

Managed Services & As-a-Service Market Insights

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HOSTED BY



Aditya Buddhavarapu, CFA
Vice President, European Software,
IT Services & Payments Research

Bank of America Global Research

*ISG Index™

3Q 2022



20th
ANNIVERSARY

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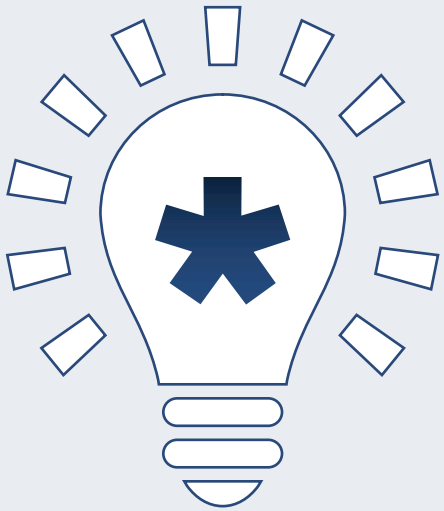


Namratha
Dharshan
Director of
Research &
Principal Analyst

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

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3Q22: Three Big Thoughts



1

Demand remains at all-time highs, yet headwinds persist.

2

Limited pricing power is pressuring provider margins.

3

Macro concerns are delaying enterprise decision making.



Global Broader Market Results

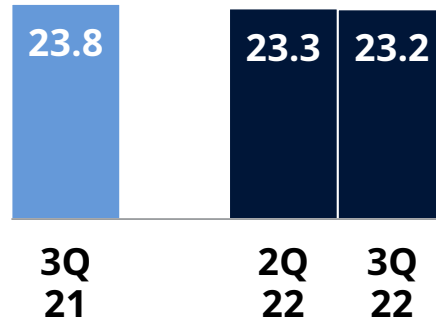
Quarterly Trends

Combined Market Y/Y growth declined 3% as the market technicals have rolled over and comps become more difficult

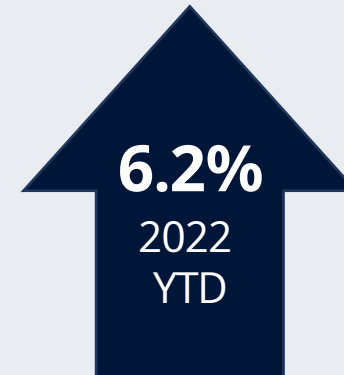
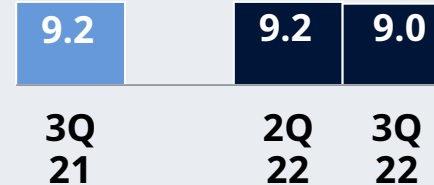
Managed Services ACV awards remained above \$9B level, but declined sequentially for second straight quarter; new scope award ACV fell 15% Y/Y

XaaS ACV fell back 4% Y/Y; only the second time XaaS had a Y/Y decline since 2015

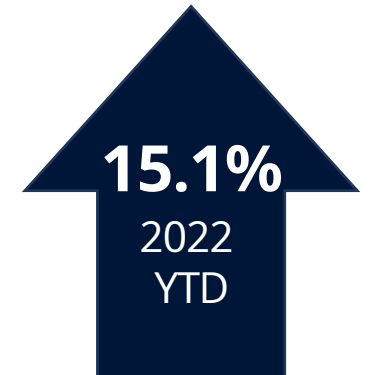
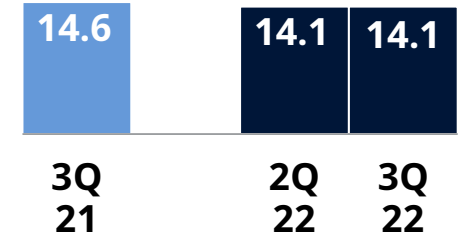
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value

