Managed Services & As-a-Service Market Insights

12 January 2021

HOSTED BY

Bryan Bergin
Managing Director
Cowen and Company

ISG Index™

Q4 2020

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Welcome

to the 73nd Quarterly

ISG Index™

The ISG Experts

Steve Hall
Partner & President

Kathy Rudy
Chief Data & Analytics Officer

Stanton Jones
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Owen Wheatley
Partner, Banking & Financial Services

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

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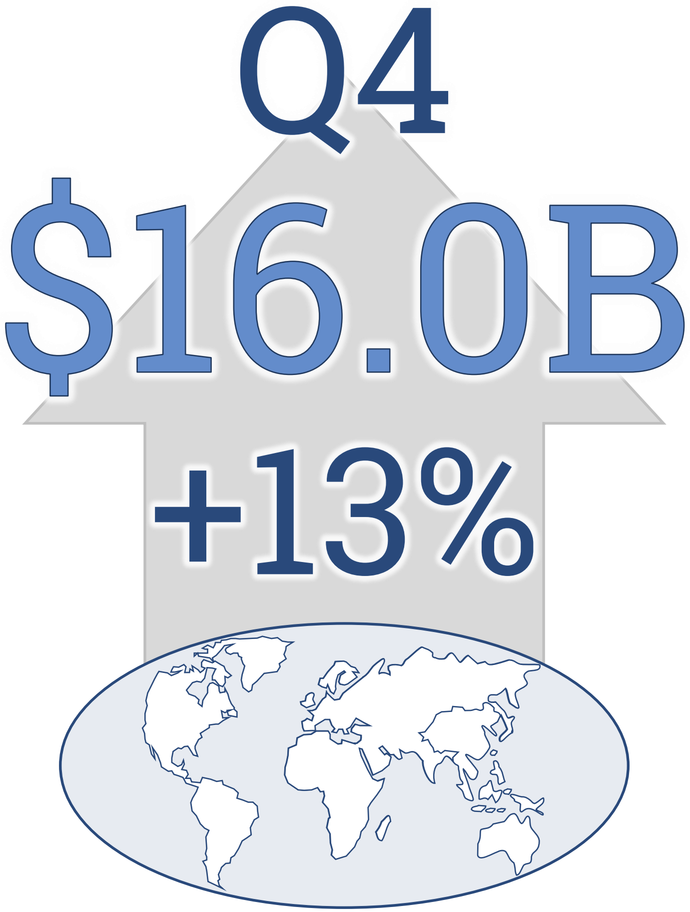
ISG's Top Findings – Q4 2020

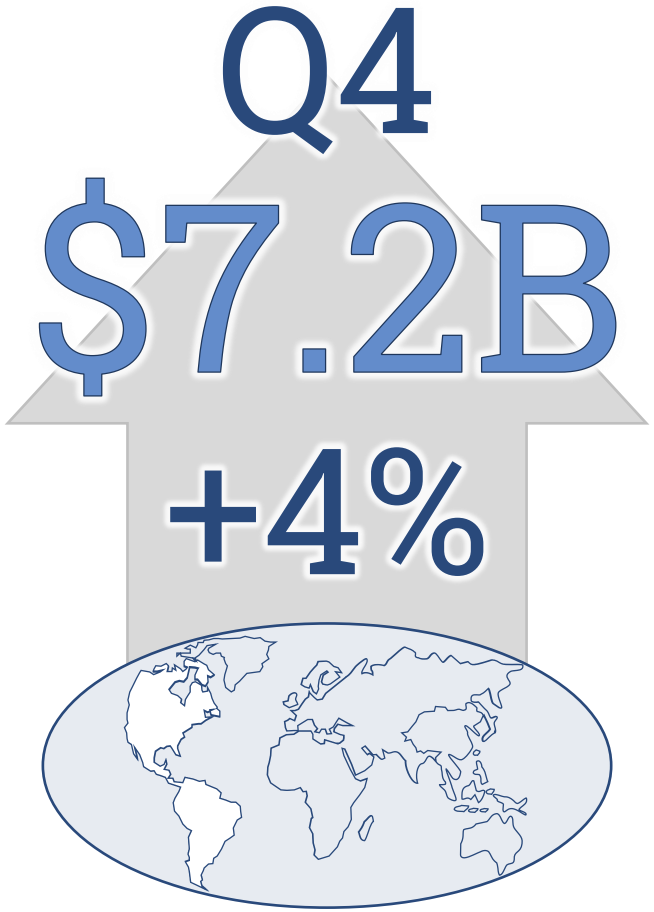


Best Quarter Ever for Global Combined Market ACV

Managed Services Outperformed Expectations While As-a-Service Continues to Accelerate

ACV = Annual Contract Value

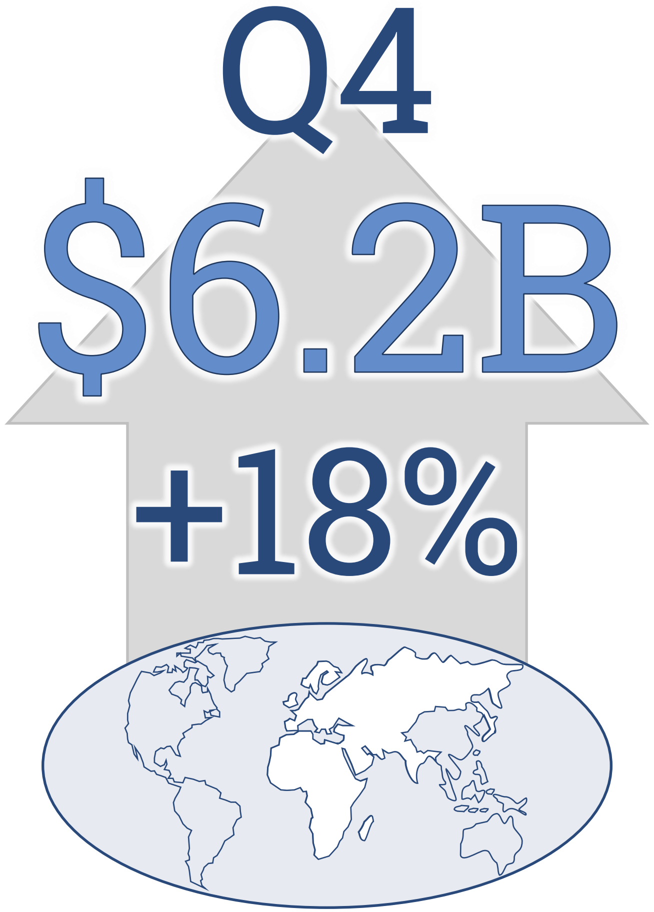
ISG's Top Findings – Q4 2020



Americas Up Modestly Year Over Year

Strength in As-a-Service Offset Weaker IT Managed Services Results

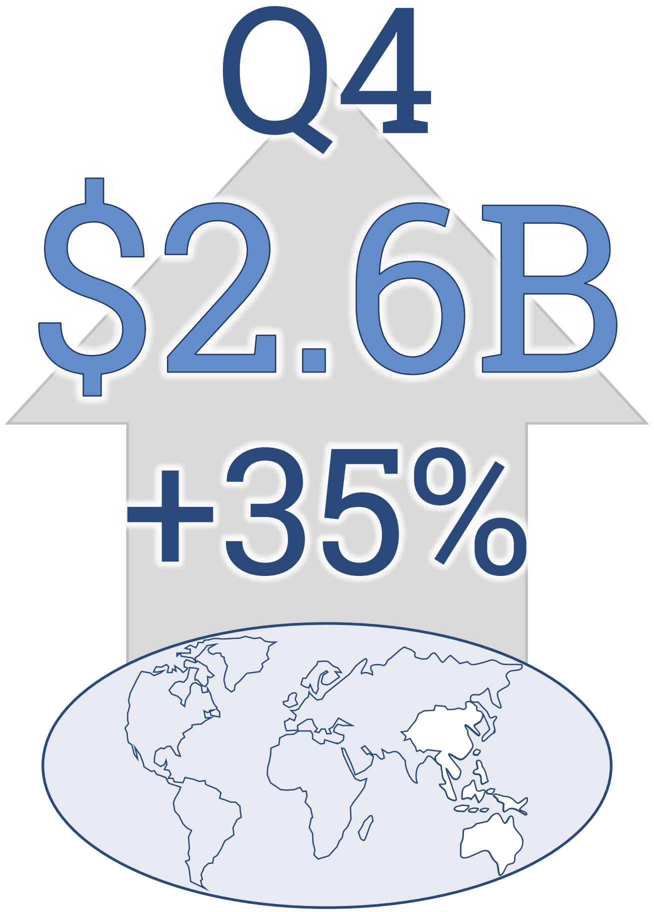
ISG's Top Findings – Q4 2020



EMEA Up Significantly Year Over Year

Strong Deal Momentum in Managed Services and Robust Demand in As-a-Service Contributed to Upside

