

# IT & Business Services Industry Update

January 16, 2025

HOSTED BY



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**TD Cowen**

**\*ISG** Index™

4Q 2024

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# Market Level Set



- 1** Managed Services annual contract value was flat in 2024.
- 2** Megadeal activity remains robust, while small-deal activity rebounds.
- 3** BFSI spending in the U.S. is recovering, while EMEA continues to lag.
- 4** Cost optimization continues to fund AI transformations.
- 5** Forecasting stronger growth in 2025, but recovery will be gradual.



# Global Broader Market

## Quarterly Trends

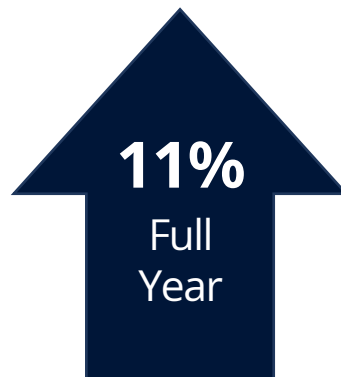
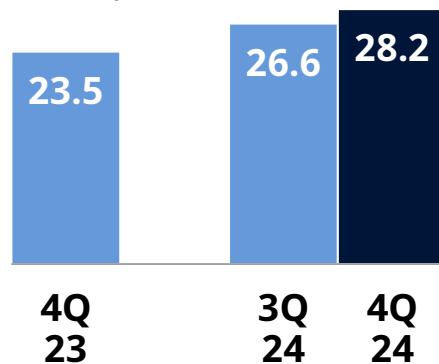
Combined Market surpassed \$28B for the first time ever in 4Q24, up 20% Y/Y

16th time in the past 18 quarters that Managed Services has been up Y/Y

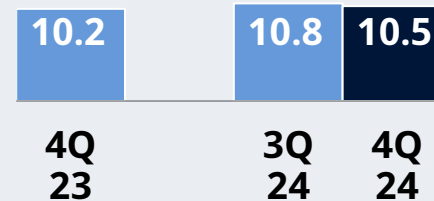
10 megadeals awarded for third straight quarter

XaaS segment accelerated; third straight quarter with double-digit Y/Y gains

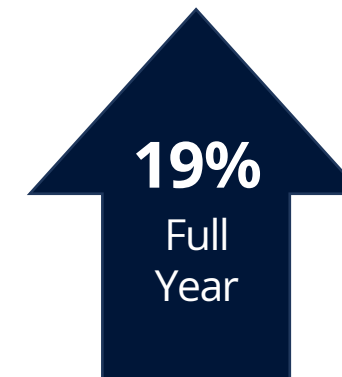
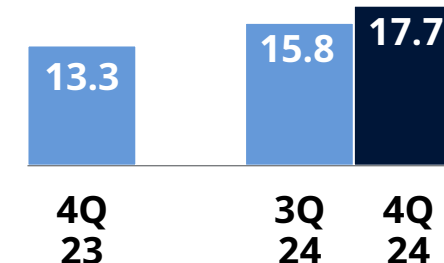
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value



# Managed Services ITO Results

## Full-Year Trends

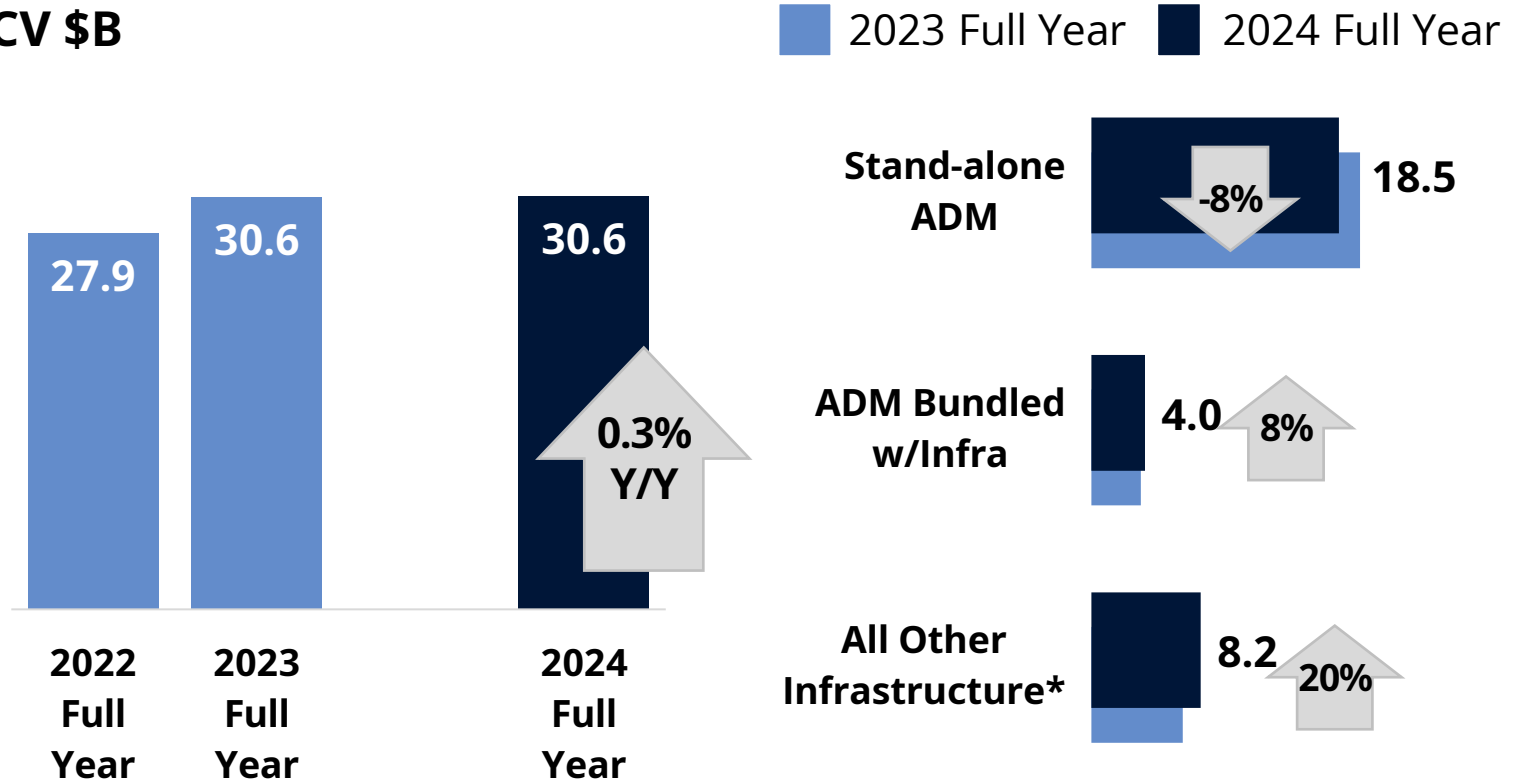
ITO ACV edged up 0.3%

ADM fell 8% versus 2023 due to tough comps and slowdown in discretionary spending; number of ADM awards was down 4%