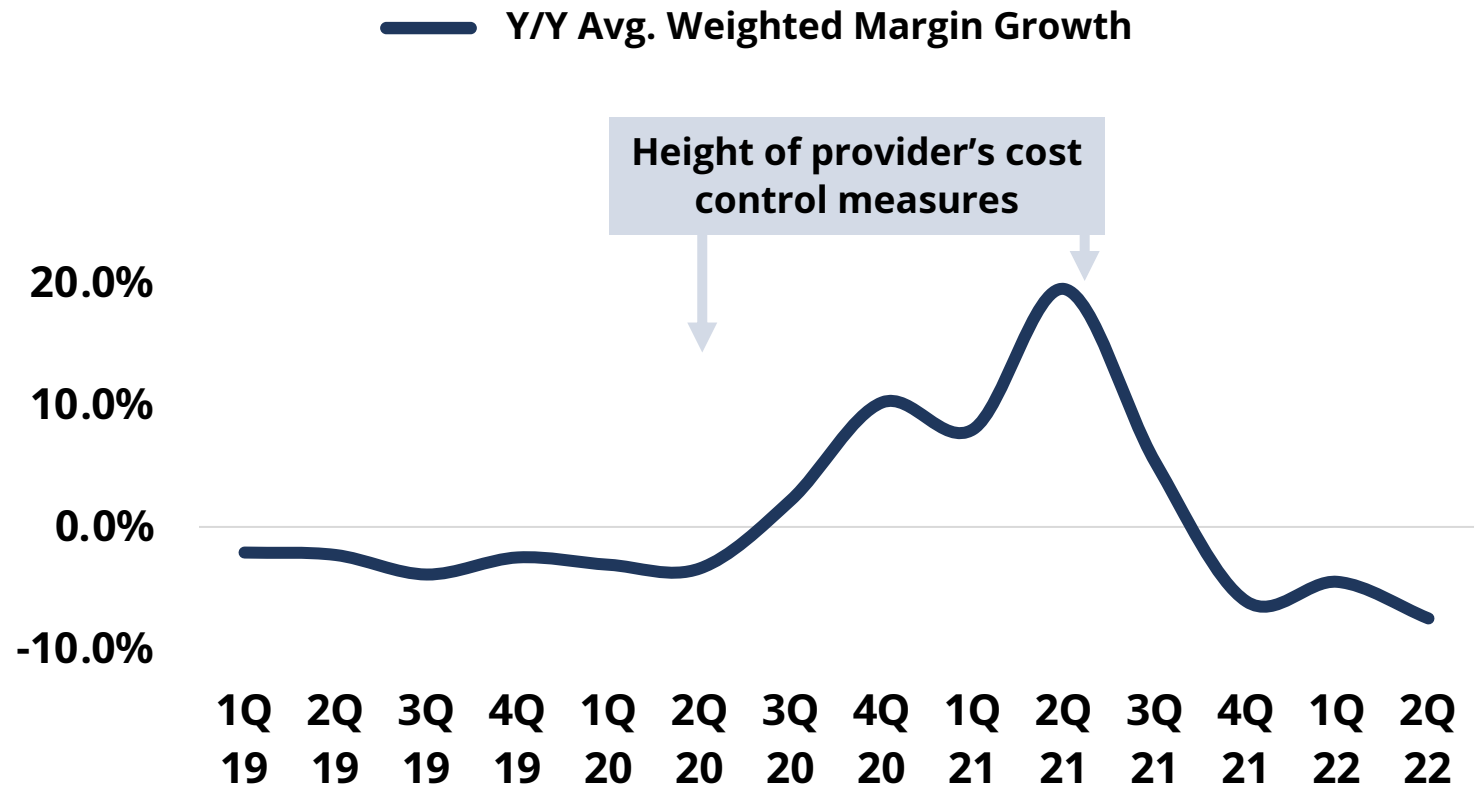
Margins Grew During Pandemic, Then Dropped

Margin Trends

Margin growth slowed between 2-4% in 2019

Providers spend reduced dramatically in 2020 while, contrary to early expectations, demand didn't significantly decrease