ISG's Top Findings – Q4 2020



Asia Pacific Up 35%

Managed Services Had Its Best Quarter of the Year While As-a-Service Regained Momentum Off Mid-year Lows

Global Broader Market Results

Quarterly Trends

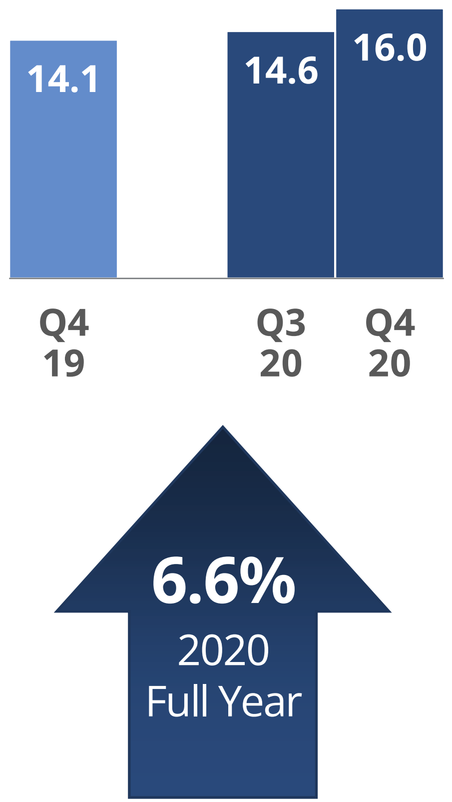
Combined Market ACV reached $16B, up 13%, a new high

Managed Services had a strong quarter at $7B+

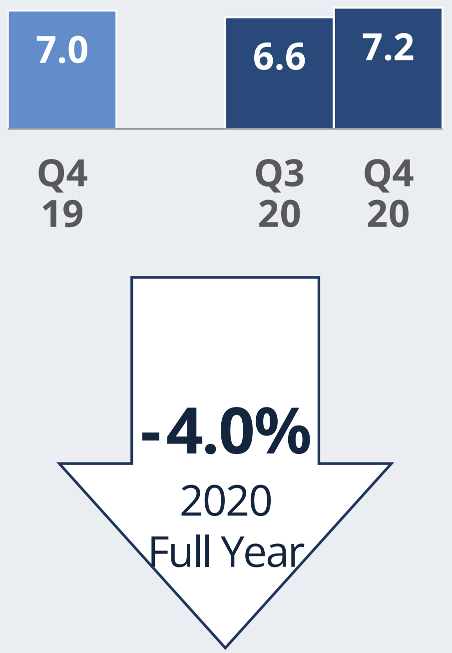
Five mega-deals awarded; best mega-deal ACV result since 1Q17

Manufacturing ACV reached nearly $2.5B in Managed Services, posted best quarter

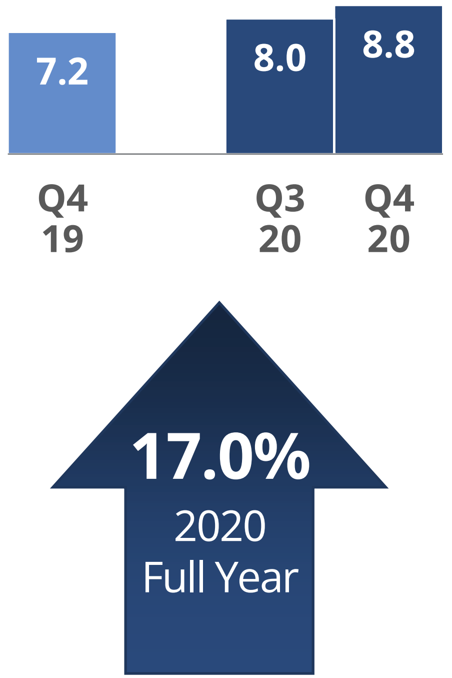
ACV $B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value

Global Results by Function

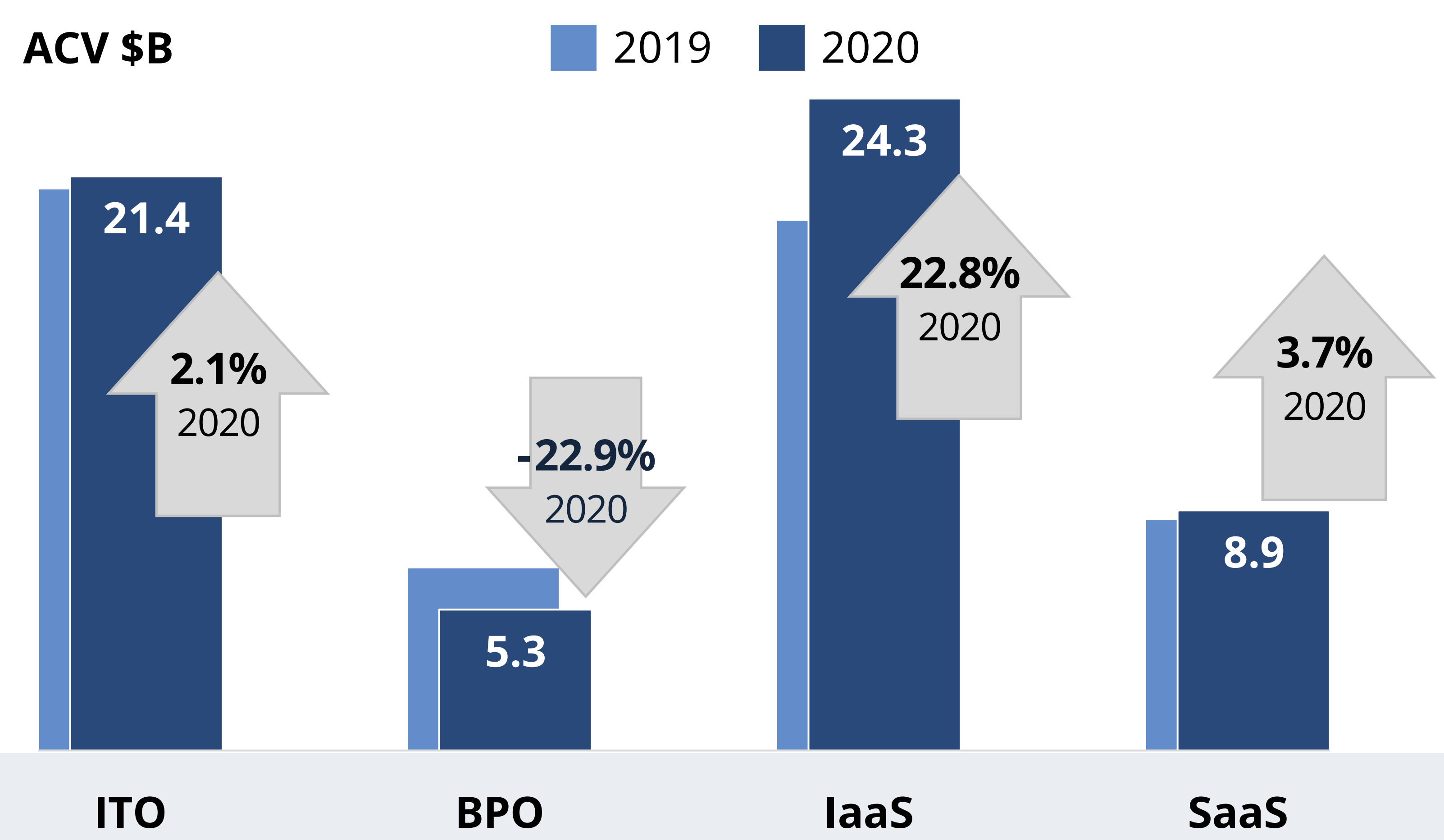
Full Year 2020 Trends

Best ACV ever for ITO, beating previous high from 2018

BPO ACV down substantially on weakness in Contact Centers and Facilities Management

