Managed Services & As-a-Service Market Insights

12 October 2021

ISG Index™

3Q 2021

HOSTED BY

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Welcome to the 76th Quarterly

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The ISG Experts

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Chief Data & Analytics Officer

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Director & Principal Analyst

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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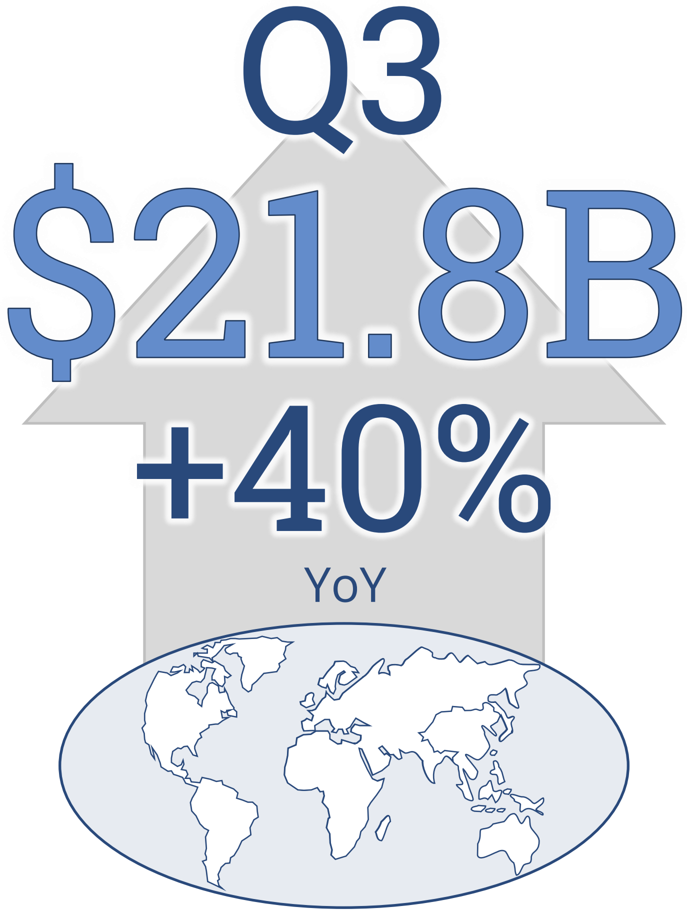
ISG's Top Findings – 3Q 2021