As business-as-usual returned, margins begin dropping back to 2019 levels



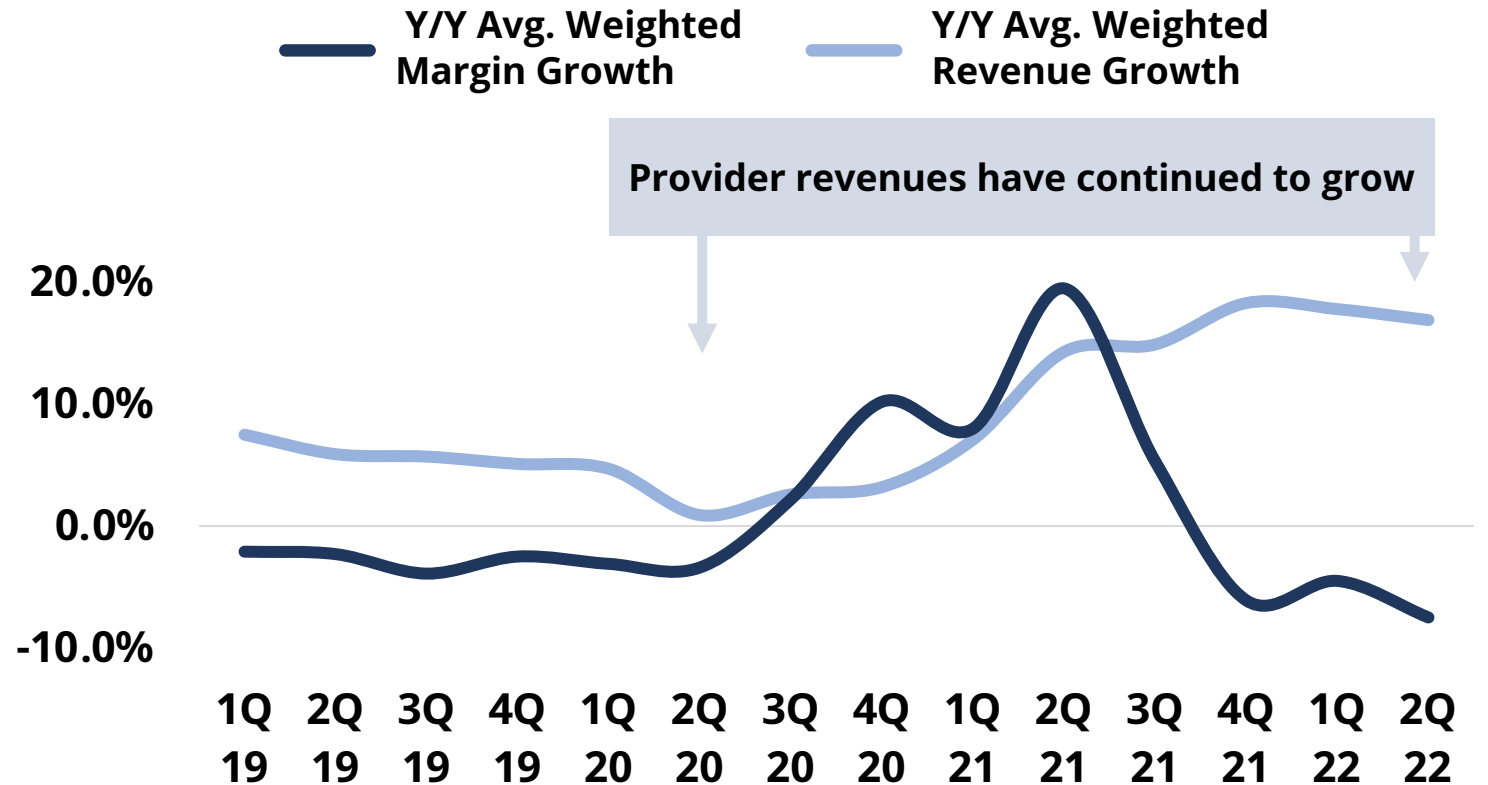
Source: ISG, 2022; Basket of 25 ITO and BPO providers

Revenue Growth Continues

Revenue Trends

After a dip in Y/Y growth in early 2020, provider revenues have grown at rates faster than 2019 and to date have not slowed

Y/Y revenue growth in 2019 averaged 6% compared to the Y/Y growth average of 17% over the past four quarters