Deals bundling applications with infrastructure rose 8% but slowed significantly in 2H24

Infrastructure awards increased 20% against an easy comp; dropped 3% versus 2022 level

## ACV \$B



\*Includes Data Center, Workplace, Network and Multi-scope



# Managed Services BPO Results

## Full-Year Trends

BPO ACV up nearly 6%

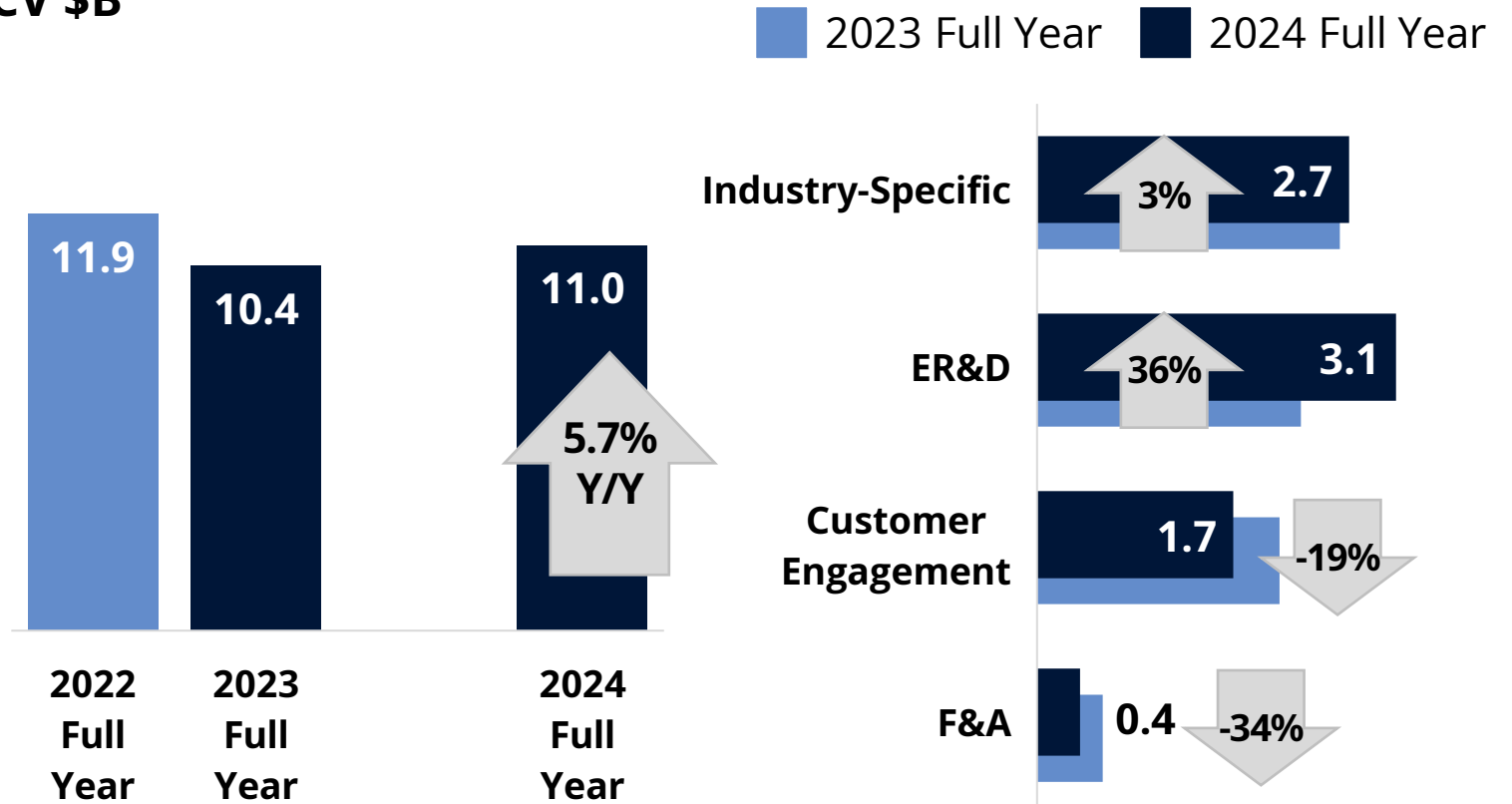
Asia surpassed \$1B in BPO ACV for the first time; EMEA also rose 4%

Industry-specific BPO segment rose 3%, with all gains provided by Asia

ER&D increased 36% on strength in larger transactions

Facilities Management provided upside while Customer Engagement, F&A and HRO decelerated