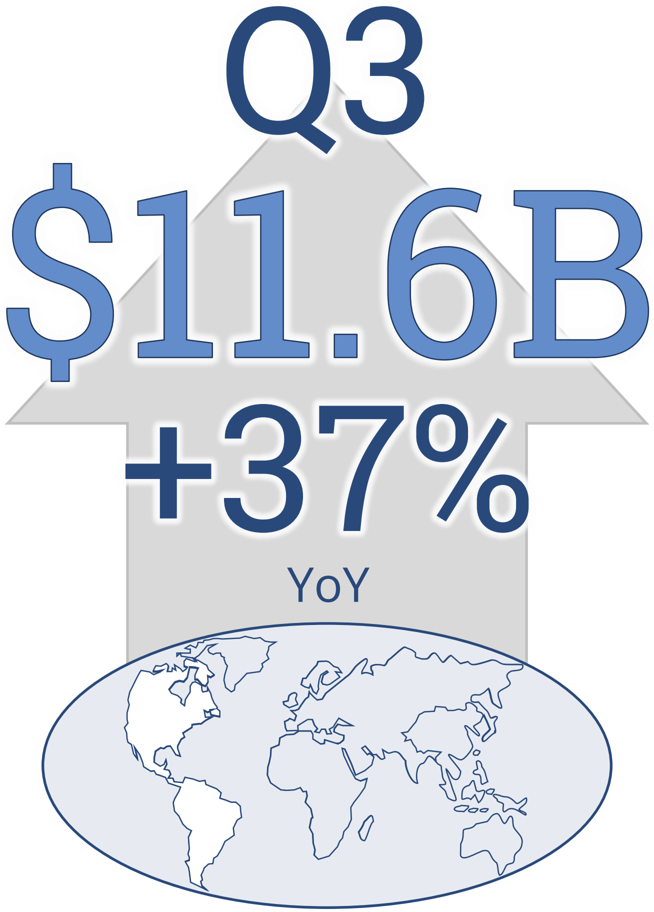


Combined Market ACV has accelerated since 3Q20

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

ACV = Annual Contract Value

ISG's Top Findings – 3Q 2021

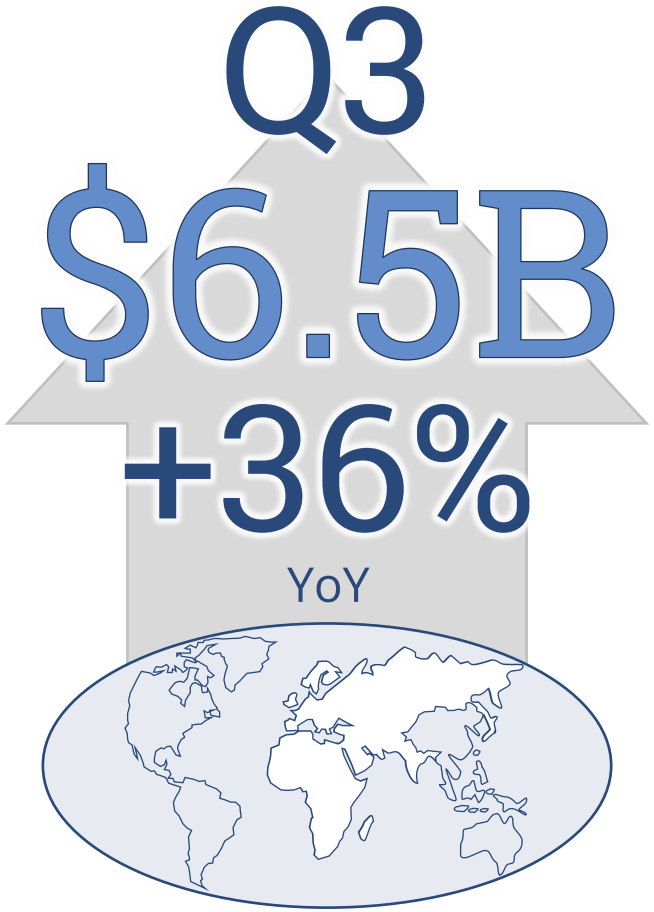


Americas Managed Services ACV crossed $8B ACV for second consecutive quarter

Combined Market ACV has accelerated since the 4Q20 decline