IaaS growth accelerated on continued enterprise penetration

SaaS ACV remained in tight range between $8B-$9B



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

Managed Services Market

Accenture	IBM Global Services
Atos	Infosys
Capgemini	NTT Data
Cognizant	TCS
DXC Technology	

As-a-Service Market

Alibaba	Microsoft
Amazon Web Services	Salesforce
Google	SAP *

* New to leaderboard in 4Q20

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

THE ISG 15

Global Market

The Big 15

Revenues > $10B

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

Amdocs FIS Global * Genpact Global Payments * HCL	Orange Business Services * Sopra Steria * Tech Mahindra T-Systems Wipro

As-a-Service Market

Adobe Systems Equinix	ServiceNow VMware Workday

* New to leaderboard in 4Q20

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THE ISG 15

Global Market

The Building 15

Revenues $3B-$10B

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

EPAM Systems	Sutherland
LTI	TietoEvry
Mindtree	Unisys
Mphasis	Virtusa

As-a-Service Market

ACI Worldwide *	Dropbox *
Autodesk	Palo Alto Networks
Digital Realty	Rackspace
	Twilio *

* New to leaderboard in 4Q20

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THE ISG 15

Global Market

The Breakthrough 15

Revenues $1B-$3B

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

Global Market

The Booming 15

Revenues <$1B

Managed Services Market

Birlasoft	Globant *
Ensono	L&T Technology Services*
EXL	Persistent Systems

As-a-Service Market

Atlassian	CyrusOne	RingCentral
Coresite	DocuSign	Veeva Systems
Crowdstrike	Flexential *	Zoom Video

* New to leaderboard in 4Q20

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

Our ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months

Americas
Broader Market Results

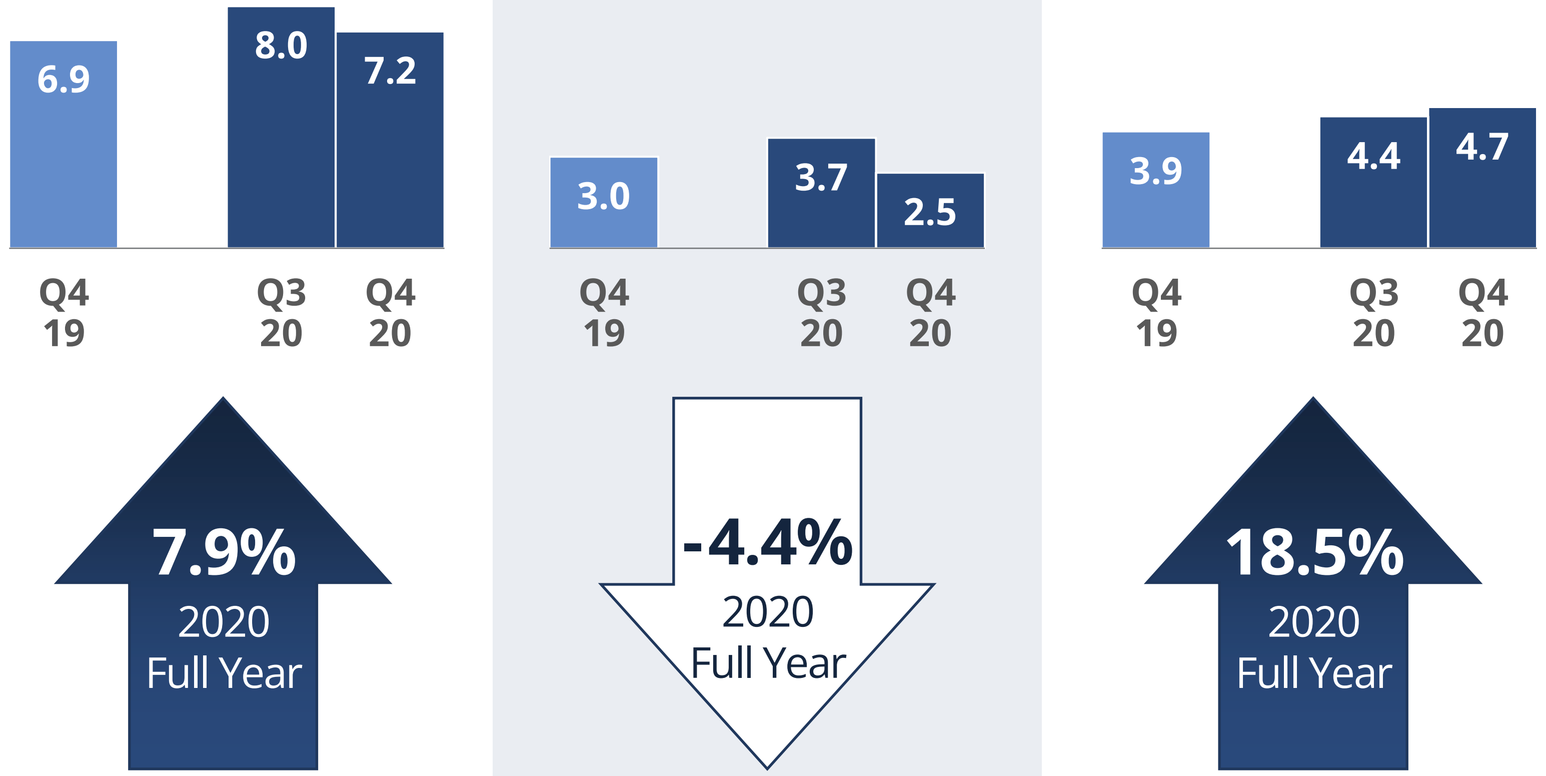
Quarterly Trends

Combined Market’s 4% Y/Y rise was still its weakest quarter of 2020

Due to lack of large awards, Managed Services had its lightest quarter since 3Q16

IaaS drove the upside in Combined Market; SaaS recovered sequentially off 2Q/3Q 2020 lows