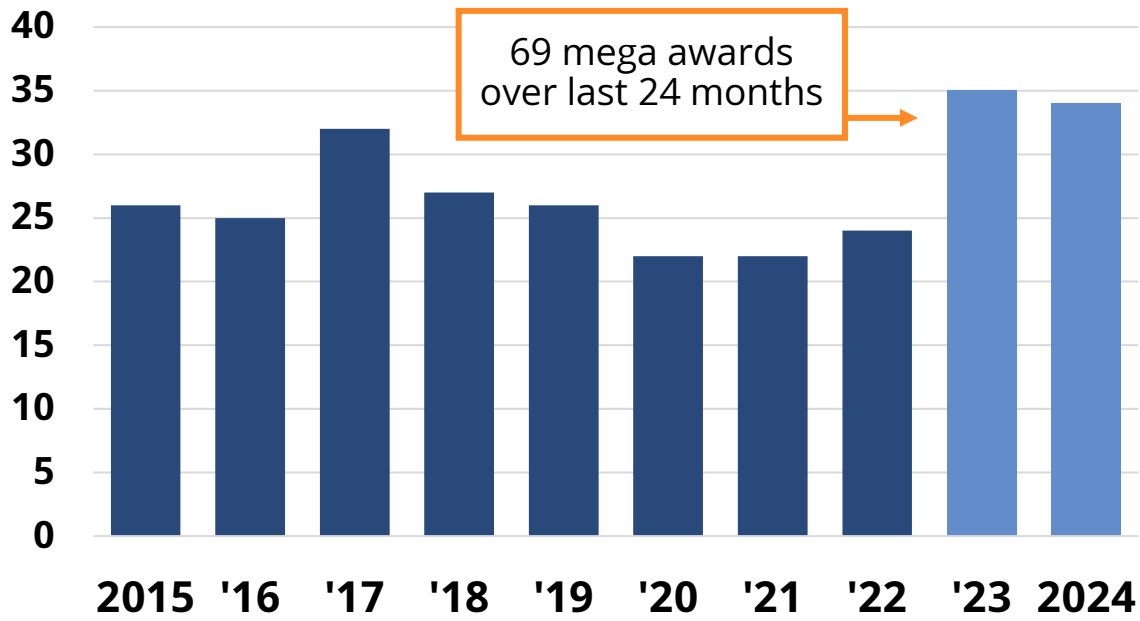
## ACV \$B



ACV = Annual Contract Value

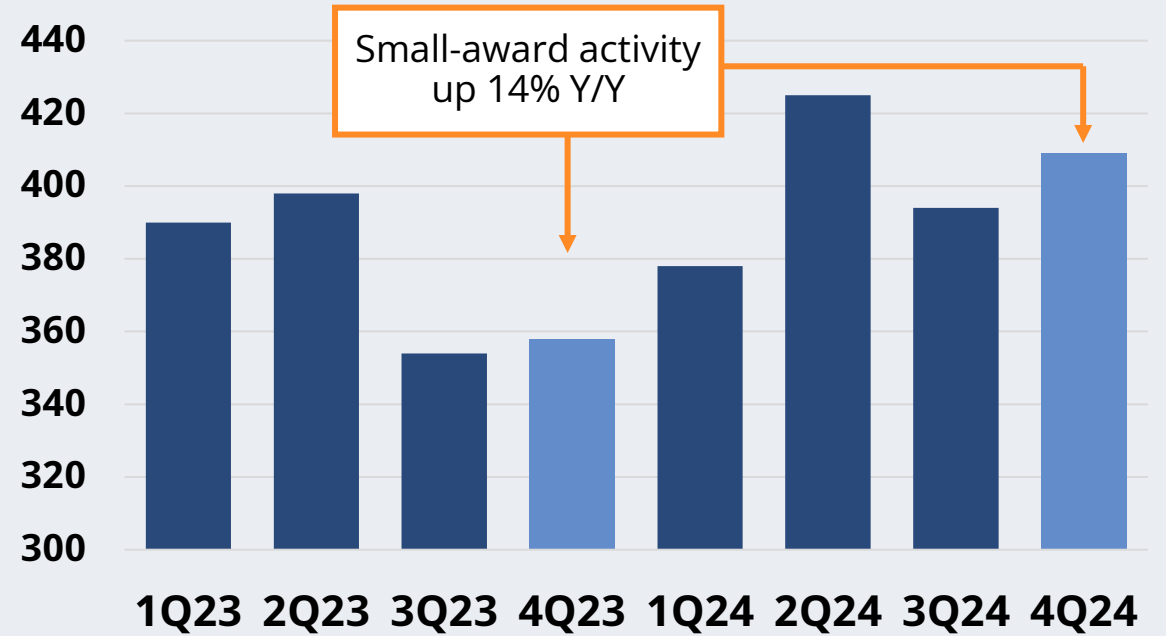
# Managed Services Deal Size Trends

## No. Mega Awards, 2015 - 2024



Mega Award = ACV > \$100M

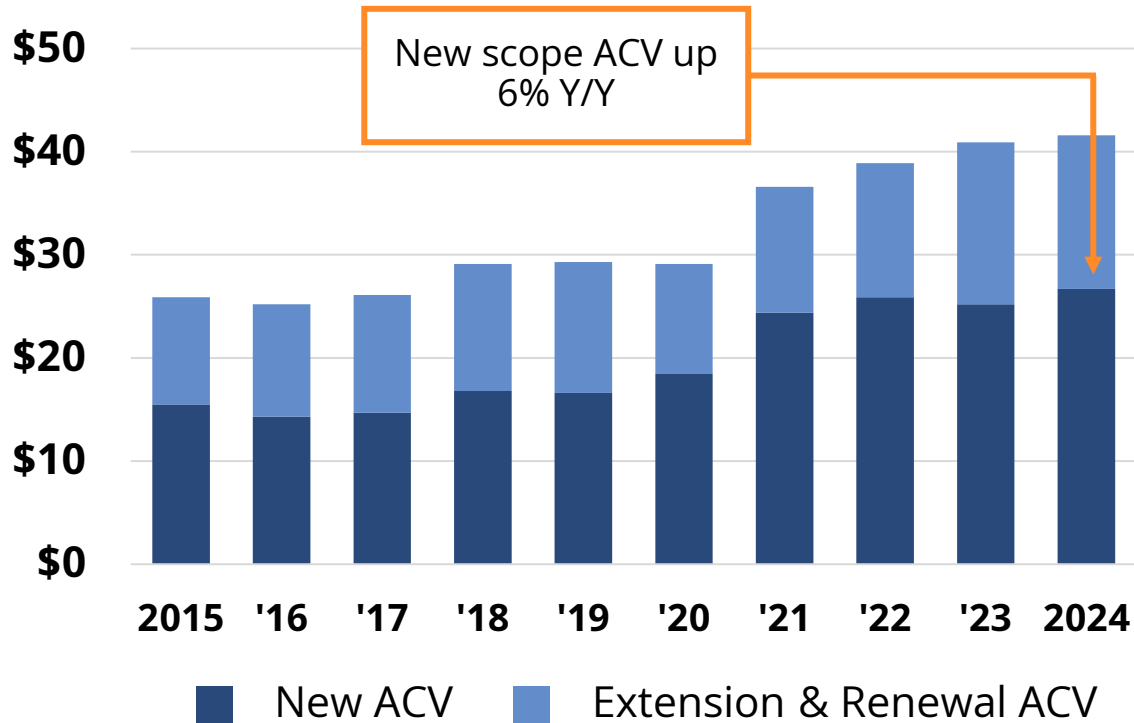
## No. Awards Between \$5M - \$9M ACV, 2023 - 2024