ACV = Annual Contract Value

ISG's Top Findings – 3Q 2021

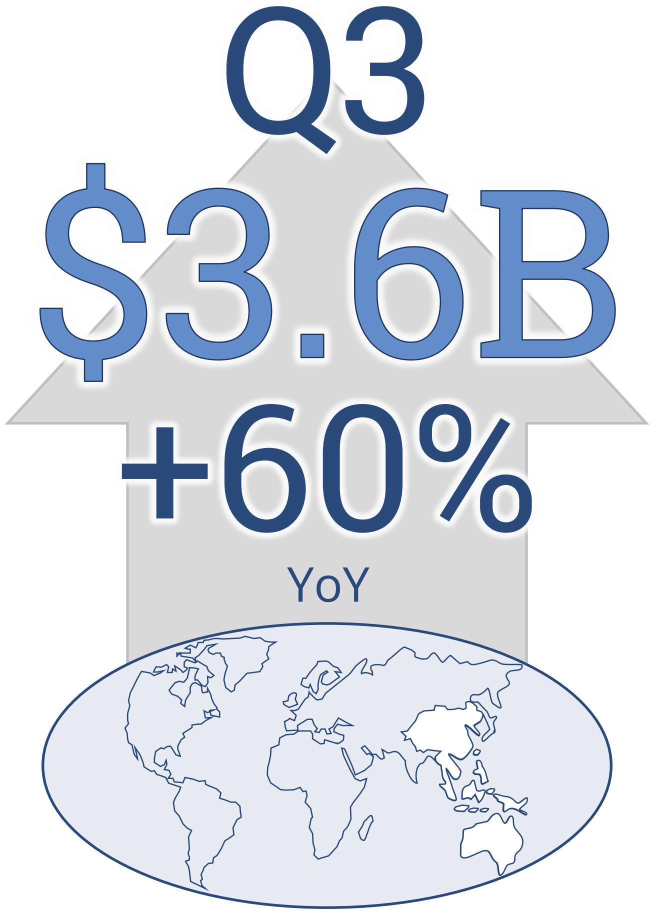


EMEA Combined Market four consecutive quarters above $6B ACV

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

ACV = Annual Contract Value

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

ACV = Annual Contract Value

Global Broader Market Results

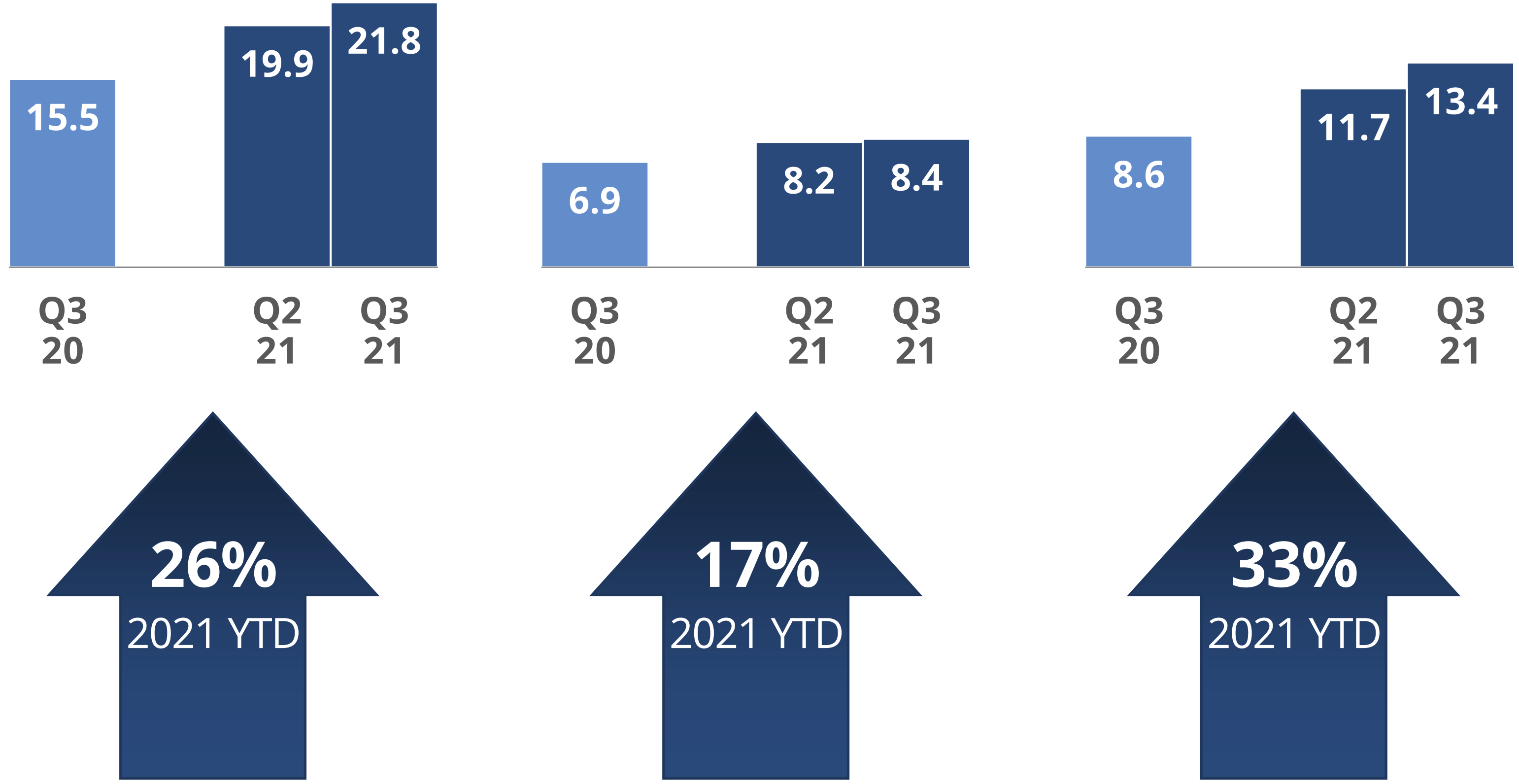