ACV $B



Combined Market | **Managed Services** | **As-a-Service**

ACV = Annual Contract Value

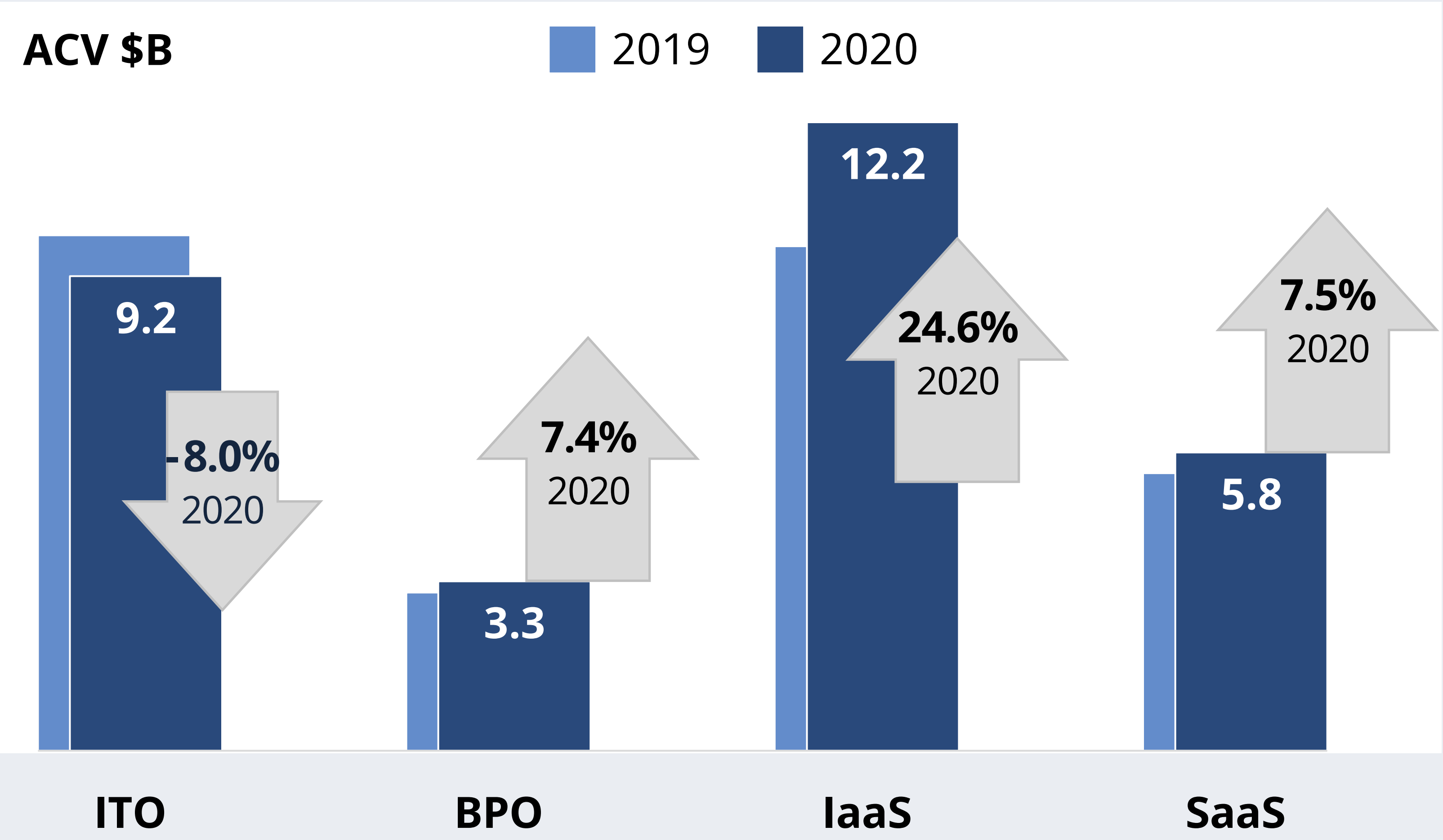
Americas Results by Function

Full Year 2020 Trends

ITO weighed down by weak 4Q performance, lightest since 2016

BPO was up 7% as F&A and R&D/Engineering reached new heights

IaaS and SaaS both achieved all-time highs in ACV; Americas was only market with gains in SaaS



ACV = Annual Contract Value

Asia Pacific Broader Market Results

Quarterly Trends

Combined Market ACV, up 35% Y/Y, exceeding the previous record from 2Q19

Managed Services ACV had its best quarter of the year; ANZ was highest in two years