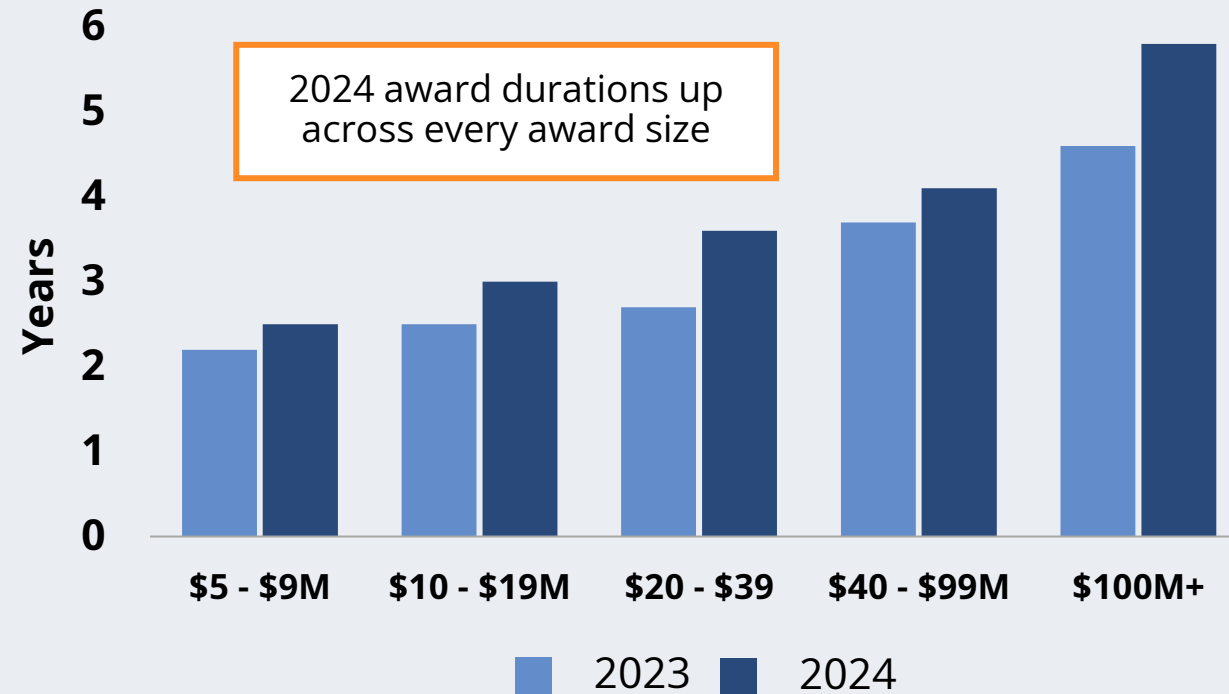
ACV = Annual Contract Value

# Managed Services Scope & Duration Trends

New vs. Extension & Renewal ACV, 2015 - 2024



Award Durations by Award Size ACV, 2023 - 2024



ACV = Annual Contract Value



# Managed Services Regional Results

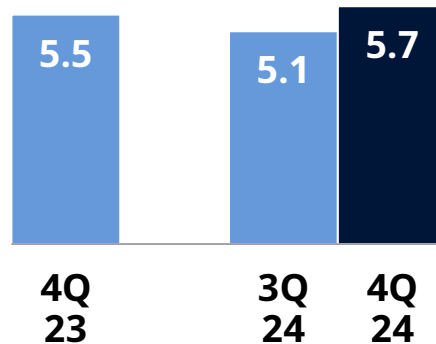
## Quarterly Trends

**Americas:** ACV rose slightly, by 3%, and had eight megadeals awarded in 4Q24, the most since 1Q06

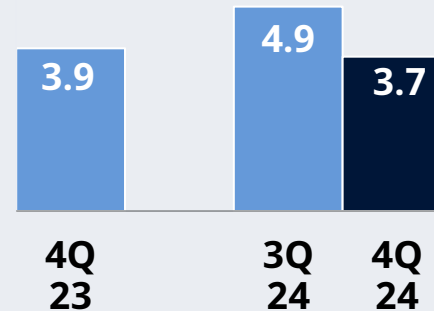
**EMEA:** ACV fell 5% Y/Y, driven by lack of large transactions and weakness in UK and France

**Asia Pacific:** ACV of \$1.1B represented third quarter in 2024 to exceed \$1B+; driven by activity in ANZ and Japan, which were up significantly Y/Y

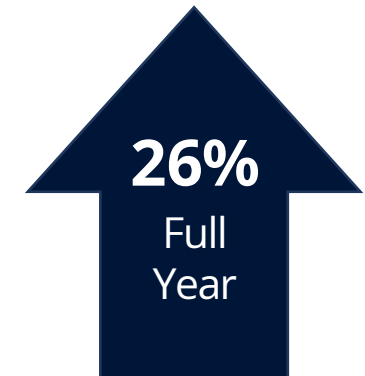
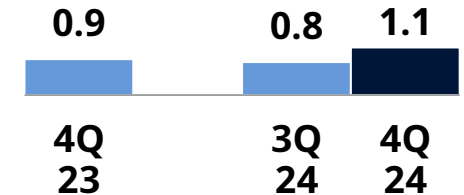
ACV \$B