Source: ISG, 2022; Basket of 25 ITO and BPO providers

Delivery Margin Pressures

| Tailwinds | | Headwinds |
|--|-------------------|--|
| Attrition is stabilizing | However... | it's still at elevated levels |
| Large amounts of freshers are making their way into the delivery workforce | However... | Renewed focus on training and more intense training programs could increase cost and time to onboard |
| Remote working has wider acceptance helping companies tap into talent | However... | Talent costs are still high, key skills still cost a premium, and replacement costs are higher |



Managed Services ITO/BPO Results

Year-to-Date Trends

Second-best year ever for ITO, down 2% YTD; EMEA drives upside

ADM ACV up slightly, 3% on high sustained quarterly performance

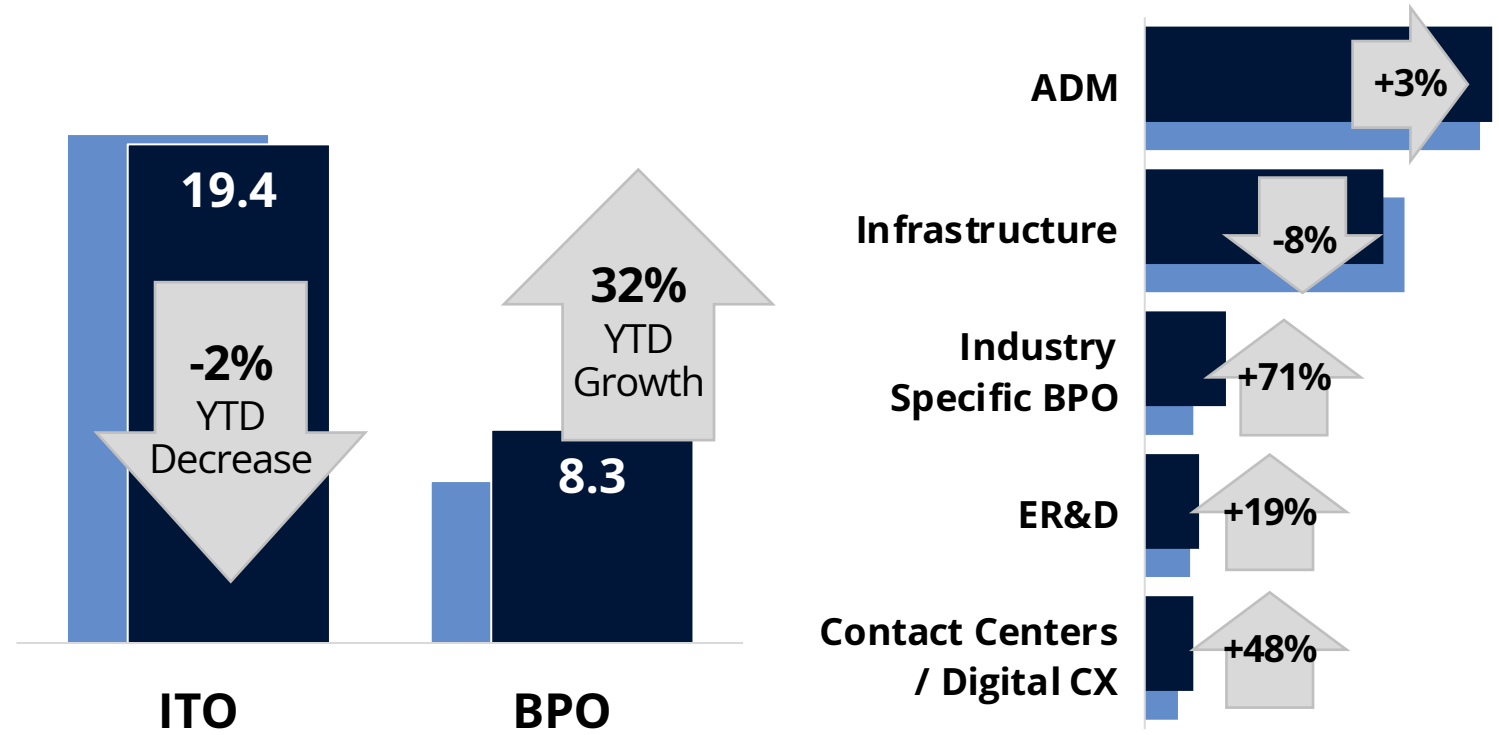
Infrastructure ACV, weighed down by weaker 2Q22, declined 8%