As-a-Service rebounded to a new record, nearly breaking $2B for first time

ACV $B

Combined Market | **Managed Services** | **As-a-Service**

ACV = Annual Contract Value

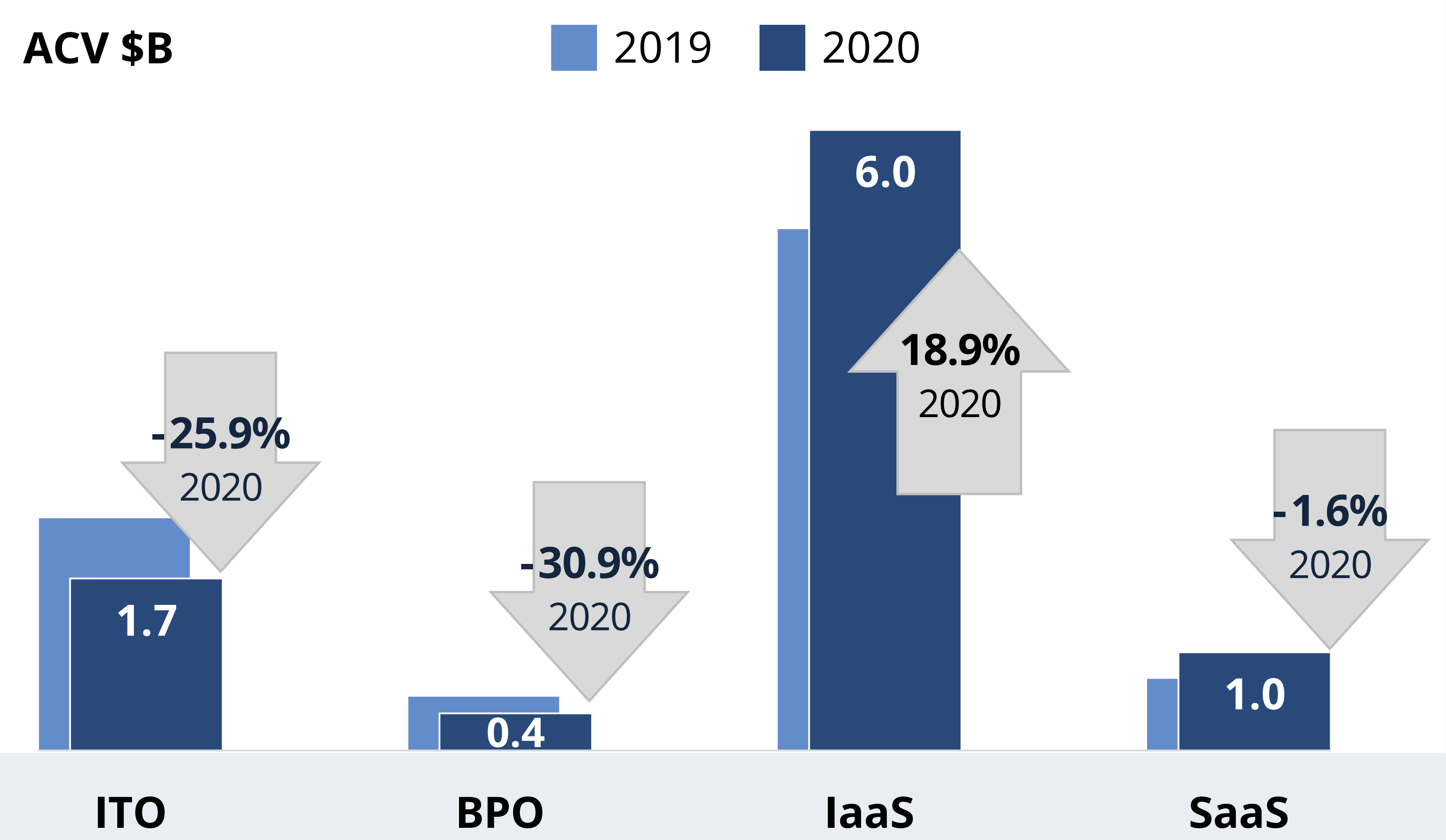
Asia Pacific Results by Function

Full Year 2020 Trends

ITO fell to its lowest levels since 2016 on absence of large transactions

BPO declined 30% versus both 2018 and 2019

Best year yet for IaaS but annual growth rate slowed from 24% to 19% this year



ACV = Annual Contract Value

EMEA
Broader Market Results

Quarterly Trends

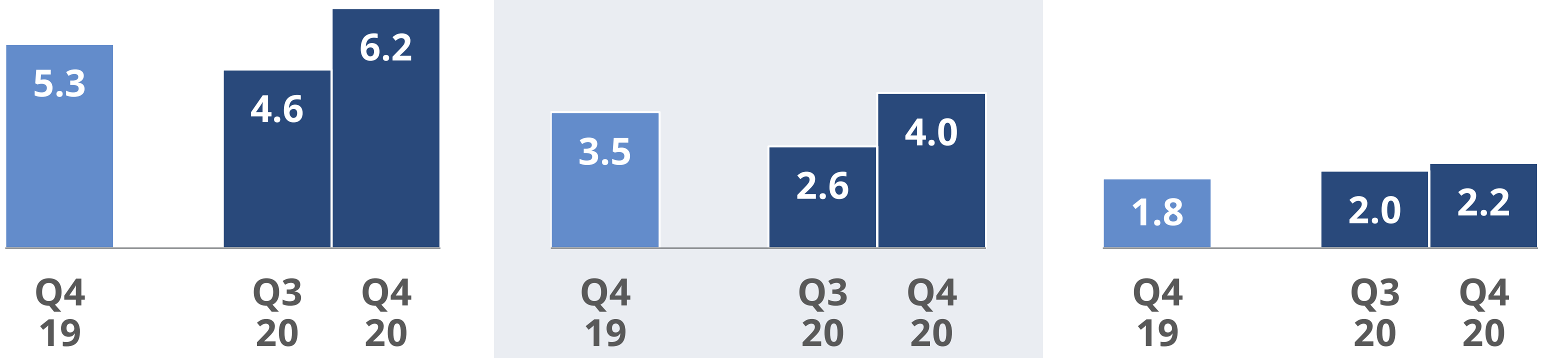
Combined Market ACV broke through $6B ceiling for first time

Managed Services generated a $4B quarter, its first in five years; DACH set a record in Managed Services

All five mega-deals awarded in 4Q were based in Europe

As-a-Service Y/Y growth rate of 25% was its best in two years

ACV $B



6.8%
2020 Full Year

Combined Market

1.7%
2020 Full Year

Managed Services

15.2%
2020 Full Year

As-a-Service

ACV = Annual Contract Value

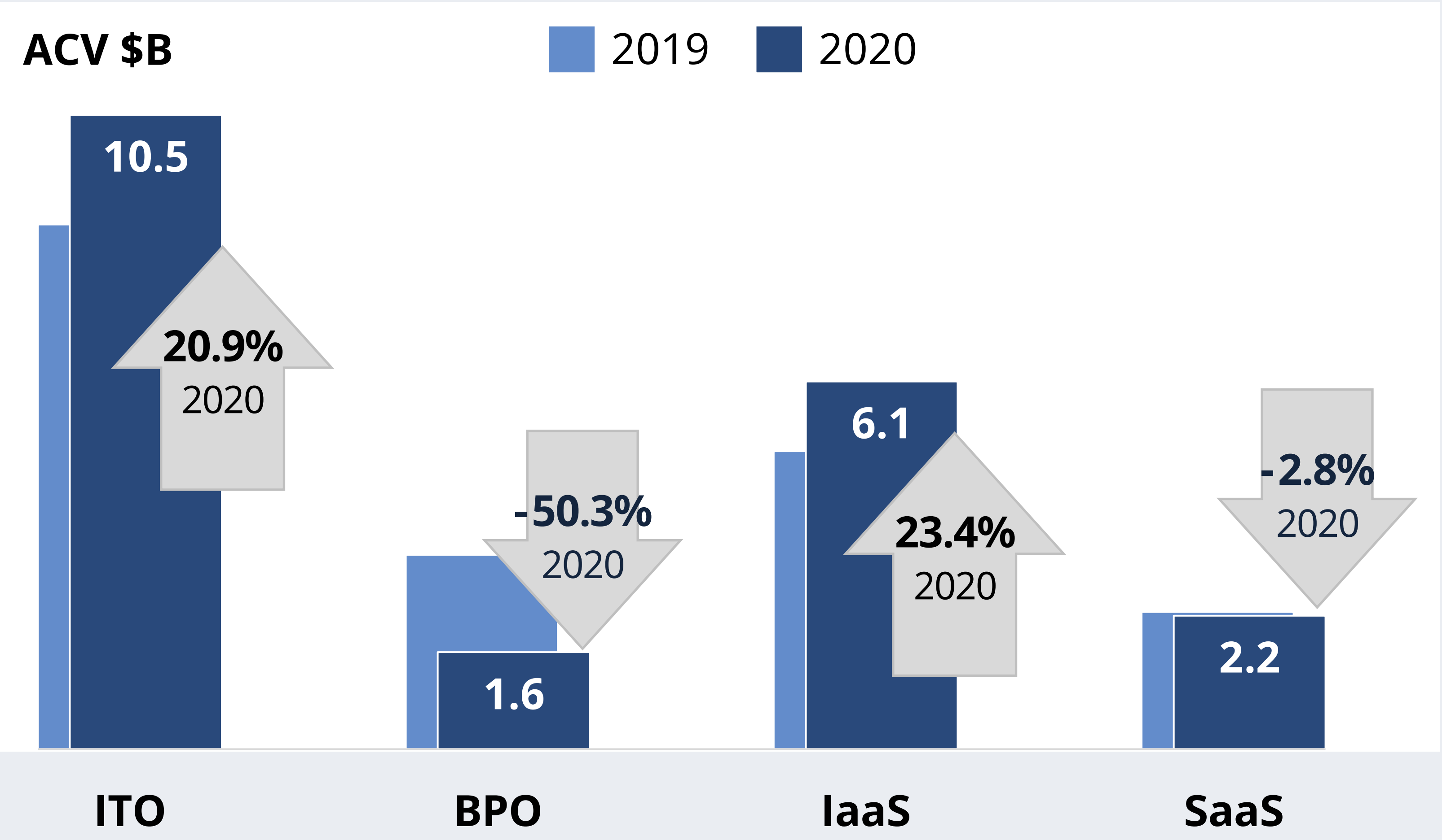
EMEA Results by Function

Full Year 2020 Trends

Very strong 4th quarter boosted ITO to third-best year, behind 2011 and 2014

BPO activity fell significantly as largest functional areas of Contact Centers and FM faded

Annual growth rate of IaaS nearly doubled; larger, longer-term awards gained traction in the G-2000



ACV = Annual Contract Value

Global Technology Services Industry Award Trends

2020 YTD Growth	Business Services $11.1B ACV	Retail & Consumer Packaged Goods $7.3B ACV	Energy $3.9B ACV	Financial Services $12.0B ACV	Healthcare & Pharma $5.3B ACV	Manufacturing $10.0B ACV	Telecom & Media $5.2B ACV	Travel, Transport Leisure $5.1B ACV
Combined Market	13%	11%	12%	4%	-7%	22%	-14%	6%
Managed Services	-9%	-3%	12%	-6%	-24%	33%	-33%	-5%
As-a-Service	18%	20%	13%	22%	18%	9%	14%	16%