Quarterly Trends

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

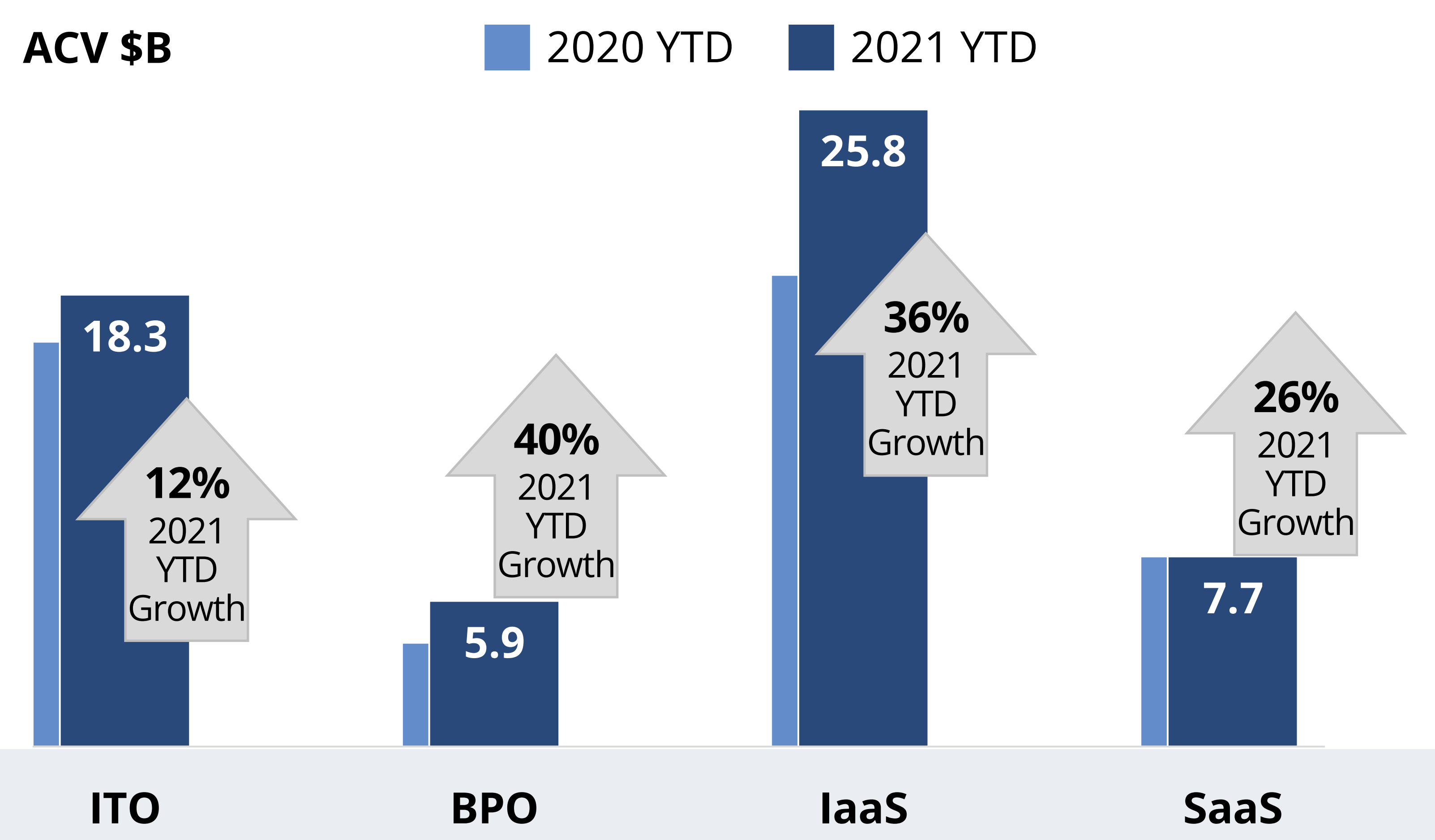
2021 YTD Trends

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

THE ISG 15

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

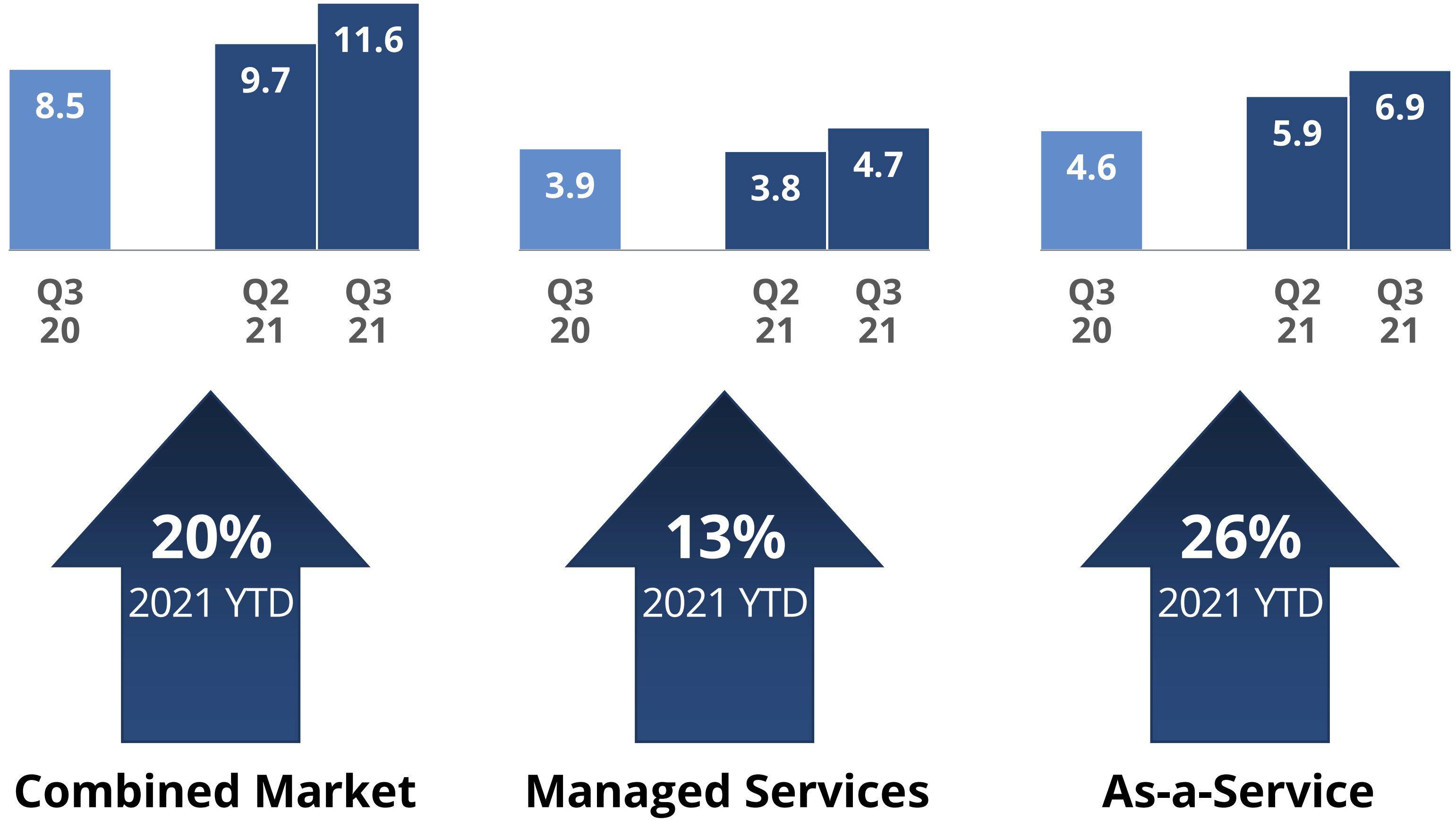
Combined Market ACV surpassed $11B for the first time, with ACV up 37% Y/Y

