IT & Business Services Industry Update

October 15, 2024

ISG Index™

3Q 2024

HOSTED BY

Sumeet Jain
Investment Analyst

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Market-Level Set

1. Managed Services remains resilient despite weakness in BFSI.
2. Infrastructure-as-a-Service recovery fully underway.
3. SaaS recovery slower as enterprises move to consumption-based models.
4. AI project growth remains strong, but pilots have yet to meaningfully scale.
5. 2024 forecast unchanged, while 2025 outlook is more upbeat.

Global Broader Market

Key Trends

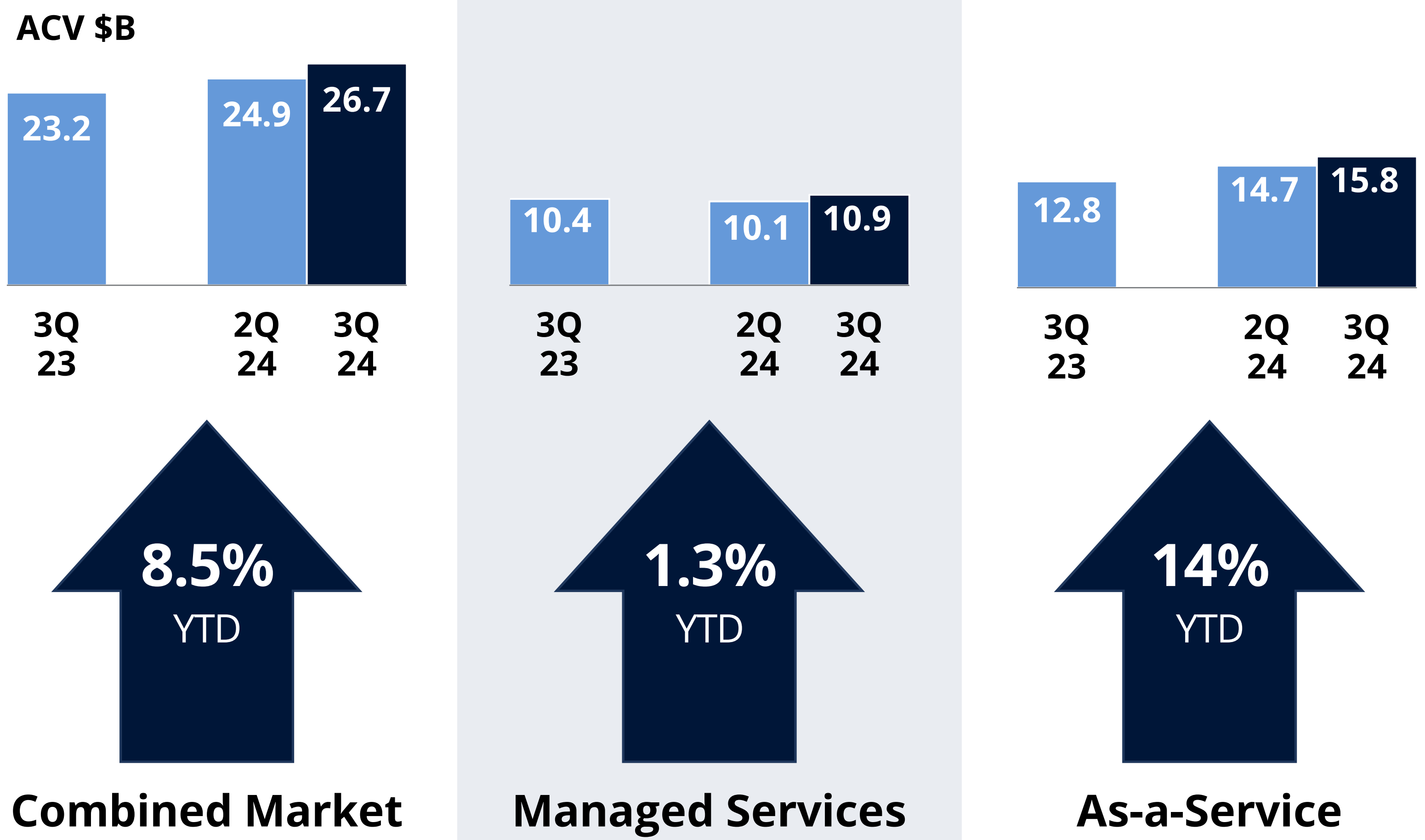
Combined Market achieves record-high levels in 3Q24