BPO Market having its best year ever on sizable advances in both ACV and number of awards

Industry-Specific BPO up 71% on strength in the Americas; ER&D at record pace, driven by strength in EMEA and Manufacturing

ACV \$B

2021 YTD 2022 YTD



ACV = Annual Contract Value



XaaS SaaS/IaaS Results

Year-to-Date Trends

Even with slowing global activity since April, IaaS is up 18% YTD

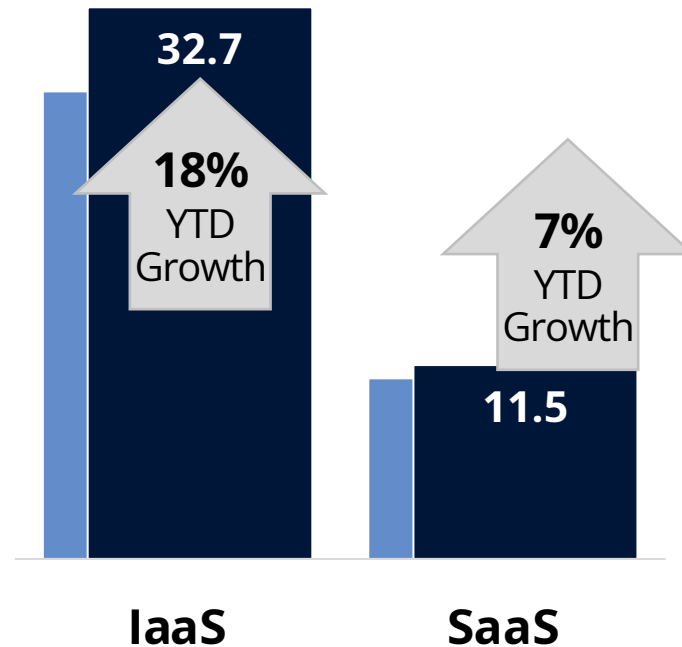
The Americas and EMEA posted excellent YTD IaaS growth of 40% and 31% respectively, but China weighs on markets with sluggish results

Big 3 hyperscalers (AWS, Azure and GCP) saw some deceleration but still support market growth, up 40% YTD

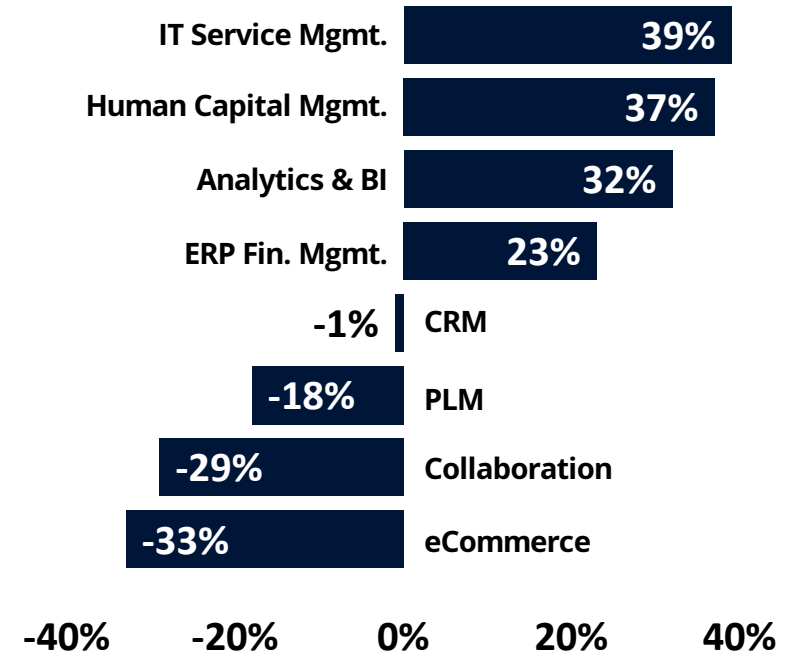
SaaS segment up 7% YTD, but the market segment fell 12% Y/Y in 3Q22 as macro headwinds create a bifurcated market