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



2021 YTD = January to September ACV = Annual Contract Value

Americas Results by Function

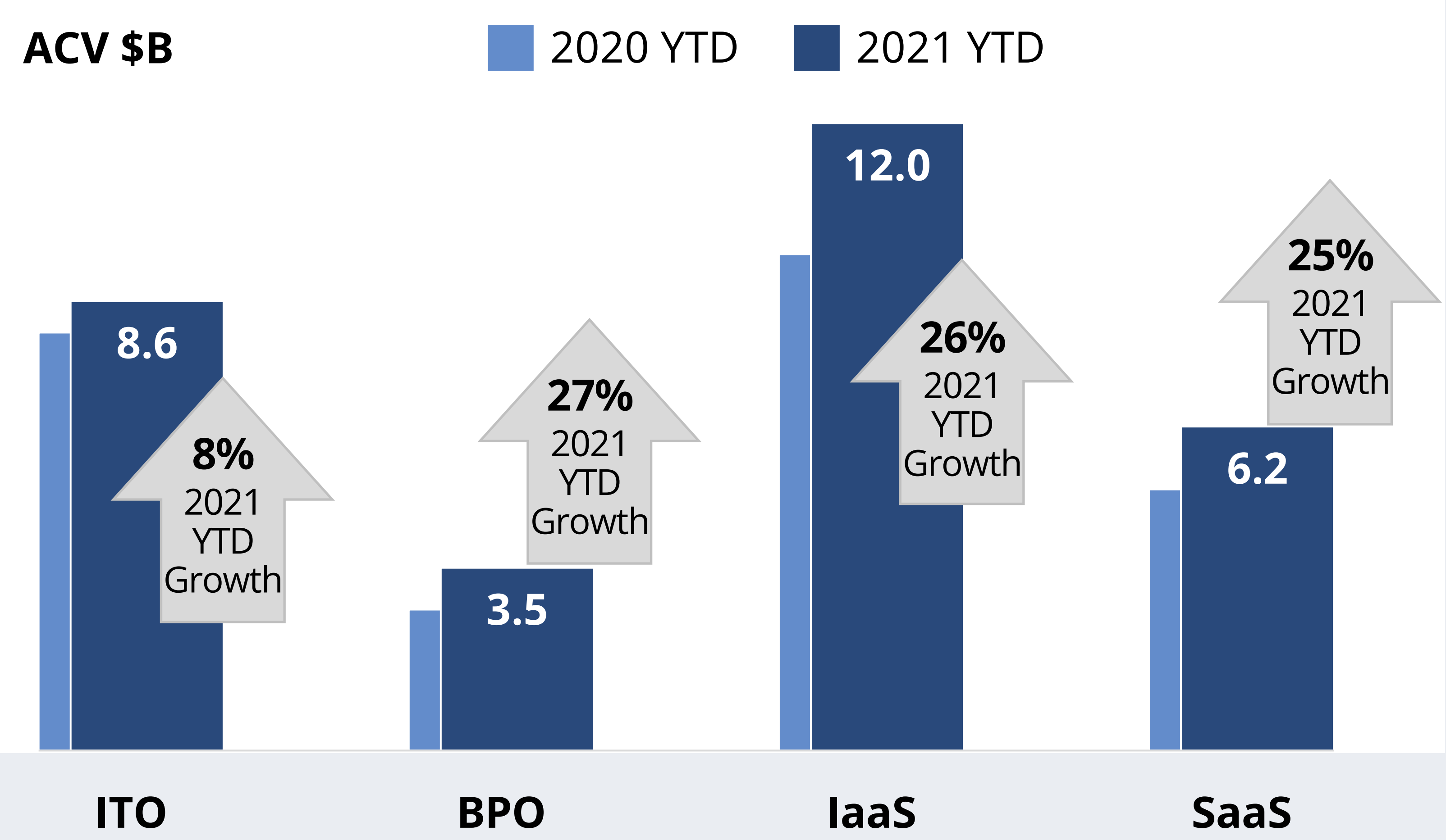
2021 YTD Trends

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

ISG Index™ 3Q21

Asia Pacific Broader Market Results

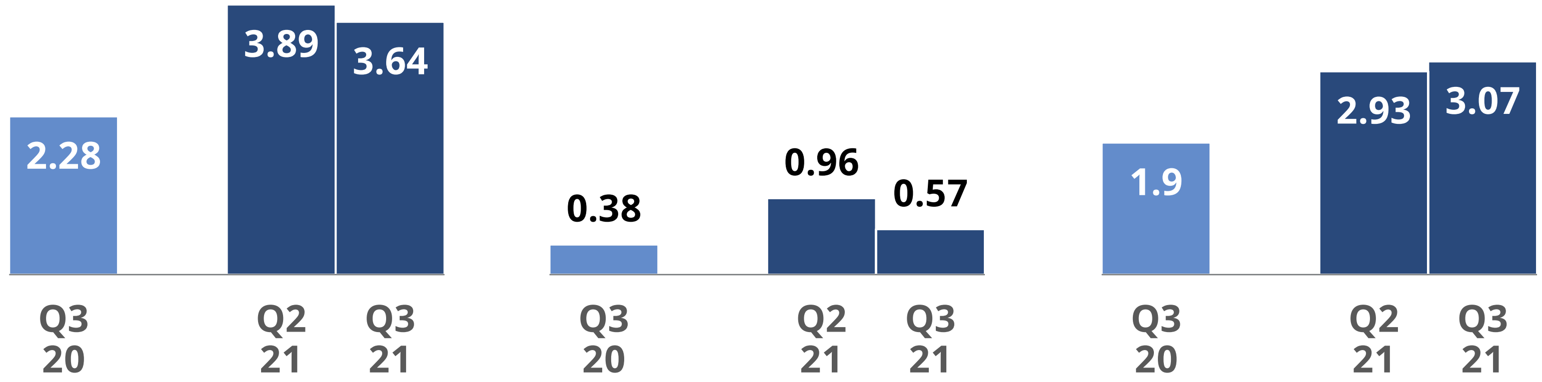
Quarterly Trends

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