**Americas**



**EMEA**



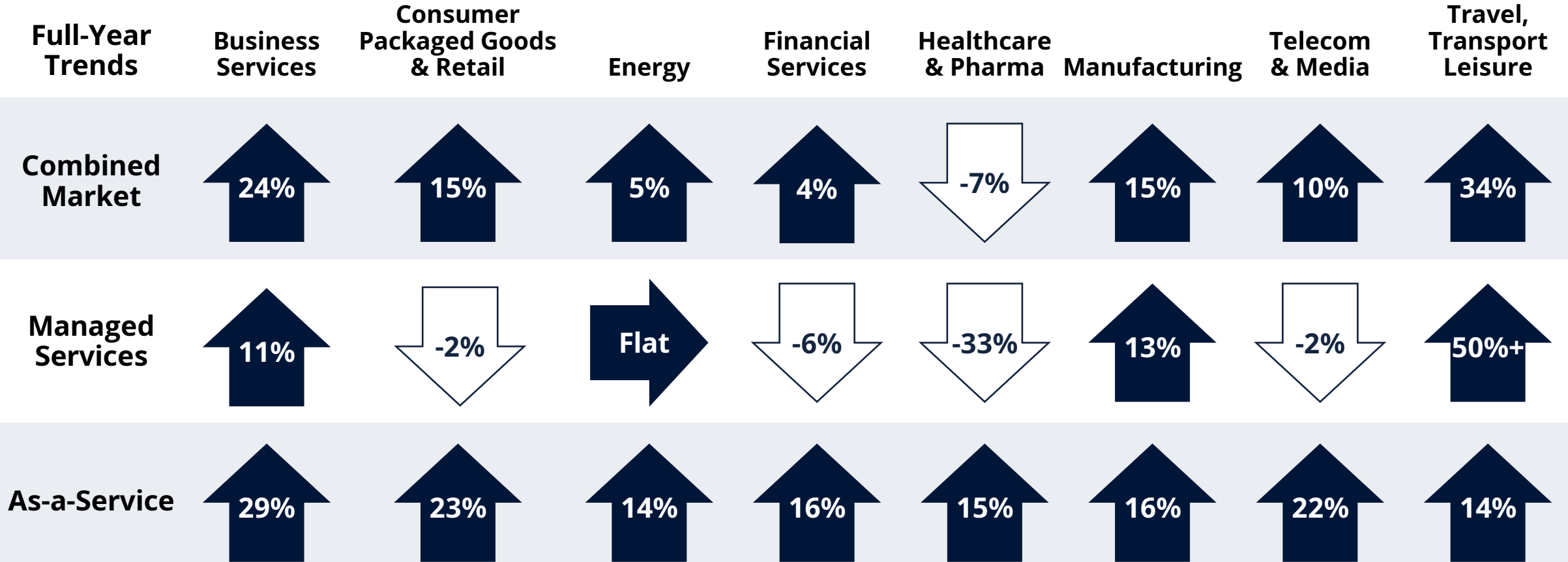
**Asia Pacific**

ACV = Annual Contract Value





# Industry Verticals





# IaaS Results

## Key Trends

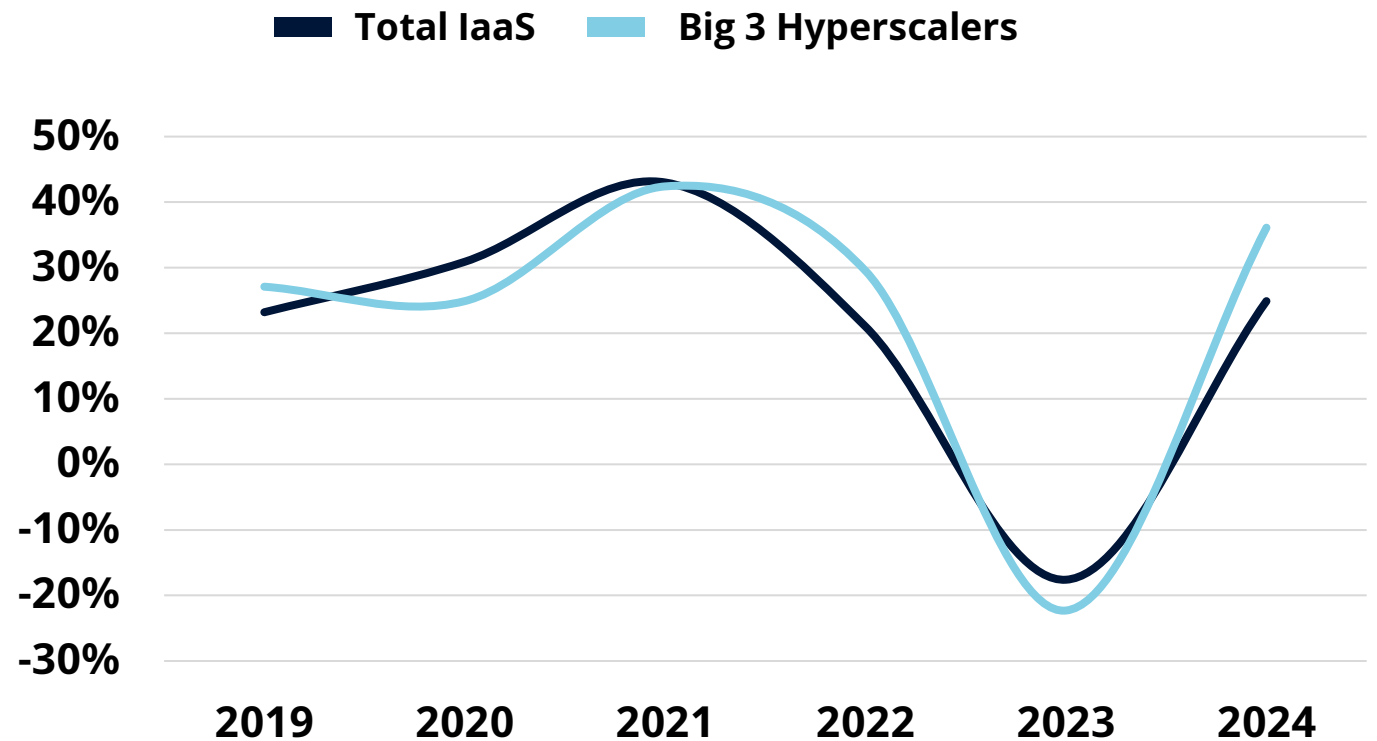
In 2024, the IaaS market generated all-time high ACV levels

IaaS rose 25% versus 2023; complete turnaround from the 18% annual decline in 2023

Growth was broad-based across all three regions with Americas and EMEA both up over 30%

Big 3 hyperscalers (AWS, Azure and GCP) outgrew the Broader Index

## IaaS ACV Growth Rates, 2019 - 2024





# SaaS Results

## Key Trends

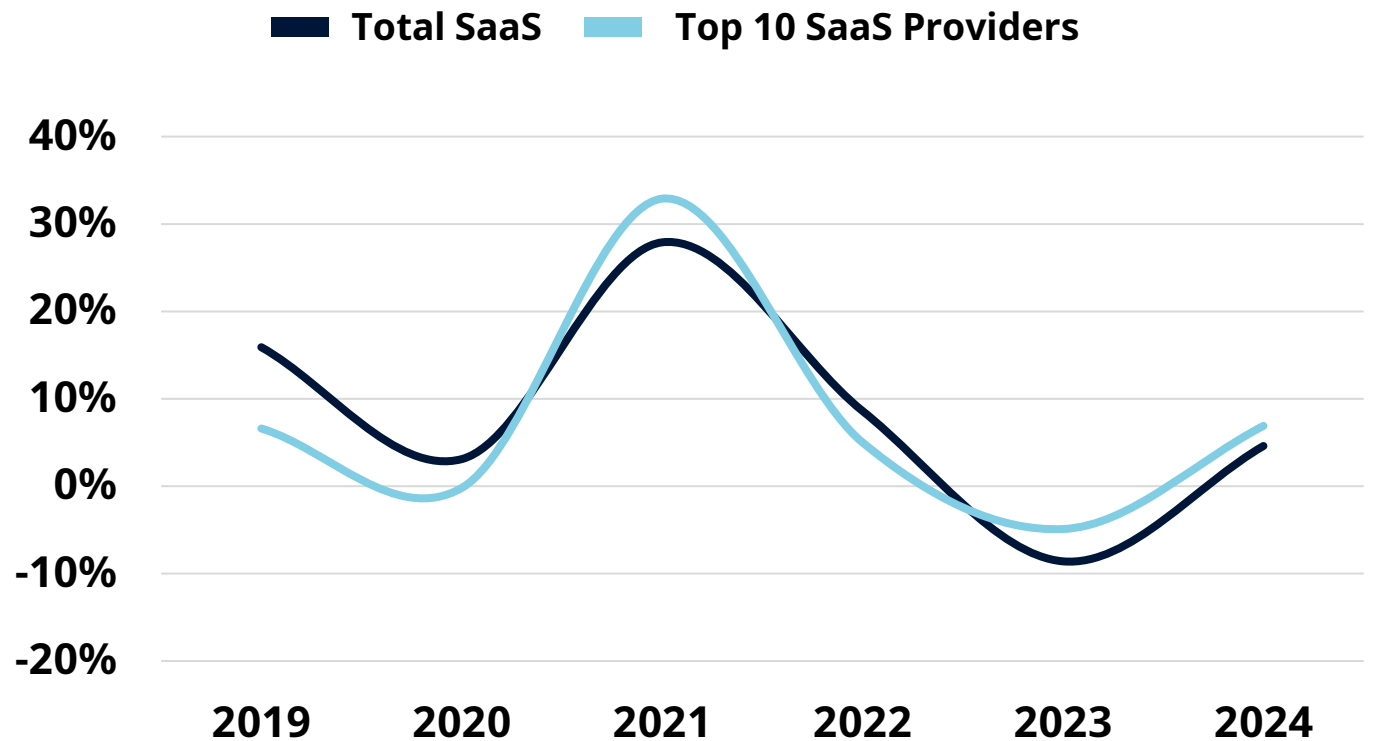
SaaS generated \$15.8B in ACV, with EMEA and Asia responsible for moderate uptick in growth