Managed Services market generates best quarter ever

Mega deal activity returns in 3Q24, and deal durations are up across the board

New Scope ACV records best quarter ever

XaaS market has best Y/Y growth since 2022 based on strength in IaaS



ACV = Annual Contract Value

Managed Services ITO Results

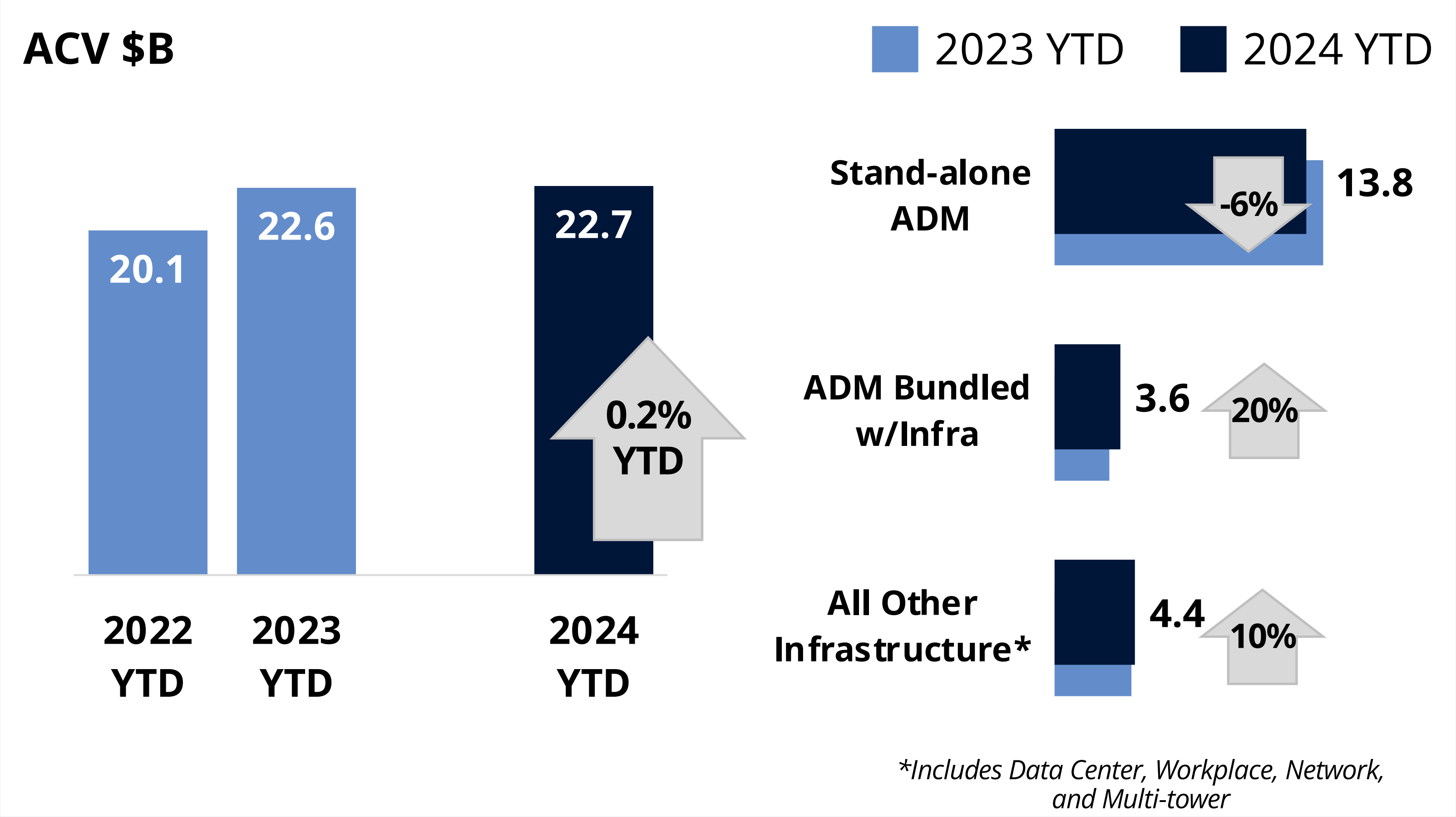
Key Trends

ITO ACV up slightly YTD

Stand-alone ADM up Y/Y but 1H weakness contributes to YTD decline

GenAI will reduce coding and testing effort, which will have significant impact on ADM market (more)

Applications bundled with infrastructure up YTD as enterprises move to product-aligned sourcing and providers shape deals (more)