ACV = Annual Contract Value

Financial Services Quarterly Trends

Global Technology Services Industry Award Trends

1. Heavy concentration of investment banks buffered impact of COVID in U.S., in contrast to retail banks in Europe

2. XaaS displaced traditional outsourcing models; platforms & automation encroached on traditional BPO deals

Financial Services

$12B ACV

Americas	EMEA	Asia Pacific	ITO	BPO	SaaS	IaaS
20%	-13%	-1%	-5%	-12%	18%	25%

2020 Q4 YTD Growth

ACV = Annual Contract Value

Trends in Banking & Financial Services

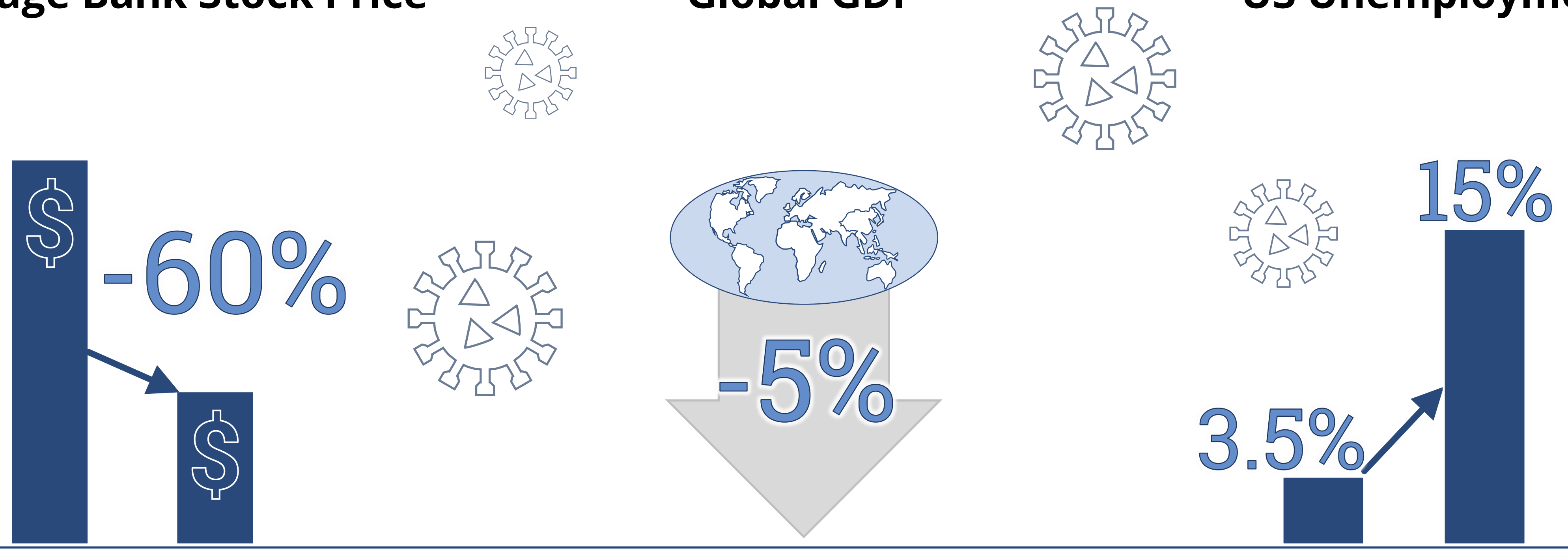
“Out of the chaos come reasons for optimism.“

Owen Wheatley

Lead Partner – Banking & Financial Services

2020 Chaos: The Pandemic Effect

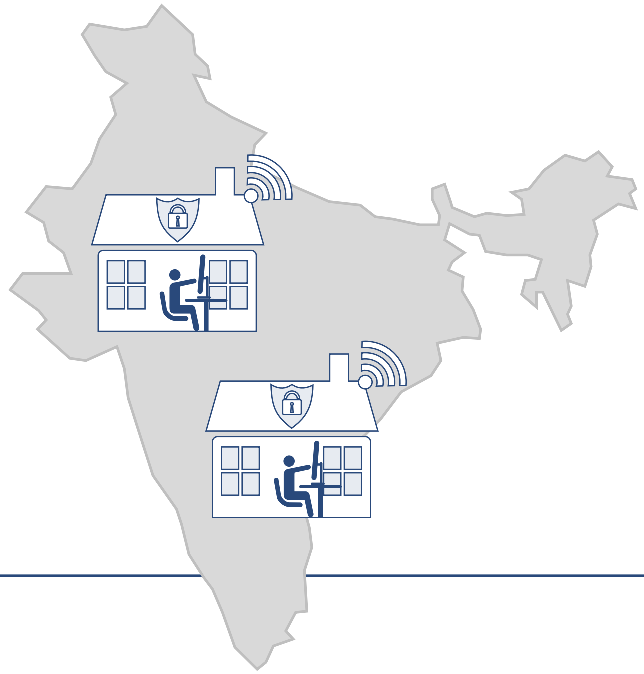
Average Bank Stock Price | **Global GDP** | **US Unemployment**



Common Stress Themes

Equipping workers with tools, security, connectivity

Offshore delivery centers ensuring business continuity



Global banks hit hard on revenue and margin

Behavior Changes Between Customers and Business

Customers embrace digital

The online experience is critical

Corporate real estate challenged

Prediction 1. Challenger Banks Shake Out

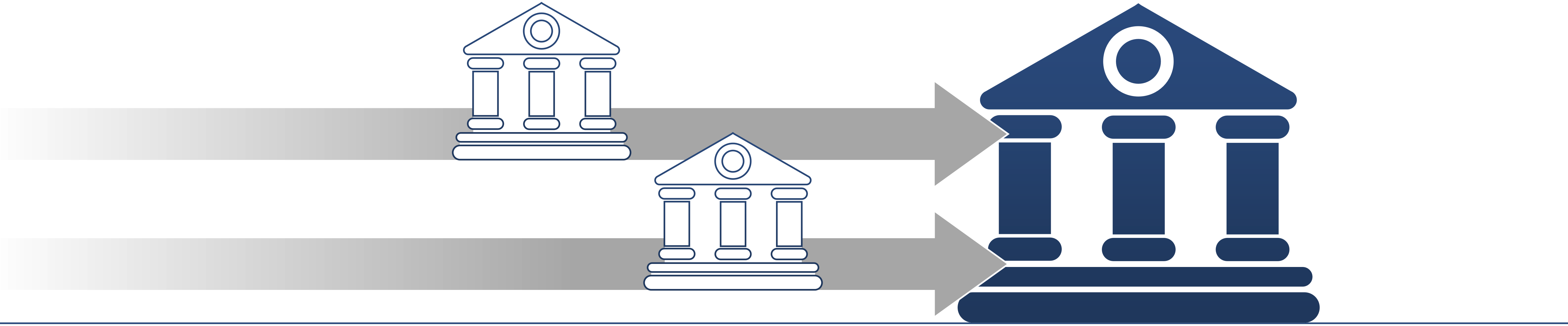
Consumers are not switching full banking services to new online banking firms