ACV \$B

■ 2021 YTD ■ 2022 YTD



YTD App Category ACV Growth



Global Service & Technology Provider Standouts

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



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.

| | 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 | Amadeus | OptumInsight | Alten* | Mphasis | ChinaSoft* | NNIT A/S |
| | Capgemini | Infosys | Amdocs* | Sabre | EXL | Rackspace | Coforge* | Persistent Systems* |
| As-a-Service Market | Cognizant | Kyndryl | Concentrix | Sitel | Globant | TELUS International | ENDAVA | Softtek |
| | Deloitte* | TCS | EPAM Systems | Tech Mahindra | LTI | Unisys | Ensono | Taiji Computer Corp.* |
| | DXC Technology | Wipro | Genpact | Teleperformance | Mindtree | WNS | KPIT Technologies* | |
| | HCL | | Global Payments | T-Systems | | | L&T Technology Services | |
| | Amazon Web Services | Microsoft | Equinix | ServiceNow | Atlassian | Snowflake | 21Vianet | MongoDB |
| | Google | Salesforce | Palo Alto Networks | | CrowdStrike | Twilio | DigitalOcean | Zscaler |
| | | | | | DocuSign | | Kingsoft Cloud | |

* New or returning to leaderboard in 3Q22

†Provider moved tiers since previous quarter

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



Americas Broader Market Results

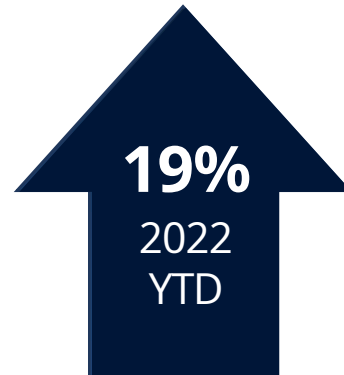
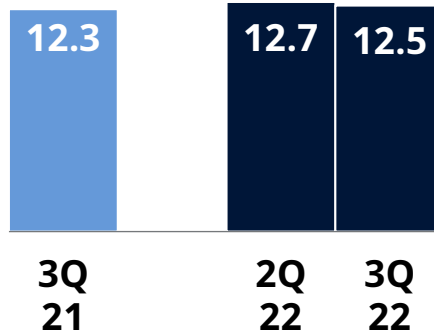
Quarterly Trends

Americas Combined Market ACV was up 1% Y/Y but has declined sequentially in three of the last four quarters

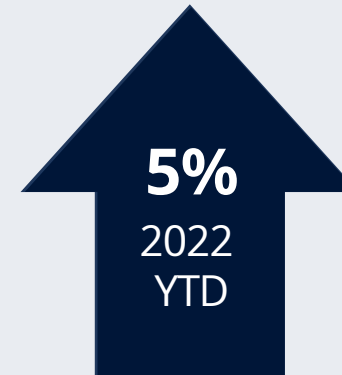
Managed Services remained above \$4.5B but was down 11% Y/Y against a difficult comp from 3Q21 (second-best quarter ever)

XaaS ACV was up 9% Y/Y but fell below \$8B for the first time this year; Y/Y growth was the best of the three regions

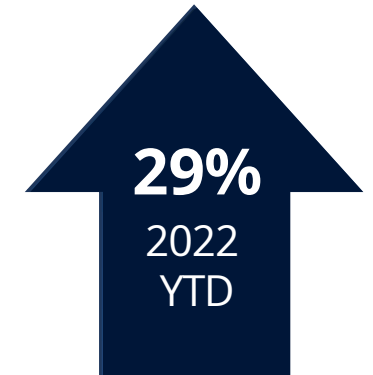
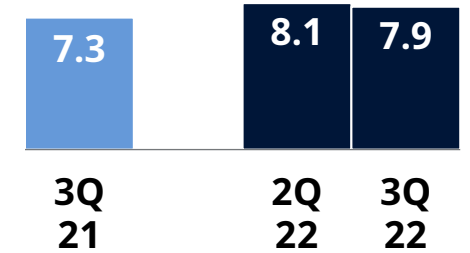
ACV \$B