45% 2021 YTD

Combined Market

26% 2021 YTD

Managed Services

50% 2021 YTD

As-a-Service

2021 YTD = January to September ACV = Annual Contract Value

Asia Pacific Results by Function

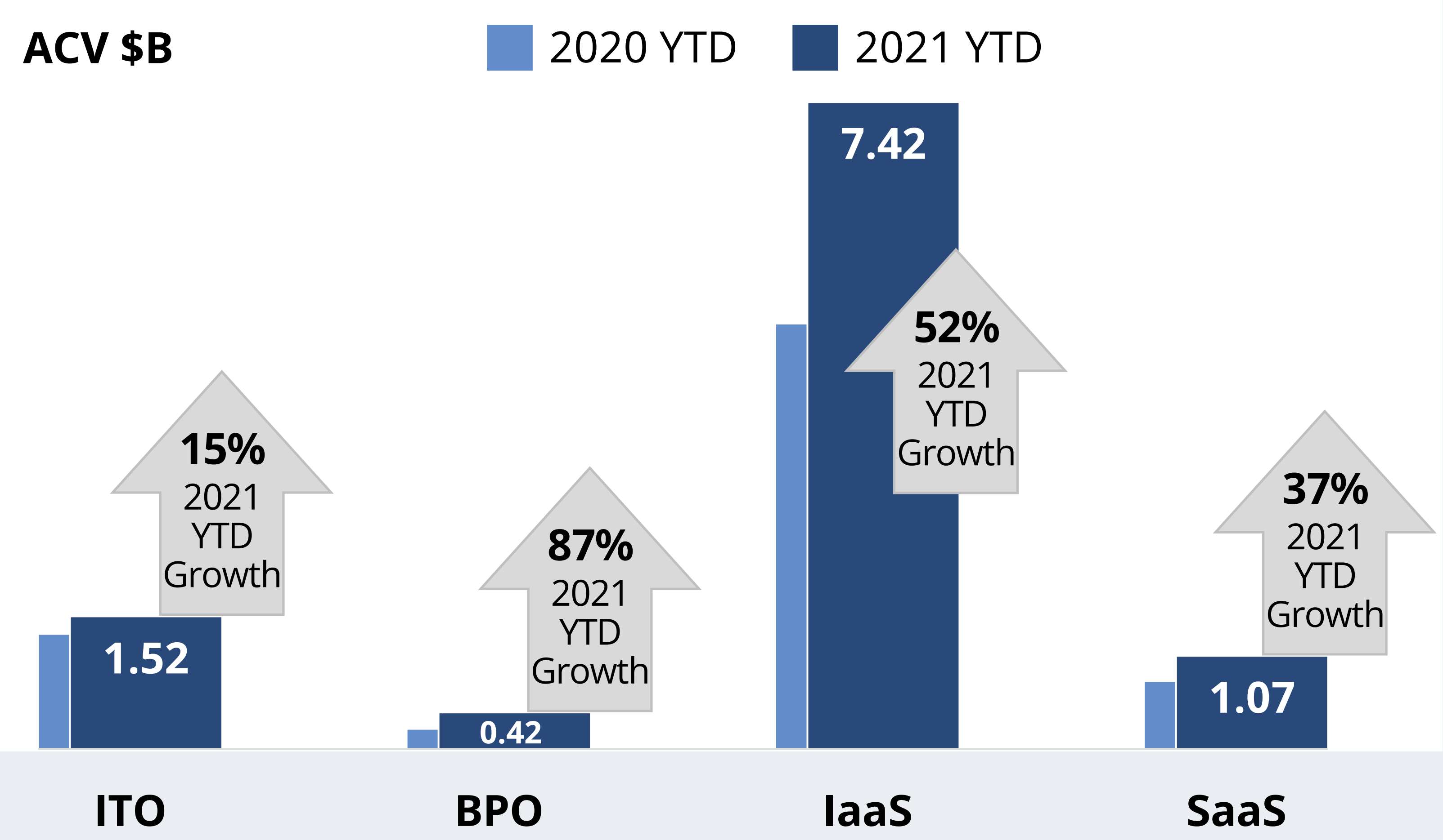
2021 YTD Trends

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

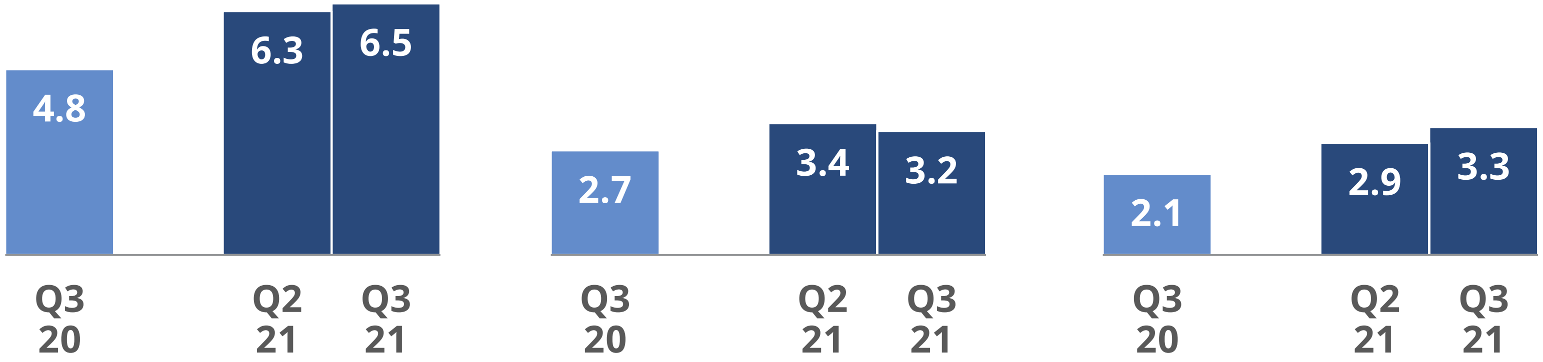
Quarterly Trends

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



27% 2021 YTD

Combined Market