The average balance in a digital bank account is less than

$350

Prediction 2. M&A Resurgence

Banks seek scale and cost reduction

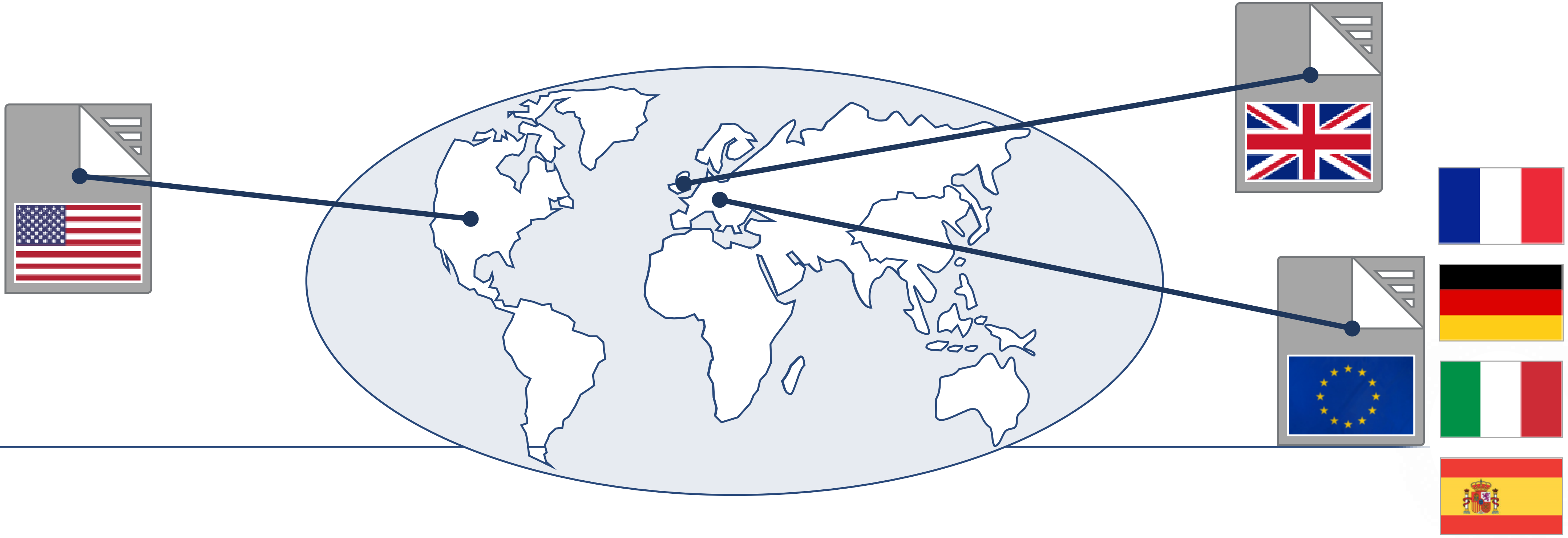


Prediction 3. Disintermediation

Big Tech is encroaching on Financial Services

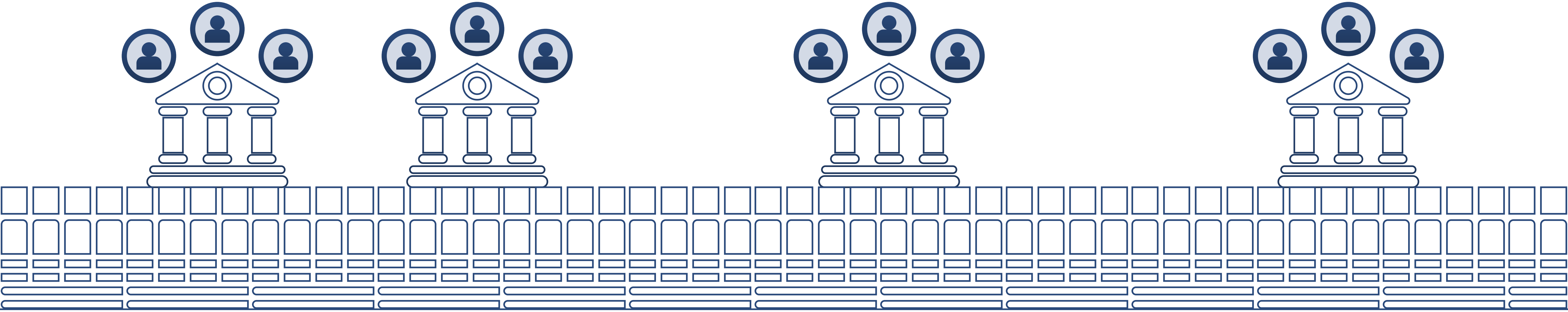
Prediction 4. Regulation Divergence

Breakdown of centralized regulation adds banking industry complexity



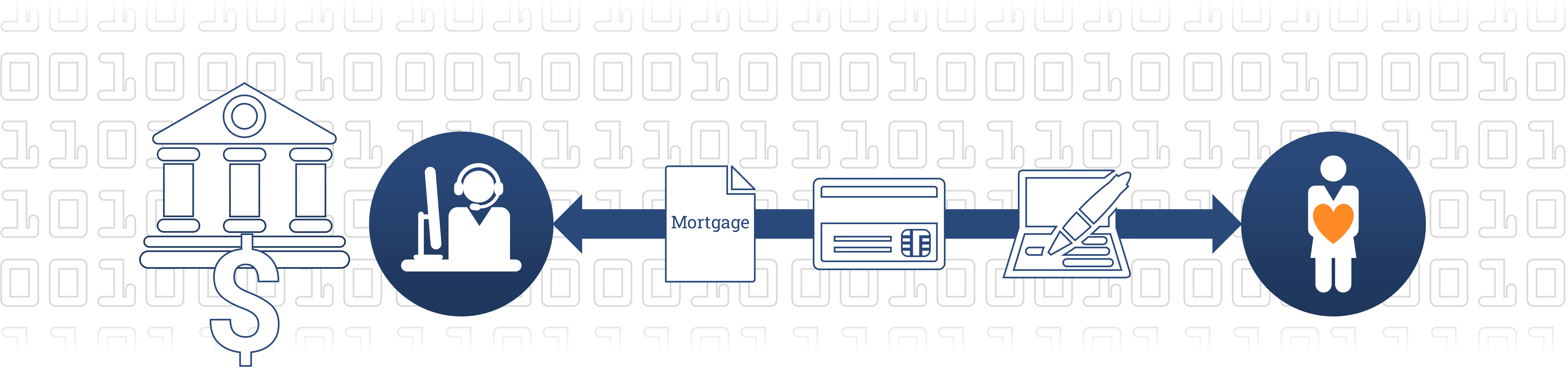
Prediction 5. Platform Adoption Accelerates

Platforms, Ecosystems, Fintechs and Providers improve customer experience and speed to market



Prediction 6: Customer/Employee Axis

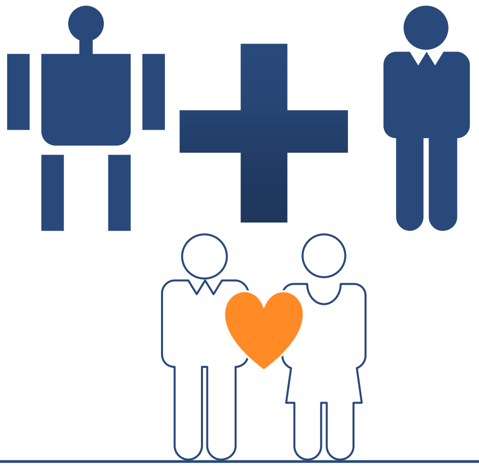
Data insights enable the banking employee to give the customer a seamless experience and deliver more revenue



Prediction 7. Deployment of Machine Learning & Artificial Intelligence

Productivity is exponentially increasing.

People using automation to improve customer loyalty



AI & ML identify many more criminal transactions

Data drive improved productivity

Enterprise Expectations & Priorities in 2021

Stanton Jones

Director & Principal Analyst
ISG Research

"Virtual delivery is here to stay; digital recovery is on the way."

Enterprises Embraced a Virtual Managed Services Model in 2020 . . .

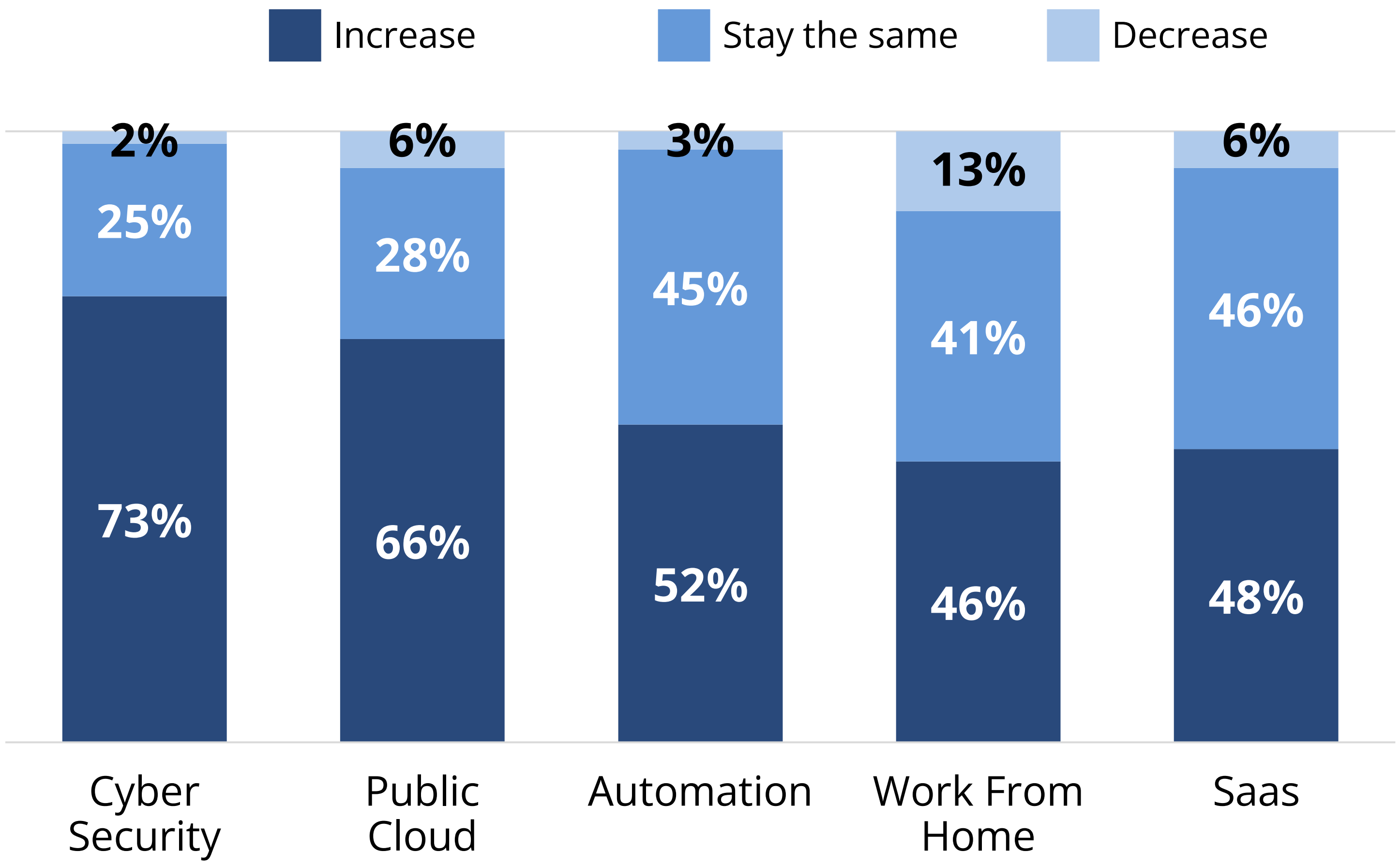
. . . but delivery expectations did not change.