ACV = Annual Contract Value

Managed Services BPO Results

Key Trends

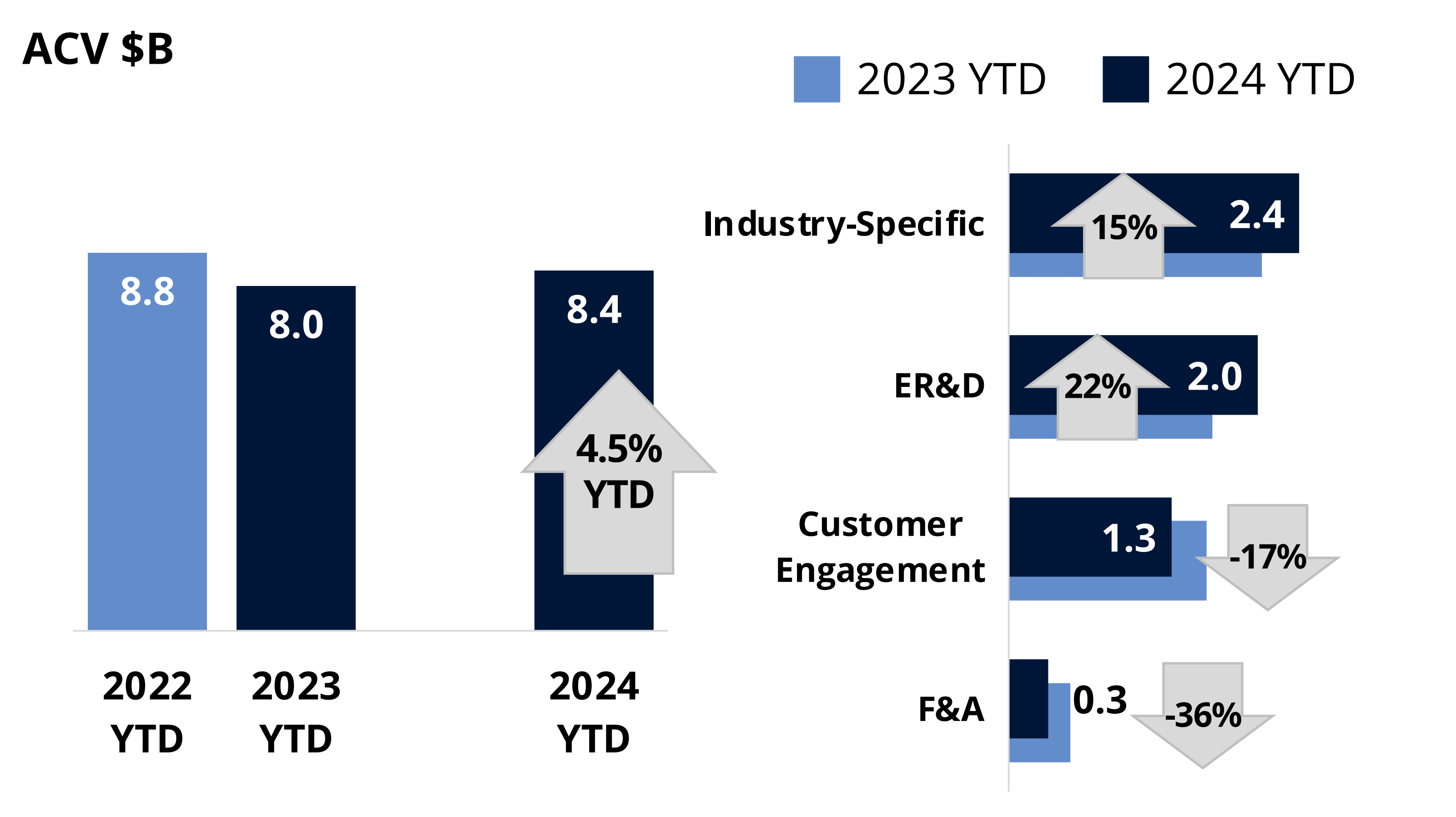
Second-best ever result for BPO at the nine-month mark

Industry Specific BPO segment up YTD but still lags record-setting pace of 2022

ER&D up YTD on strength in EMEA; best YTD ACV in history

Automation and AI impacting award sizes in Customer Engagement and F&A (more)

Expectations around AI-related cost reduction may be delaying BPO decision-making (more)



ACV = Annual Contract Value

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Managed Services Regional Results