22% 2021 YTD

Managed Services

34% 2021 YTD

As-a-Service

2021 YTD = January to September ACV = Annual Contract Value

EMEA Results by Function

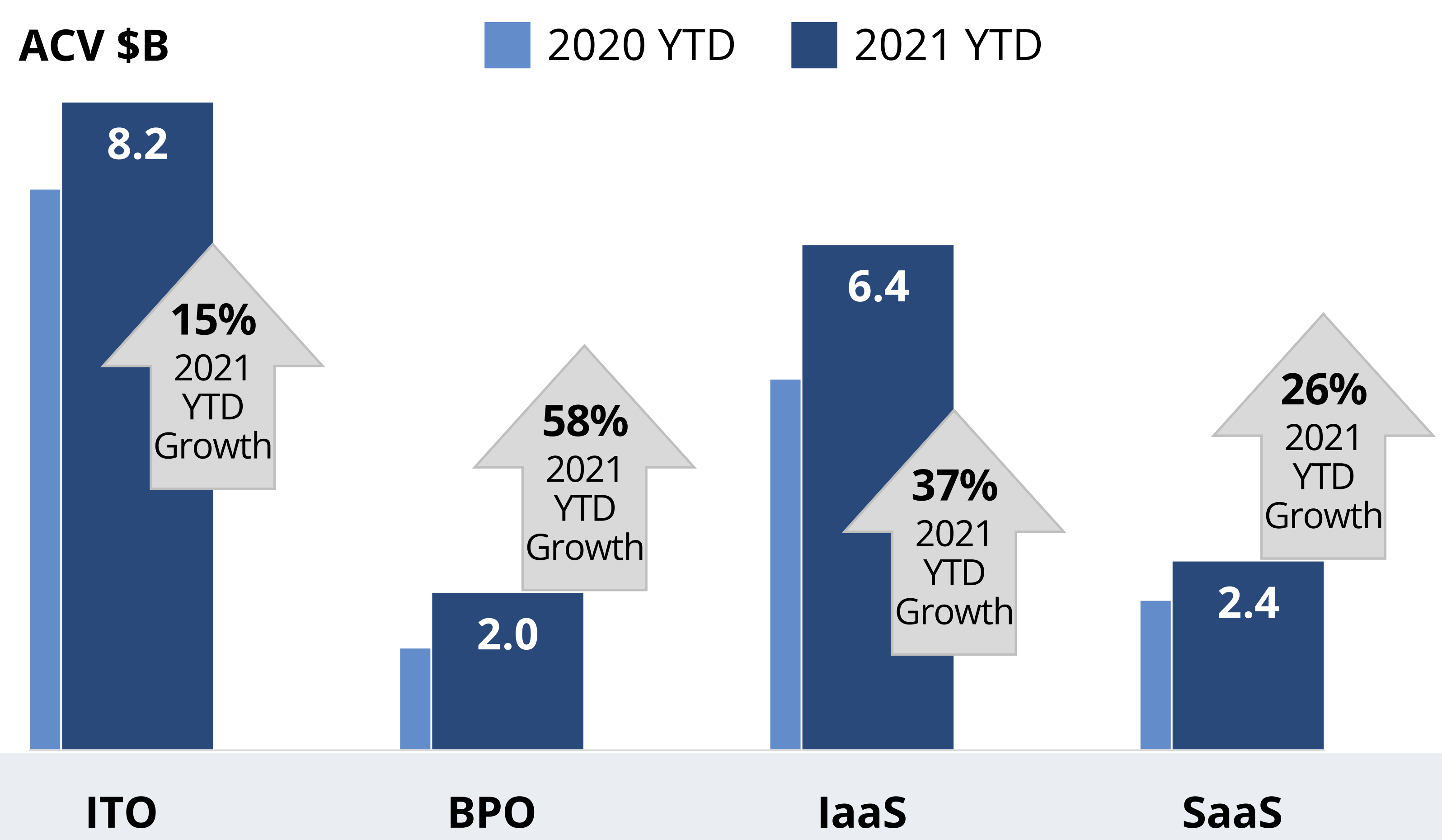
2021 YTD Trends

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."

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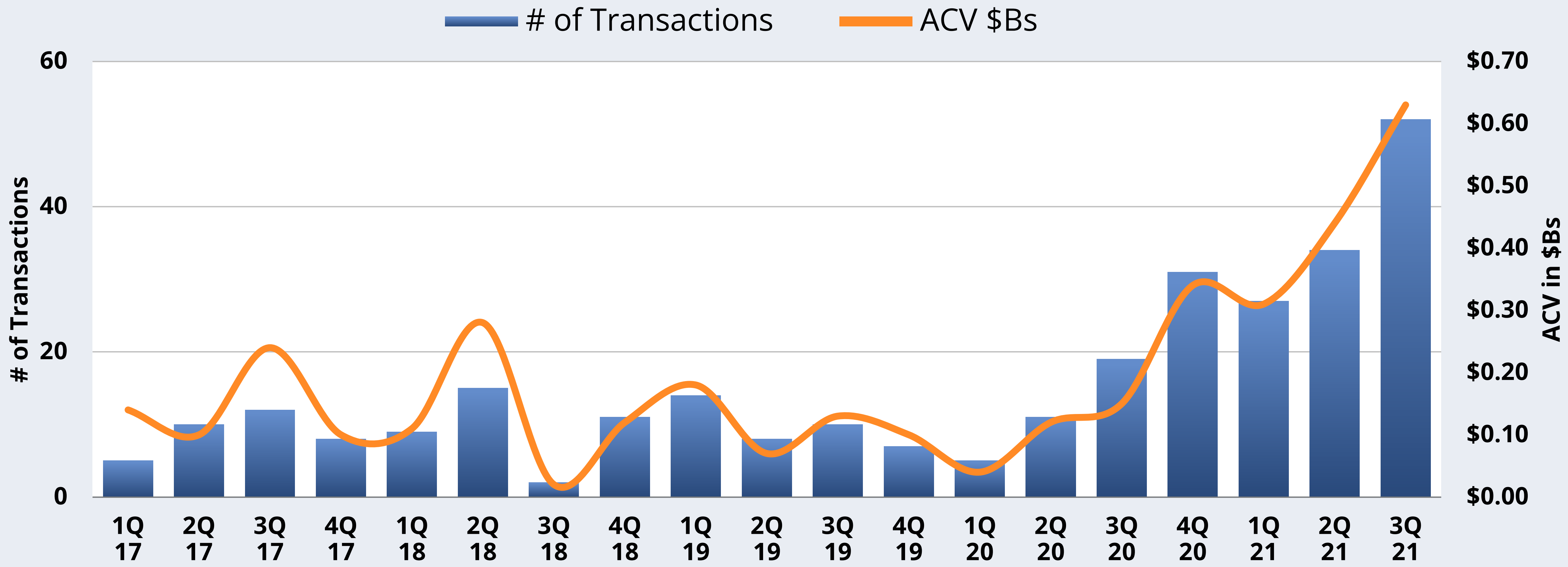
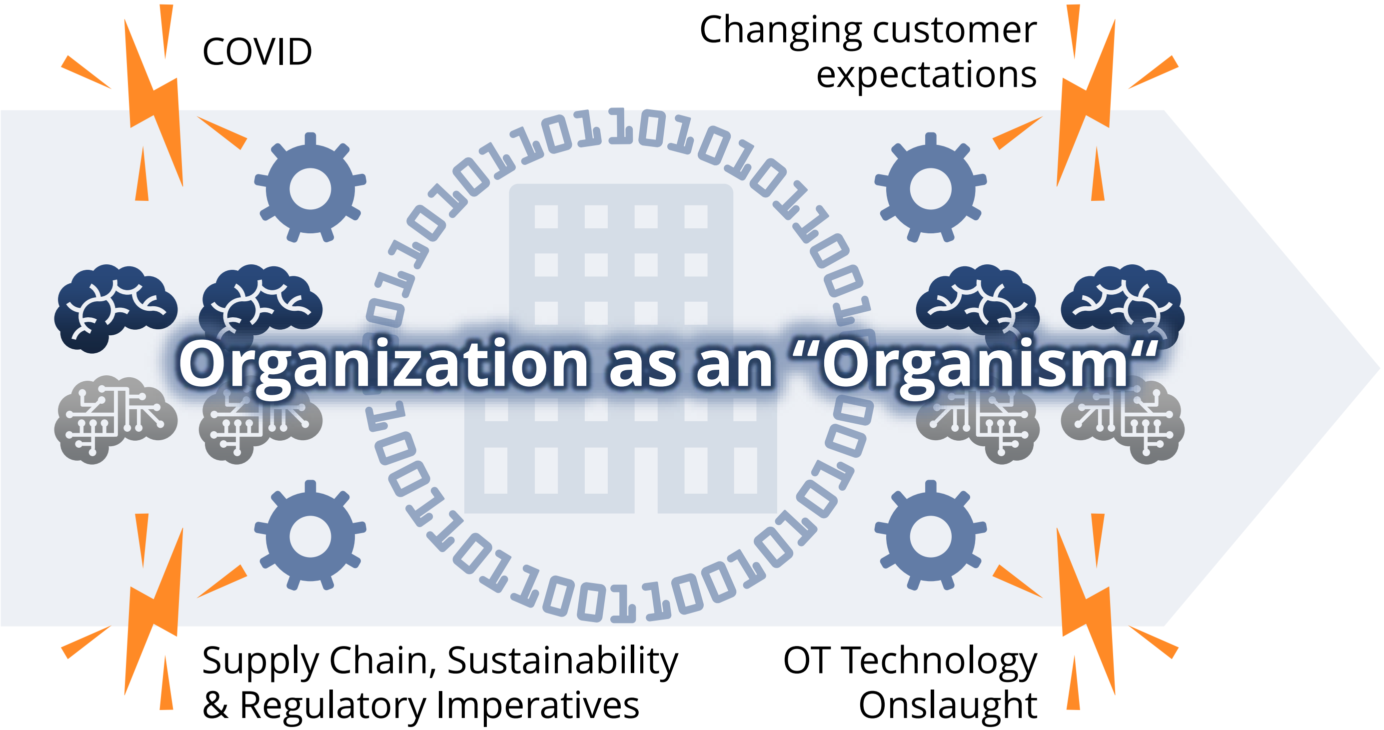
Engineering ACV Is On the Rise