Combined Market



Managed Services



As-a-Service

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EMEA Broader Market Results

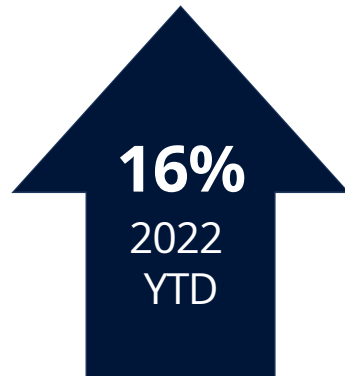
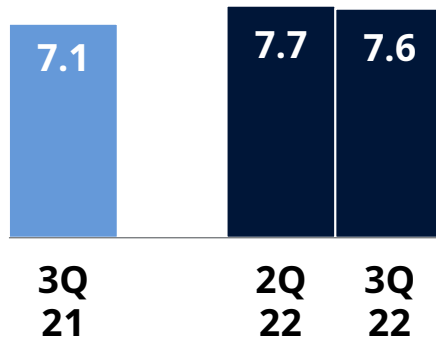
Quarterly Trends

EMEA Combined Market up 7% Y/Y and surpassed \$7B for fifth straight quarter

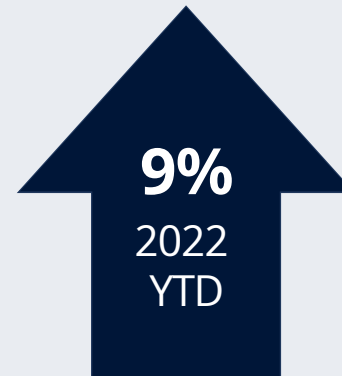
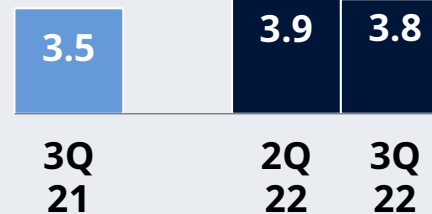
EMEA Managed Services followed a stronger 2Q and was up 9% Y/Y; most markets posted gains led by DACH and U.K.

EMEA XaaS market exceeded \$3.5B for fifth straight quarter; only region to post both growth on a Y/Y and Q/Q basis

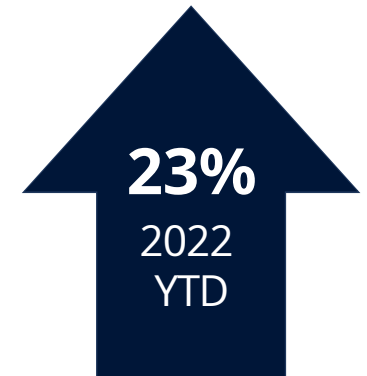
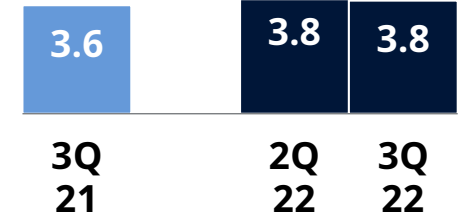
ACV \$B



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Asia Pacific Broader Market Results

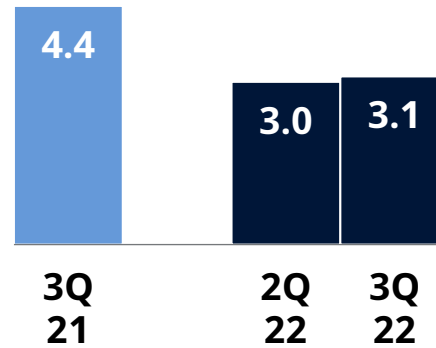
Quarterly Trends

Combined Market hovered just above \$3B for second straight quarter while falling precipitously from highs in 4Q21

