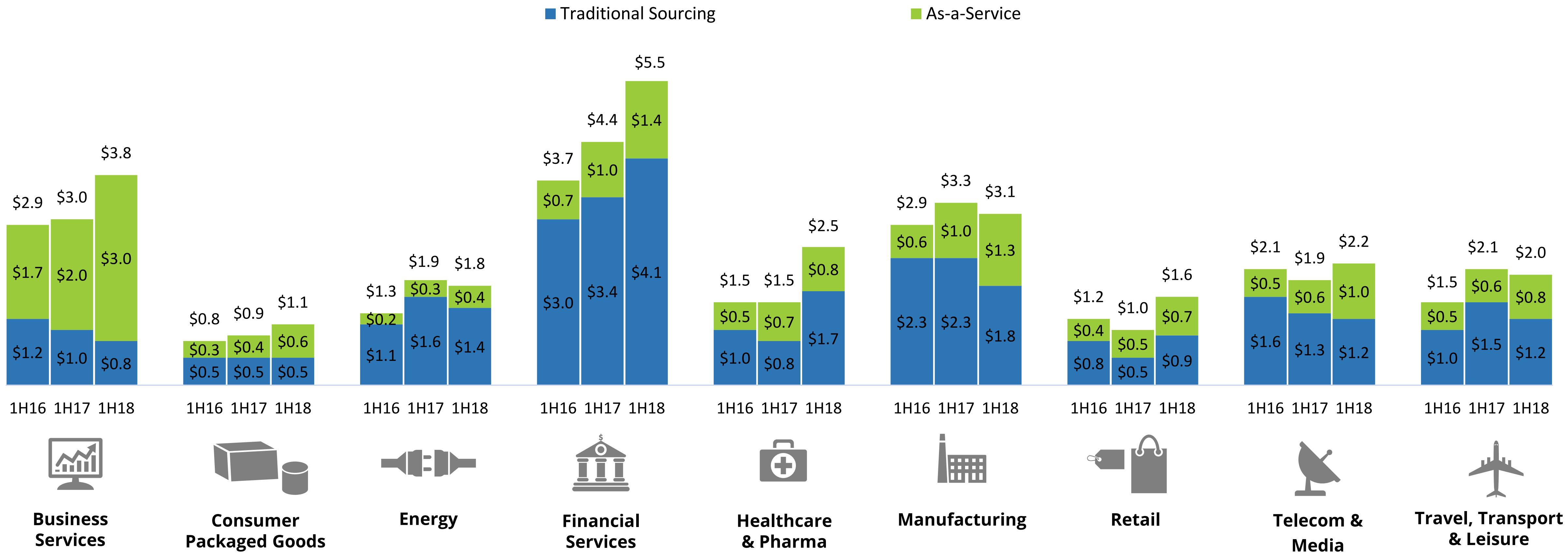
Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.

* New to leaderboard since 1Q18

Global Commercial Sector Industry Award Trends

Financial Services leads among several industry verticals as it posts positive growth in both Traditional Sourcing and As-a-Service; BFSI surge in Americas and Asia Pacific offsets slight decline in EMEA.

Global Commercial Industries Half-Year ACV ($B)



2Q18 ISG Index™ Inside Track from

ISG Insights™

Tech Trends in BFS

Owen Wheatley

Partner, BFS Atlantic

ISG Index™

GLOBAL 2Q18

Business Imperatives

Enhance Customer Experience

- Customer expectations (Millennials) – experience & security. Easier to switch
- Means of differentiation
- Increases customer ‘stickiness’ and associated wallet share
- Social media / brand reputation

Optimize Data

- Data aggregation – single view of customer
- Data management and maintenance of data currency
- Data insights – data science
- Data monetization

Improve Income & Profit

- Long period of income & profit stagnation
- New competitors – new banks, FinTech firms, Amazon?
- Much cost cutting has already been done since 2008
- Regulation – especially increased capital requirements

The Approach – How to Transform

Big Bang

Replace all legacy platforms and technology in a single modernization program.

Parallel Running

Build/buy new platforms and adopt new technology for new business/customers while maintaining legacy platforms and technologies for existing customers.

Progressive Renovation

A piecemeal or modular approach to transformation that either runs from the core to the customer or vice versa, depending on the business/time imperatives.

Implications for Service Providers

- Understand the scale and complexity of the challenges faced by BFS clients.
- Segment your clients according to the relative priority of their 3 Imperatives and their likely approach to transformation.
- Don’t present technology solutions, present business solutions.
- Be prepared to compete more often, more aggressively against more competitors.
- Proactively propose working with partners as part of an ecosystem solution.