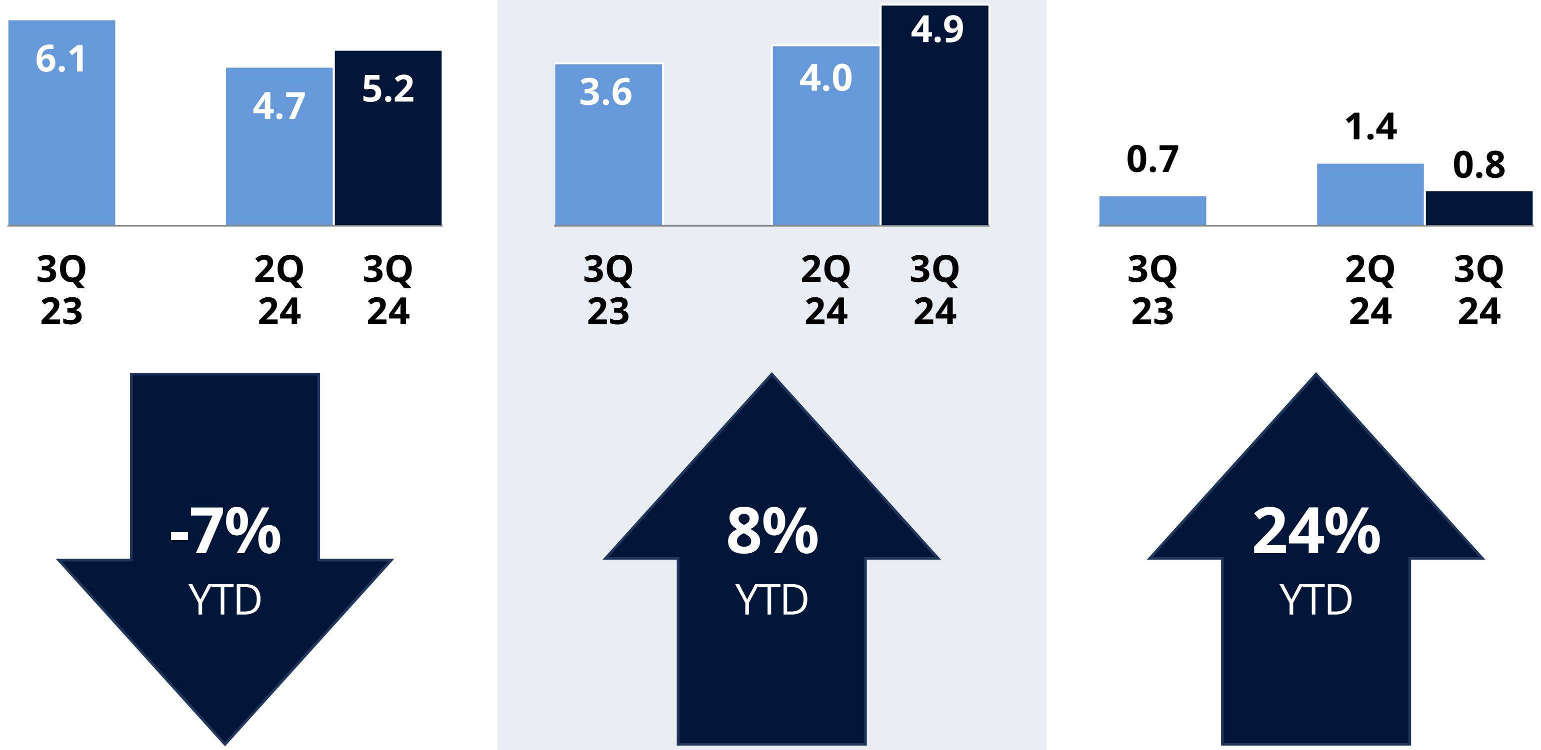
Key Trends

Americas: Americas ACV declines Y/Y versus record-setting 3Q23 on weakness in smaller, discretionary deals; demand for larger, transformational deals growing

EMEA: Mega-deal activity in DACH and UK drives best quarter ever

Asia Pacific: Asia's ACV normalizes after consecutive $1B+ quarters in first half 2024; increasing demand for ERP transformation

ACV $B



Americas | **EMEA** | **Asia Pacific**

ACV = Annual Contract Value

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Industry Verticals

YTD Trends	Business Services	Consumer Packaged Goods & Retail	Energy	Financial Services	Healthcare & Pharma	Manufacturing	Telecom & Media	Travel, Transport Leisure
Combined Market	16%	15%	8%	-1%	-5%	10%	5%	32%
Managed Services	-2%	13%	7%	-11%	-24%	11%	-8%	50%+
As-a-Service	25%	16%	11%	11%	11%	9%	21%	10%