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?]

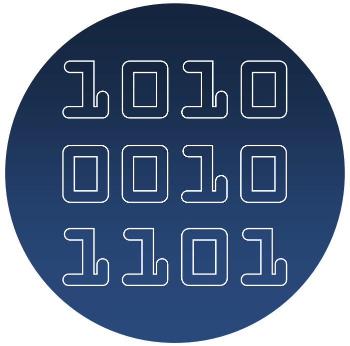


COVID as a catalyst:

- 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

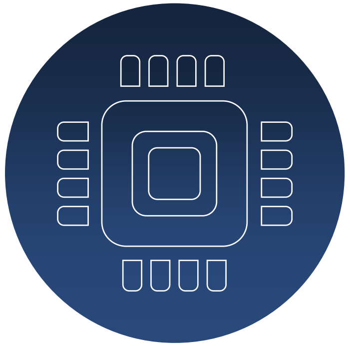
Digital Engineering Megatrend #1

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 Technolgy, 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.

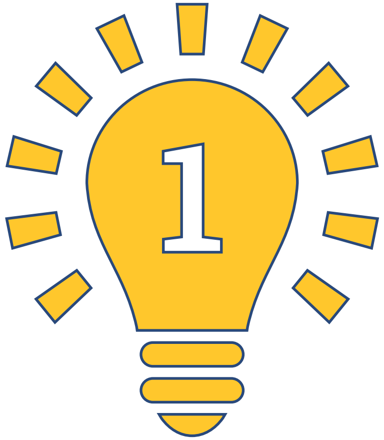
Virtualization / Decoupling Hardware-Software Development

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

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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)

10.1%
2021e

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

25%
2021e

Thank you!

The 76th Quarterly

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Appendix

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Global 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.

	3Q21 TCV ($B)*	3Q Y/Y Change	2021 YTD TCV ($B)*	2021 YTD Change
Global Commercial Combined Market	**46.4**	**25%**	**125.9**	**17%**
By Type				
Managed Services	25.7	9%	70.9	8%
ITO	18.8	6%	52.5	0%
BPO	6.9	18%	18.4	44%
As-a-Service	20.7	54%	54.9	31%
IaaS	9.7	57%	25.8	35%
SaaS	11.1	53%	29.1	26%
By Region				
Americas Combined	27.5	30%	66.4	17%
EMEA Combined	13.8	11%	44.4	15%
Asia Pacific Combined	5.1	50%	15.1	22%

TCV = Total Contract Value.

Service & Technology Provider Standouts – Americas

THE ISG 15

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	The Big 15	The Building 15	The Breakthrough 15	The Booming 15
	Revenues > $10B	**Revenues $3B-$10B**	**Revenues $1B-$3B**	**Revenues <$1B**
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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 fillings.

Service & Technology Provider Standouts – EMEA

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As-a-Service Market	Amazon Web Services Google Cloud Microsoft Salesforce	Equinix ServiceNow Vmware	DropBox Nice Systems Sage Twilio	Atlassian DigitalOcean Global Switch OVH Veeva Systems Visma Zoom Video Communications Zscaler

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Service & Technology Provider Standouts – Asia Pacific

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