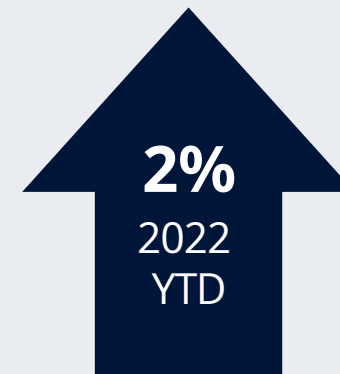
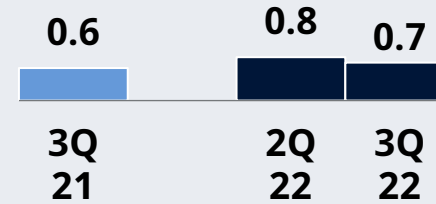
Managed Services ACV were up 17% Y/Y as India and Southeast Asia led region to the upside

XaaS ACV fell to 2020 levels, weighed down by China hyperscalers

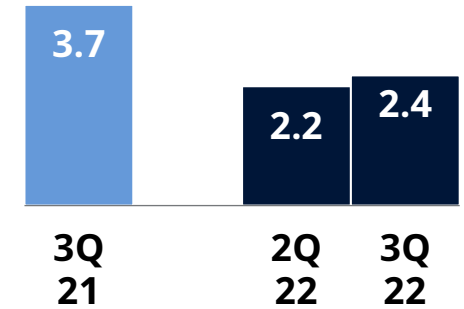
ACV \$B



Combined Market



Managed Services



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Global Technology Services Industry Award Trends

| 2022 YTD Growth | Business Services | Retail & Consumer Packaged Goods | Energy | Financial Services | Healthcare & Pharma | Manufacturing | Telecom & Media | Travel, Transport Leisure |
|------------------|-------------------|----------------------------------|--------|--------------------|---------------------|---------------|-----------------|---------------------------|
| Combined Market | 8% | -2% | 5% | 23% | 16% | 14% | 6% | 14% |
| Managed Services | 14% | -29% | -10% | 29% | -5% | 8% | 6% | 1% |
| As-a-Service | 6% | 13% | 26% | 18% | 27% | 19% | 5% | 23% |

Summary and Outlook

Summary

Managed Services

- YTD in 2022, Managed Services is up 6%
- Even though ITO grew in 3Q22, it was still down 6% YTD as Infrastructure weakness offset gains in ADM
- BPO is seeing its best year ever on strength from Industry-Specific BPO in the U.S., ER&D in EMEA and Digital CX in the BFSI and Telco segments

XaaS

- Big 3 Hyperscalers are showing signs of deceleration but still continue supporting market growth in IaaS; China hyperscalers are underweight since March, pulled lower by government regulation, COVID policy and weakening currency
- SaaS ACV is up 7% YTD even with a 3Q that fell by double-digits; SaaS is a bifurcated market with some categories advancing while others are affected by a worsening macro

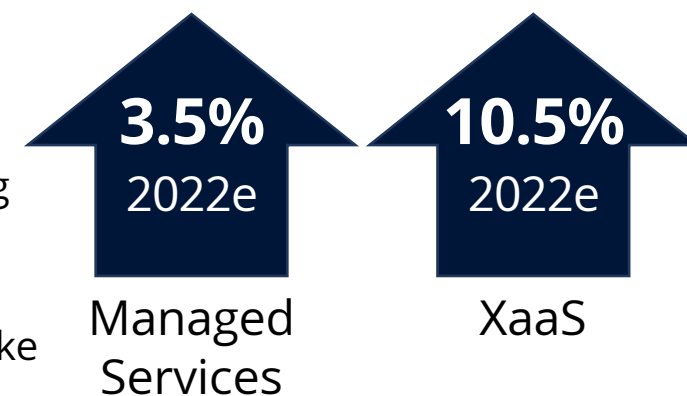
Market Outlook

Macro Risks

- Worsening macro in Europe with energy prices negatively impacting customer demand as war in Ukraine rages
- Central banks further implement quantitative tightening while increasing rates and borrowing costs
- Tech exposure to strong dollar increases potential for a profits recession

Forecast

- Enterprise buyers remain resilient; ongoing digital transformation journey
- Potential for deteriorating macro trickles down into Managed Services
- Market technicals will make for difficult comps Y/Y



Thank you!

The 80th Quarterly
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