IaaS Results

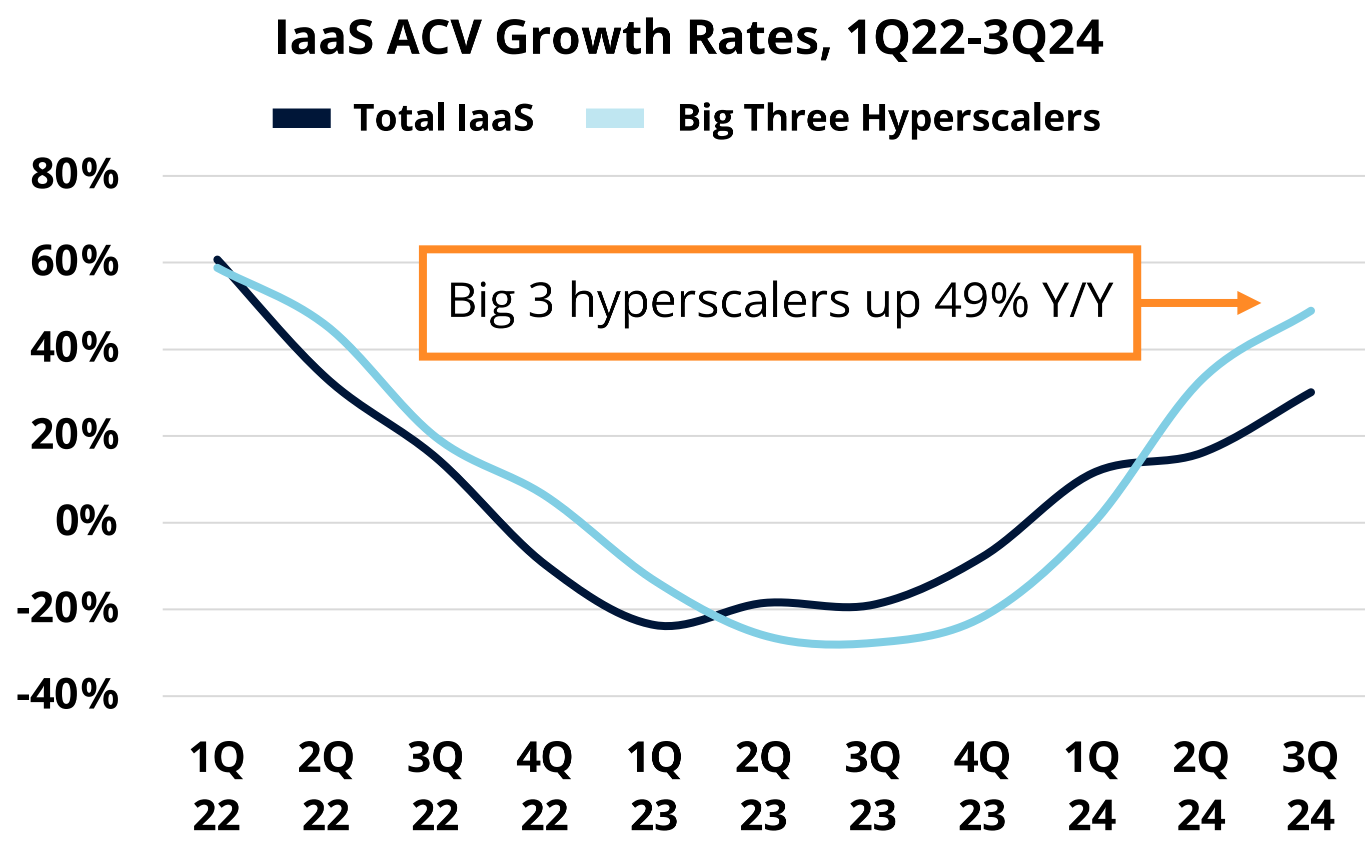
Key Trends

IaaS ACV up 30% Y/Y; best result since 1Q22

Big 3 hyperscalers (AWS, Azure and GCP) ACV up 49% Y/Y

Nearly 40% of enterprises plan on increasing IaaS consumption in next 12 months (more)

44% of enterprises plan on consolidating cloud MSPs in next 12 months (more)



SaaS Results

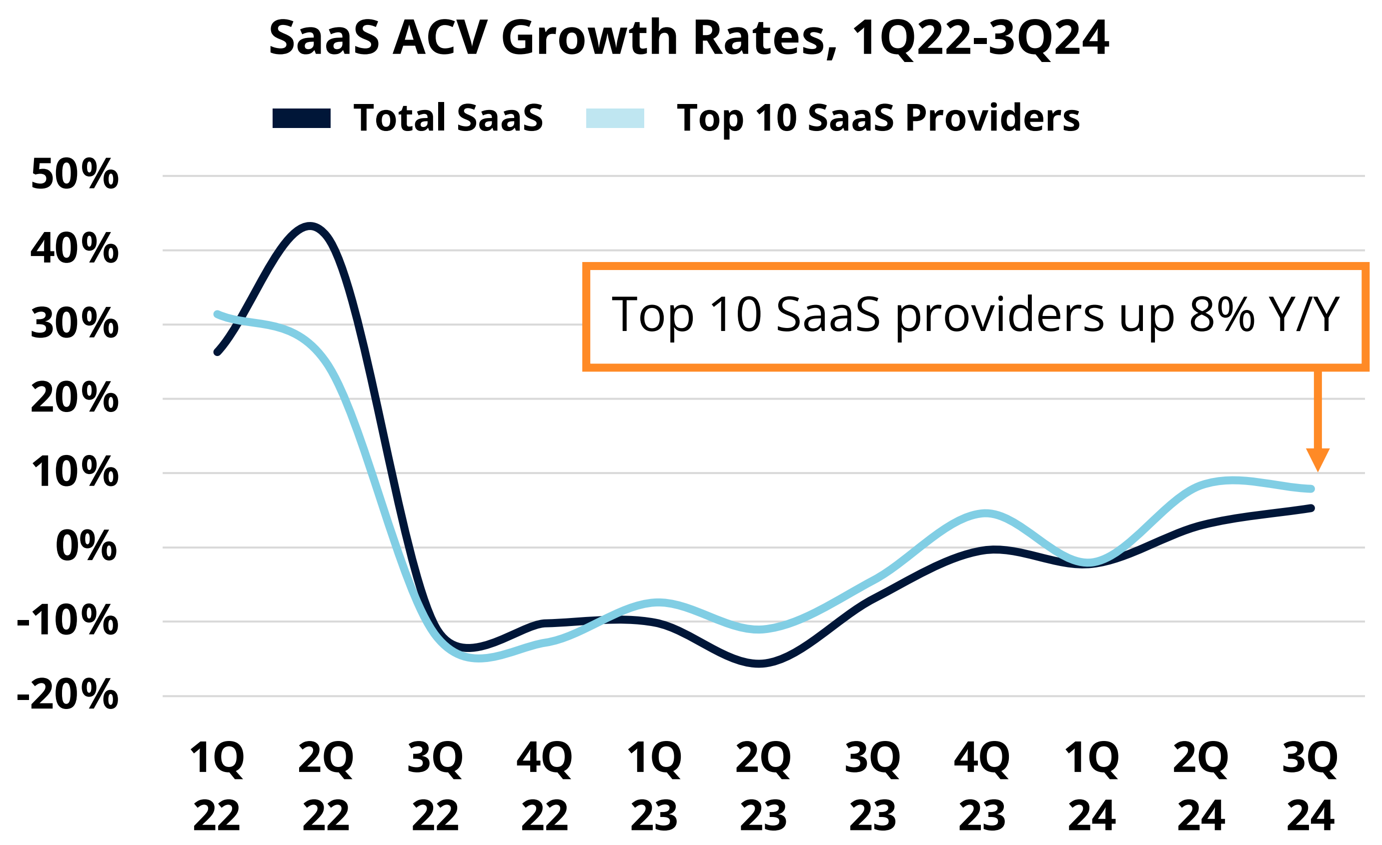
Key Trends

SaaS recovery taking longer than IaaS; ACV up 5% Y/Y

Top 10 SaaS firms benefit from consolidation, up 8% Y/Y

Shift to consumption-based models in cost-constrained environment is impacting growth