Annual growth of 4.6% represented a turnaround from 8.6% decline in 2023

Top 10 firms benefited from consolidation efforts, outpacing the Broader Index for eighth consecutive quarter

App categories such as ERP, content management and collaboration were up by double digits

## SaaS ACV Growth Rates, 1Q23-4Q24



# 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



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	Infosys	Bechtle	JLL	Cancom	Mphasis	adesso AG	Mastek
	Capgemini	Kyndryl*	Computacenter	LTIMindtree	Coforge	Neusoft	Birlasoft	Netcompany
	Deloitte	NTT Data	Concentrix	Tech Mahindra	EXL	Persistent Systems	Confluent	Softtek
	DXC Technology	TCS	Foundever	T-Systems	Globant	WNS	Ensono	Tata Technologies
	HCLTech	Wipro	Genpact		LTTTS		Firstsource Solutions	Zensar
	IBM							
As-a-Service Market	Amazon Web Services	Microsoft	Atlassian	Palo Alto Networks	Datadog	Shopify	DigitalOcean	OVH
	Google	Oracle	CrowdStrike*	ServiceNow	Hubspot*	Veeva Systems*	IFS AB	Xero*
			Equinix	Workday*	Sage*	Visma	Nemetschek*	

\* New or returning to leaderboard in quarter

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



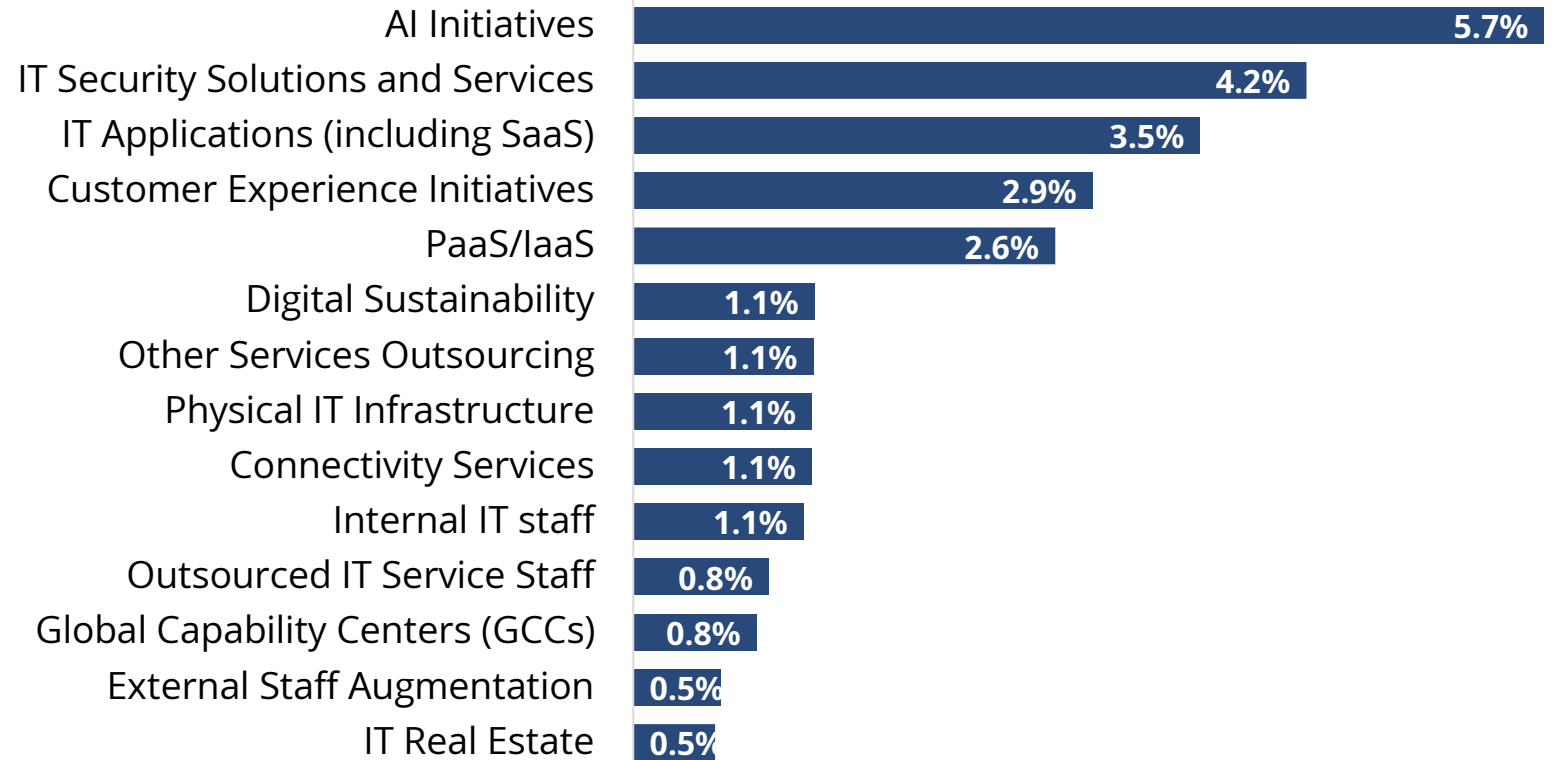
# Technology Spend Allocations

## Key Trends

Overall, budgets for 2025 are increasing 1.8% from 2024

Categories representing headcount and capacity are growing more slowly than the overall budget

AI, security and SaaS will continue their pace of growth as technology provides more leverage to the organization



Source: 2025 IT Budgets and Spending Survey. N=300; Tech Spending: IT spending, including that budgeted from outside of the IT department, including staff, hardware, software, solutions and services provided by 3rd parties.