2Q18 ISG Index™ Inside Track from

ISG Insights™

IT is the Business

Stanton Jones
Research Director
and Principal Analyst

ISG Index™

GLOBAL 2Q18

Digital Products Require a New Operating Model

Cloud

- Rapid adoption of public cloud
- IaaS = $3.9B in 2Q18, +56%
- IaaS market 50% larger than ITO Infrastructure

Automation

- Application development is automation nexus
- 50–70% productivity improvements
- New features being pushed to customers faster

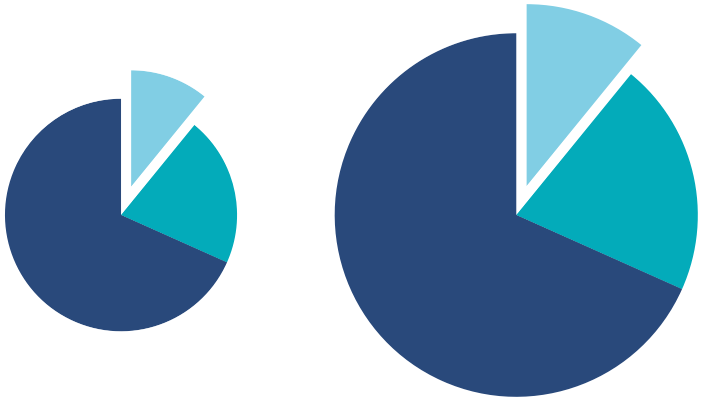
Agile & DevOps

- New way of working inside IT
- Customer feedback drives rapid innovation
- 2/3 Traditional today; 2/3 Agile & DevOps in 18 months

=

- Lowering costs
- Improving productivity
- Increasing speed

Creates Opportunity, and Disruption, for Providers



- Reducing cost and creating value now priorities
- Cloud + automation driving 50% cost reduction
- Reinvesting savings into new digital initiatives
- Renewal market will look different; sales cycles accelerate
- Overall pie getting bigger = cost + customer experience

2Q 2018 ISG Index – Global Summary and Outlook

Summary

- We continue to observe robust market growth with an abundance of awards in As-a-Service, ADM and Industry Specific BPO.
- Americas up 30% in 1H18 with surging As-a-Service ACV and Sourcing growth driven by smaller deals.
- EMEA growth rates in As-a-Service outpaces the Americas (although off a smaller base), while Traditional Sourcing has its best quarter in a couple of years.
- Asia Pacific nearly reaches $2B in ACV with the strongest Traditional Sourcing result since 2014.

Outlook

- The growth of public cloud is accelerating and will exceed 45% growth rate through the rest of the year.
- We are increasing the SaaS forecast to 16% (previous forecast 14.8%) and the Traditional Sourcing to 4.4% (previous forecast 2.4%).

Ask a Question

Your Webcast Screen

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 your name and company.

4 Now press *1 to be added to the queue.

isg-one.com

Steven Hall
President, ISG EMEA
and Partner, ISG Digital Services
+44 7384 259676
steven.hall@isg-one.com

Will Thoretz
Americas Media Contact
+1 203 517 3119
will.thoretz@isg-one.com

Denise Colgan
EMEA and AP Media Contact
+44 1737 371523
denise.colgan@isg-one.com

Esteban Herrera
Partner, Global Leader
ISG Research
+1 972 730 1749
esteban.herrera@isg-one.com

Paul Reynolds
Partner, Chief Research Officer
ISG Momentum
+1 508 488 6361
paul.reynolds@isg-one.com

Appendix: Score Card for TCV

SECOND QUARTER 2018

2Q 2018 TCV Scorecard

The ISG Index has moved to ACV 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		2Q18 TCV ($B)*	2Q Y/Y Change	2Q Q/Q Change
Global Combined Market		$ 30.6	25%	-3%
By Type	Outsourcing	$ 22.2	19%	-8%
	As-a-Service	$ 8.4	45%	16%
	ITO	$ 17.4	17%	0%
	BPO	$ 4.8	23%	-30%
	IaaS	$ 3.9	58%	17%
	SaaS	$ 4.5	35%	14%
By Region	Americas	$ 13.2	31%	-23%
	EMEA	$ 13.8	29%	22%
	Asia Pacific	$ 3.6	-3%	21%

*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 75 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; technology 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 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