SaaS providers adding GenAI capabilities to capture share of 50% increase in GenAI spending in 2025 (more)



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Data & AI

Enterprise

1. Spending on GenAI initiatives will increase by 50% in 2025
2. However, most GenAI use cases are not yet fully in production (15%)
3. Most enterprises not "data ready" (clean, organized, compliant)

Software

1. Data Platforms are convergence of relational & object stores
2. Growing data volumes leading Data Platform providers to the cloud
3. AI demand driving Data Platform providers to add AI capabilities

Services

1. Data Platforms creating demand for new analytics & AI services
2. Data & Report Modernization Services, Data Science & AI Services
3. Early signals of a new Data Services tower in IT & Business Services

AI Market Acceleration

Key Trends

$15.2B of AI revenue on a TTM basis; up 42%

AI represents ≈5% of total revenue for service providers

Growth of AI covering revenue gap in traditional services

2025 will see shift from smaller use cases into larger transformation programs

The Super 7

Service Provider	# of AI-Related Projects (TTM)
Accenture	2,950
IBM	2,150
Cognizant	1,600
Capgemini	1,250
Teleperformance	900
CGI	815
TCS	724

The Top 5 Under 5

Service Provider	# of AI-Related Projects (TTM)
TTEC	350
Genpact	250
Globant	315
EPAM	200
TELUS Digital	197

Source: ISG analysis of 24 public company earnings & commentary; Super 7: providers with most AI revenue on a TTM basis; Top 5: providers under $5B with most AI revenue on TTM basis

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 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 Capgemini Cognizant Deloitte DXC Technology HCLTech	IBM Infosys NTT Data TCS Wipro	Bechtle Computacenter* Concentrix Foundever Genpact	JLL LTIMindtree Sopra Steria Tech Mahindra T-Systems	Cancom Coforge Digital China* EXL Globant LTTS	Mphasis Neusoft* Persistent Systems TELUS International* WNS	adesso AG Birlasoft Ensono Firstsource Solutions* KPIT Technologies Mastek	Netcompany Softtek Sonata Software Tata Technologies Zensar Technologies
As-a-Service Market	Amazon Web Services Google	Microsoft Oracle	Atlassian† Equinix Iron Mountain	Palo Alto Networks ServiceNow	Datadog Okta	Shopify Visma*	Confluent* DigitalOcean	IFS AB OVHcloud

* New or returning to leaderboard in quarter †Provider changed group

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

Summary and Outlook

Summary

Managed Services

- Managed Services has its best quarter ever
- New Scope hits record highs driven by growth in smaller discretionary deals in EMEA and Asia
- EMEA, bolstered by ER&D and the UK and Germany, posts its best quarter ever
- BFSI in both Americas and EMEA remains challenged

XaaS

- Hyperscalers seeing heightened growth cycles, with ACV averaging nearly +20% over three quarters
- AI is driving significant revenue for the Big 3 hyperscale players
- Top 10 SaaS players gaining share; enterprises consolidate budgets and reduce the number of vendors
- Shift to AI prompting changes from seat-based to consumption-based models

Market Outlook

Macro Recap

- Recent rate cuts by both the Fed and ECB have created some optimism within the IT Services sector
- US Fed Chair Powell signals further easing if the US economy shows signs of weakness
- Easing rate environment should favor BFSI sector, which controls 25% of IT Services spending

Revenue Forecast

- IT Services Forecast indicates a more positive outlook for 2025
- PC/server shipments, hyperscaler/large US banking revenues trending in positive direction

2%
2024e
Managed Services

14%
2024e
XaaS

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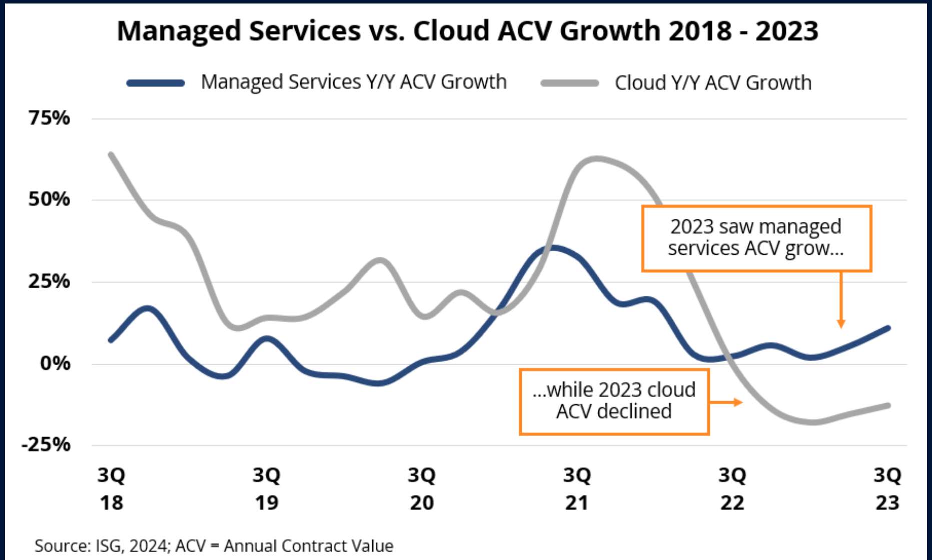