Everything is virtual:

- Sales and Due Diligence
- Transition
- Delivery

Faster, Cheaper . . . and Often Better!

In 2021 Moving Beyond Virtual Delivery and Into “Digital Resilience and Recovery”



Managed Services Spending Flat

As-a-Service Spending Accelerated

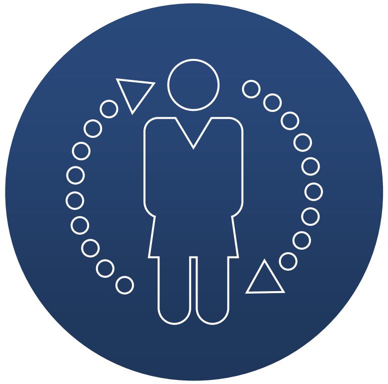
Source: ISG Research.
ISG Advisor Client Spending Sentiment for 2021, n=75

Five Demand Drivers as We Move Into New Future

Turbocharge App Modernization Efforts

Focus on Cyber Security

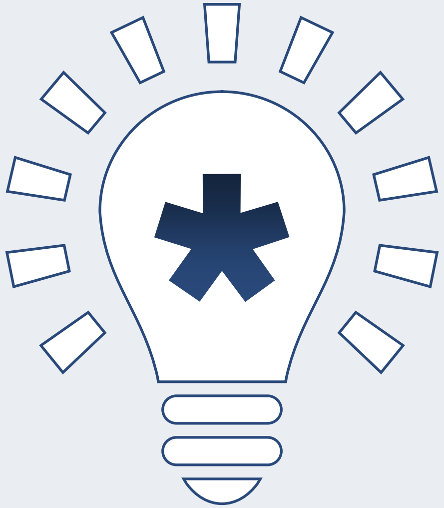
Industry-Specific Solution Adoption



Focus on Customer Experience

Diversity & Environmental, Social, Governance

Key Takeaways



1. The global delivery model **delivered** during the pandemic
2. A virtual sales, transition and delivery model is **here to stay**
3. **As-a-Service spending increased** with the top technology vendors
4. Managed Services spending flat; opportunity **for providers that can deliver** on key digital drivers
5. **Modernization**, **cybersecurity**, **platforms**, **customer experience**, and **environmental and social good** will be big in 2021

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4Q 2020 ISG Index – Summary and Outlook

Summary

Managed Services Recovering

- 2020 outperformed expectations due to several large mega-deal awards late in 4Q20
- Managed Services in Europe and Americas moved in opposite directions with EMEA finishing strong and Americas suffering from lack of large awards

As-a-Service Up

- IaaS was up nearly 20% in each of the three regions
- Americas was the only market where SaaS experienced gains in 2020

Outlook

Managed Services Forecast

- Middle part of 2021 will experience easier comparisons
- Assuming mega-deal flow remains consistent, ACV growth should be more robust
- Margin impact on large transactions will be a key theme

3.0%
2021e

As-a-Service Market Forecast

- As-a-Service providers will push further into the enterprise with long-term agreements
- Growing backlogs will provide steady stream of revenue and enable leaders to target underpenetrated markets

20%
2021e

Want to Ask a Question?

1. Click the "Listen by Phone“ button on your webcast screen
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

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Thank you!

Appendix

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Service & Technology Provider Standouts – Americas

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 AT&T Atos Capgemini Cognizant DXC Technology IBM Global Services Infosys NTT DATA TCS	Amdocs Conduent * FIS Global Genpact Global Payments HCL OptumInsight Tech Mahindra Wipro	EPAM Systems LTI Mindtree Mphasis Sutherland TTEC Unisys Virtusa	Birlasoft Ensono EXL Globant L&T Technology Services * Persistent Systems
As-a-Service Market	Amazon Web Services Google Microsoft Salesforce SAP *	Adobe Systems Equinix Intuit * ServiceNow VMware Workday	ACI Worldwide * Allscripts Autodesk Digital Realty Palo Alto Networks Rackspace Twilio	Coresite Crowdstrike CyrusOne Docusign Flexential * QTS RingCentral Snowflake Computing Zoom Video

* New to leaderboard in 4Q20

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

Service & Technology Provider Standouts – EMEA

THE ISG 15

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	Revenues > $10B	**Revenues $3B-$10B**	**Revenues $1B-$3B**	**Revenues <$1B**
Managed Services Market	Accenture Atos BT Capgemini Cognizant DXC Technology IBM Global Services Infosys NTT DATA TCS	Bechtle CGI * Global Payments* HCL Orange Business Services * Sopra Steria Tech Mahindra T-Systems Wipro Xerox Services*	Asseco EPAM Systems LTI Mindtree Mphasis Sutherland TietoEvry TTEC* Unisys	adesso Atea ASA * Eltel Networks * EXL HH Global * HGS Kapsch Group NNIT A/S Tata Elxsi * WNS
As-a-Service Market	Amazon Web Services Google Microsoft Salesforce SAP	Adobe Systems Equinix ServiceNow VMware Workday	Autodesk Digital Realty Constellation Software* DropBox* Rackspace Sage *	Atlassian Docusign OVH Veeva Systems Visma

* New to leaderboard in 4Q20

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Service & Technology Provider Standouts – Asia Pacific

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**
Managed Services Market	Accenture Capgemini Cognizant DXC Technology IBM Global Services NEC * TCS	Amdocs FIS Global * Genpact HCL IT Holdings (TIS) ITOCHU Techno-Solutions (CTC) Nomura Research Institute Tech Mahindra T-Systems Wipro Xerox Services *	Mphasis * Neusoft SCSK Sutherland TTEC transcosmos Unisys	Beyondsoft Data#3 Empired Fuji Soft Relia
As-a-Service Market	Alibaba Amazon Web Services China Telecom Google Microsoft Salesforce SAP * Tencent	Adobe Systems Citrix Systems * Equinix ServiceNow	Akamai Autodesk Digital Realty DropBox Palo Alto Networks Sage Splunk * Twilio	Atlassian Cloudera Crowdstrike Docusign * Kingdee MongoDB * Veeva Systems Xero * Zoho * Zoom Video *

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