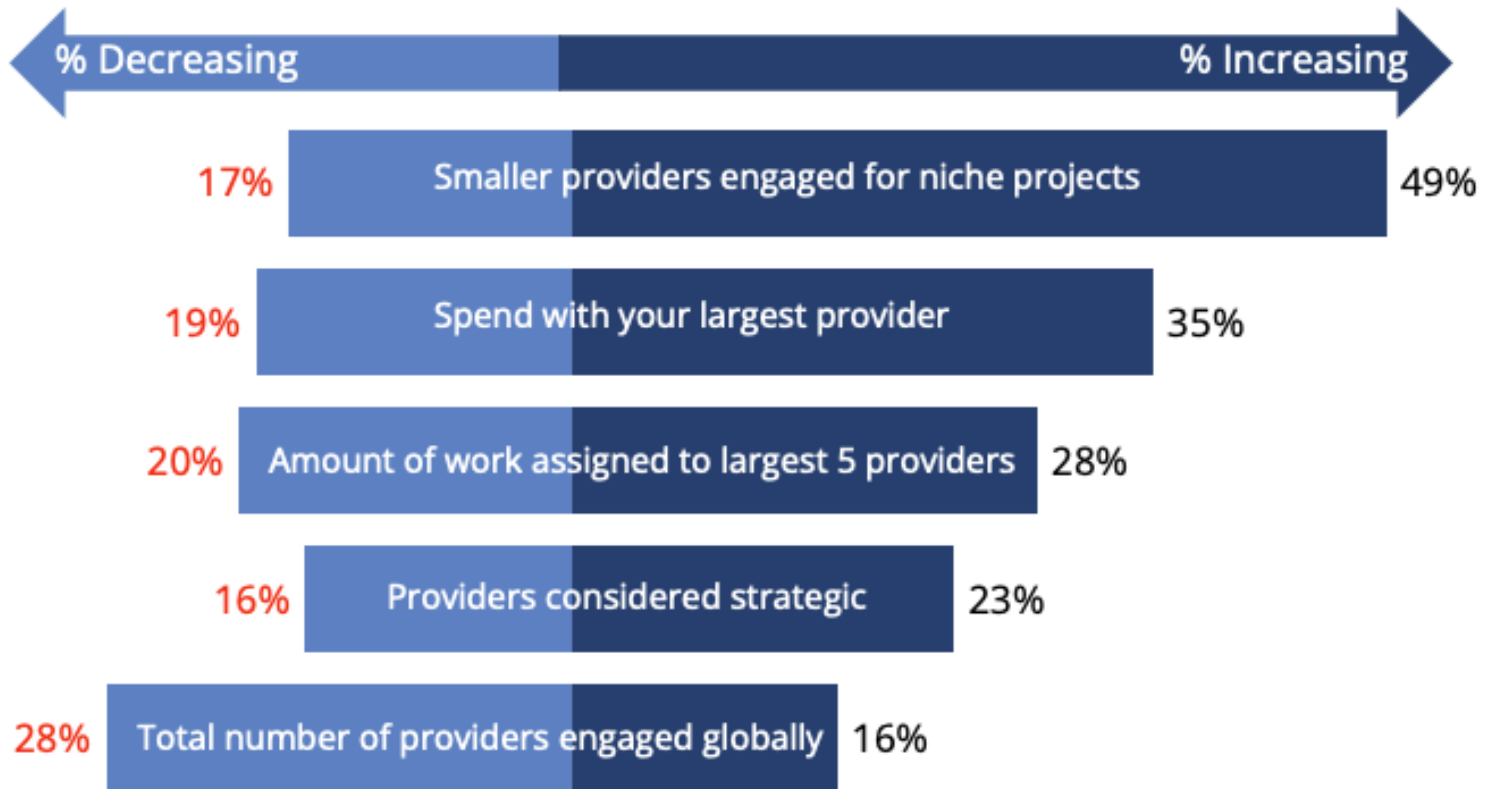
# Changes to the Services Ecosystem

## Key Trends

Each enterprise contracts with an average of 56 services providers

Around half of spend with providers is concentrated in the largest 5 providers in a given enterprise's ecosystem

Concentrating growth with the largest and smallest providers puts pressure on middle-spend providers



Source: 2025 IT Budgets and Spending Survey. N=300

# Summary and Outlook

## Summary

### Managed Services

- 2024 ACV grew much slower compared to previous two years
- Megadeals surged in final three quarters of 2024
- Asia and EMEA had best years ever, while Americas pulled back 5%
- ITO market up slightly, even with applications weighing down results; ER&D rose due to large transactions
- BFSI vertical pulled back, even with better metrics in 2H for the Americas

### XaaS

- IaaS ACV surged, driven by cloud migrations and AI
- Even with elevated CapEx, AWS and Google Cloud reported highest margins ever
- SaaS was up for 2024 but continues to grapple with AI-related transition to consumption- and output-based models

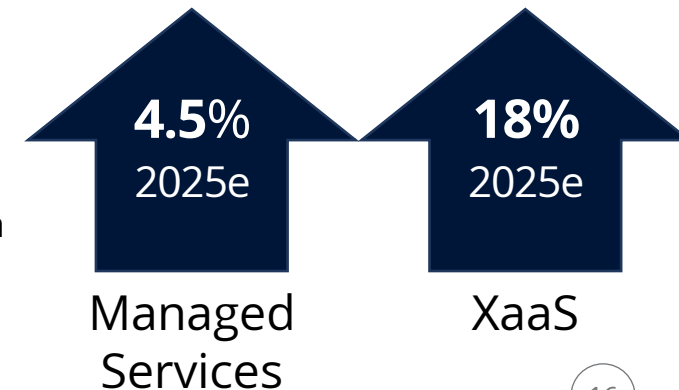
## Market Outlook

### Macro Recap

- AI theme continues to gain momentum, setting the stage for widespread adoption across the enterprise
- U.S. Federal Reserve is likely to keep rates in restrictive territory
- Threat of tariffs could also provide inflationary pressures
- Strong dollar could pose challenges for tech with its non-U.S. exposure

### Revenue Forecast

- Anticipate gradual recovery in growth for 2025
- Note early signs of improvement in BFSI
- Expect Manufacturing to remain weak, and Europe is a concern





Thank you!