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Appendix

Americas
Broader Market Results

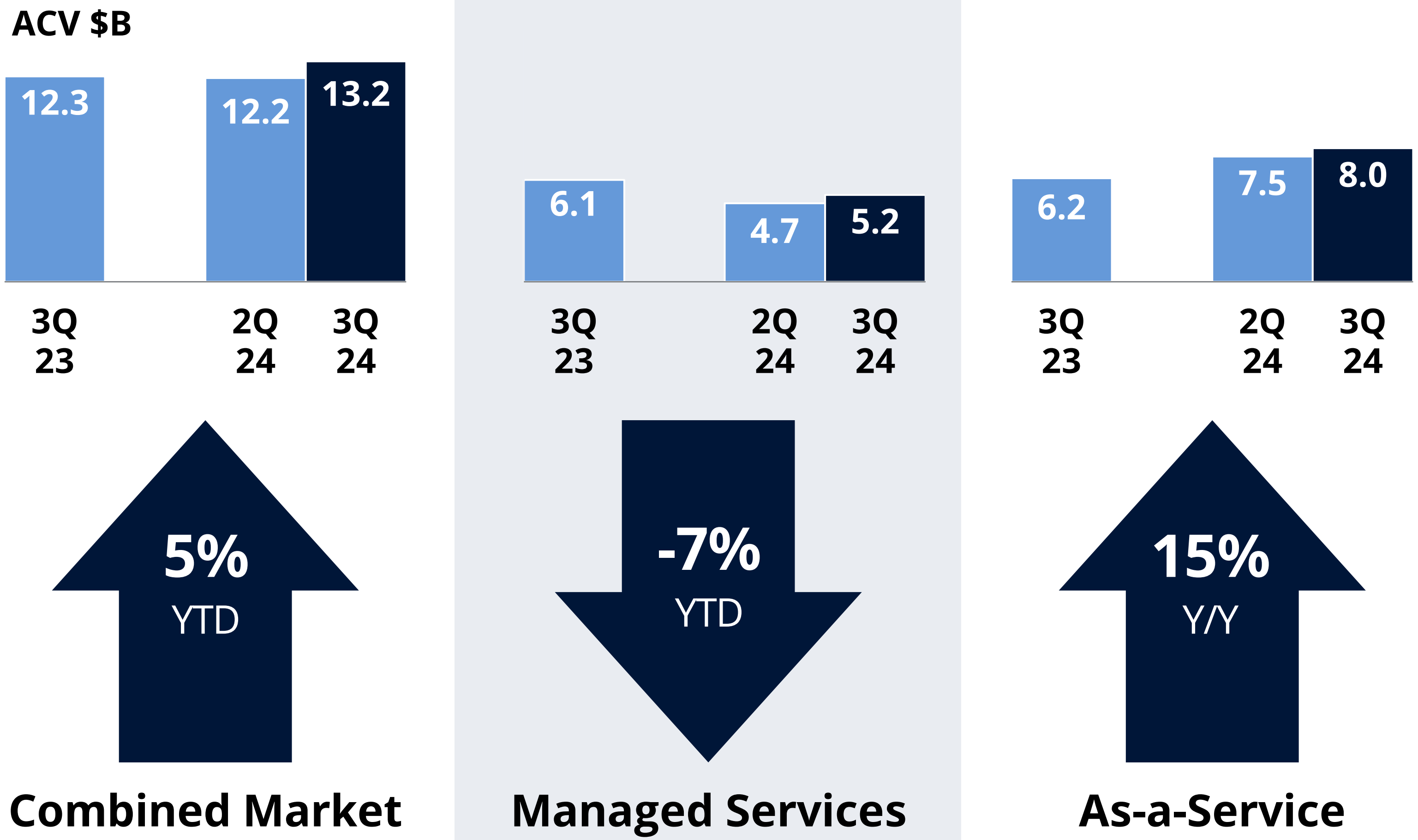
Quarterly Trends

Combined Market surpasses $13B for only the second time ever and shows Q/Q increase for three straight quarters

Managed Services declines 15% Y/Y versus the record-setting 3Q23

Smaller deal category (ACV < $20M) is the primary driver of the decline, down 22% Y/Y

XaaS ACV rises 29% and is the best Y/Y increase since 2Q22



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Service & Technology Provider Standouts – Americas

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As-a-Service Market	Amazon Web Services Google Microsoft Oracle	Atlassian† CrowdStrike† Equinix Iron Mountain Palo Alto Networks ServiceNow Snowflake† Workday*	Datadog HubSpot Jack Henry* Nice Systems* Okta Pure Storage* Shopify	Appfolio DigitalOcean E2open* Guidewire* Smartsheet* TOTVS

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EMEA
Broader Market Results

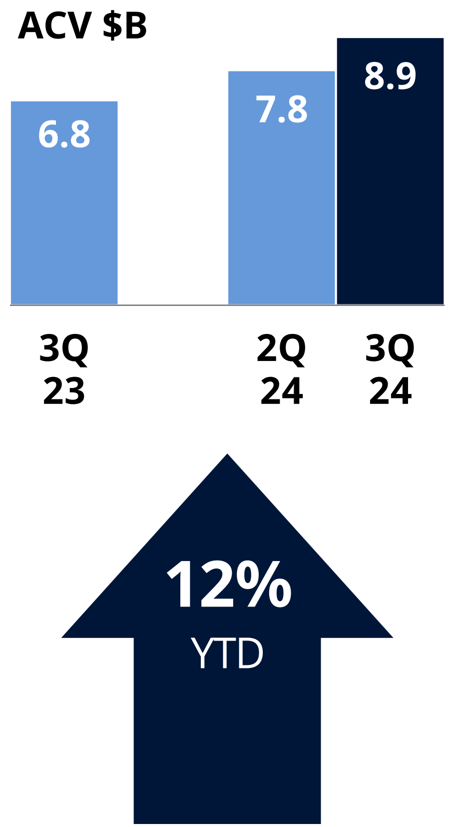
Quarterly Trends

Combined Market surpasses $8B for the first time ever

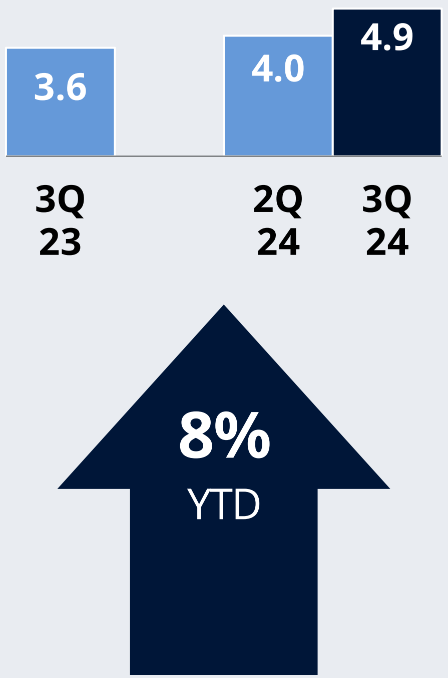
Best quarter ever for Managed Services, both in terms of ACV and the number of contracts awarded

Significant driver of this growth is the performance of mega-deals, with six awarded in the quarter — the highest since 3Q13

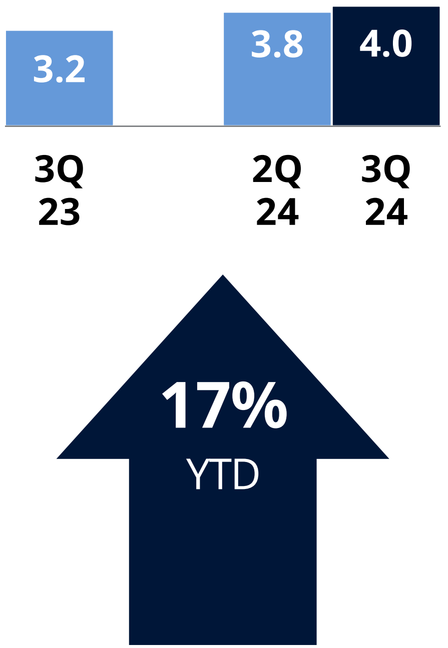
XaaS segment generates $4B in ACV for the first time ever and second-consecutive quarter where Y/Y growth exceeded double digits



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value

Service & Technology Provider Standouts – EMEA

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Asia Pacific Broader Market Results

Quarterly Trends

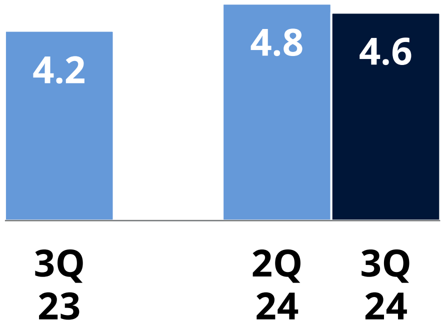
Combined Market remains above $4B for the sixth consecutive quarter

After two quarters of $1B+ Managed Services during 1H, Asia's ACV normalizes to $794M, up 17% Y/Y

Smaller deals driving market growth

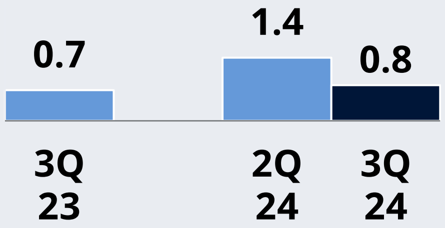
XaaS market generates $3.8B in ACV, up 8% Y/Y

ACV $B



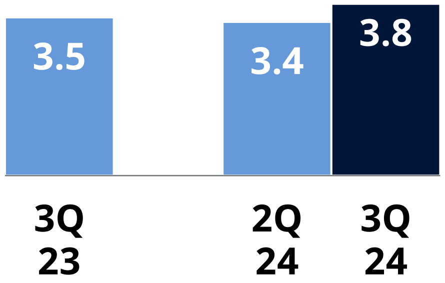
13% YTD

Combined Market



24% YTD

Managed Services



11% YTD

As-a-Service

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Service & Technology Provider Standouts – Asia Pacific

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