The 89<sup>th</sup> Quarterly  
\* **ISG** Index™



# Index Insider Weekly Briefing



Stanton Jones



Alex Bakker



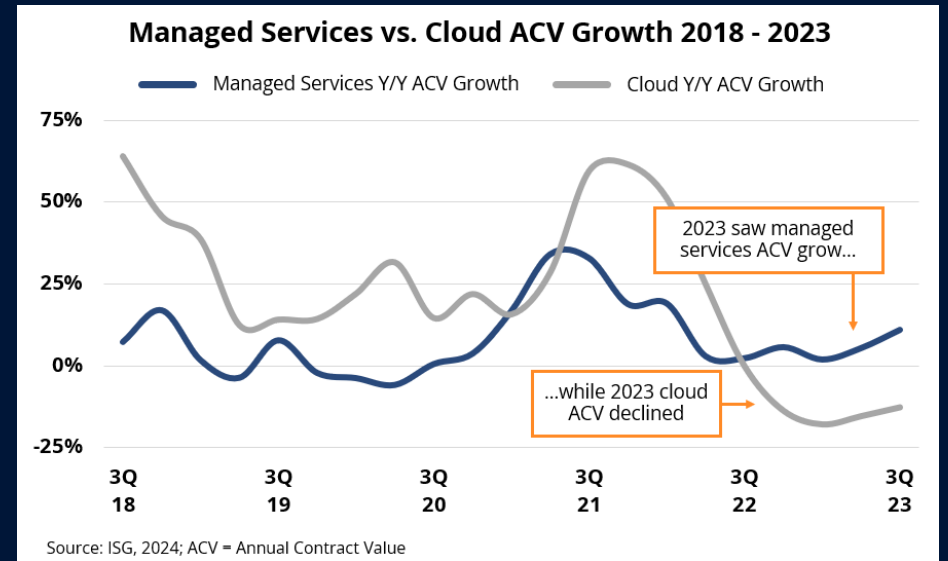
Michael Dornan



Sunder Sarangan

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# Appendix



# Americas Broader Market Results

## Quarterly Trends

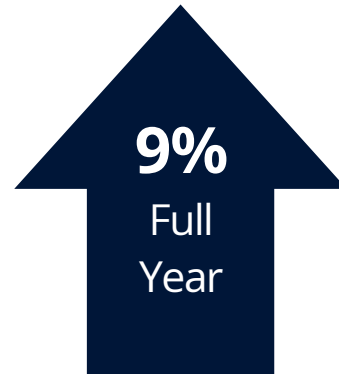
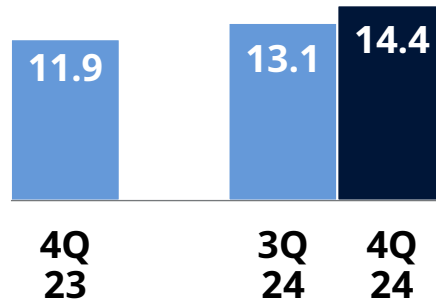
Combined Market surpassed \$14B for the second time ever

Managed Services rose slightly, by 3%

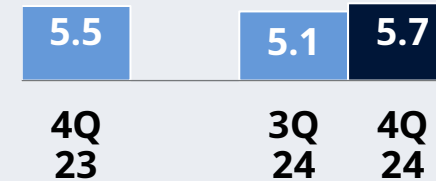
Eight megadeals awarded in 4Q24; the most since 1Q06

XaaS ACV was up 36% Y/Y; fastest Y/Y acceleration since 2Q22

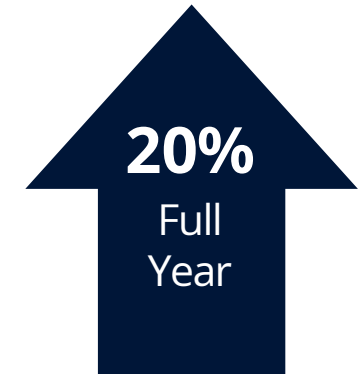
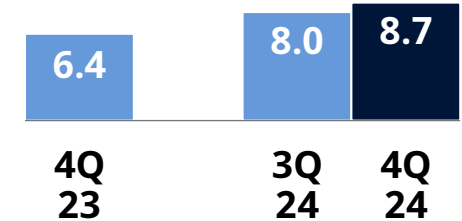
### ACV \$B



### Combined Market



### Managed Services



### As-a-Service

ACV = Annual Contract Value



# Service & Technology Provider Standouts – Americas



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	Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
Managed Services Market	Accenture	Infosys	Amdocs*	Genpact	Coforge	LTTS	Birlasoft	Mastek
	Capgemini	Kyndryl*	Concentrix	JLL	CSG Systems*	Mphasis	Confluent	Softtek
As-a-Service Market	Cognizant	NTT Data	EPAM Systems*	LTIMindtree	EXL	Persistent Systems	Ensono	Sonata Software
	Deloitte	TCS	Foundever	Tech Mahindra	Globant	TELUS Digital	Firstsource Solutions	Zensar Technologies
As-a-Service Market	DXC Technology	Wipro			HTC Global Services*	WNS	HGS	
	HCLTech							
As-a-Service Market	Amazon Web Services	Microsoft	Atlassian	ServiceNow	Datadog	Paylocity*	Appfolio	Guidewire
	Google	Oracle	CrowdStrike	Snowflake	HubSpot	Shopify	DigitalOcean	Smartsheet
			Equinix	Workday	Jack Henry		Five9*	Workiva*
			Palo Alto Networks					

\* New or returning to leaderboard in quarter

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# EMEA Broader Market Results

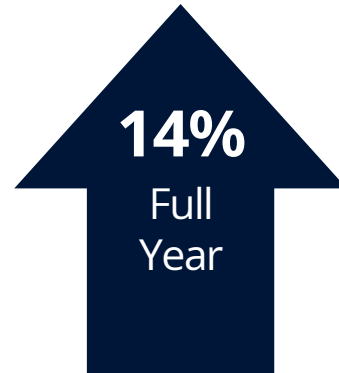
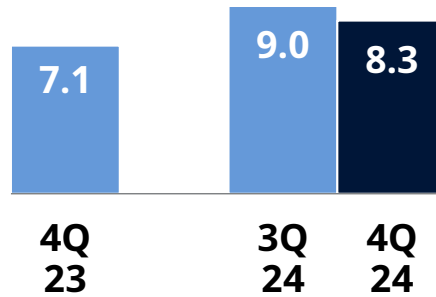
## Quarterly Trends

Combined Market rose Y/Y for fourth consecutive quarter, averaging 14% during that time frame

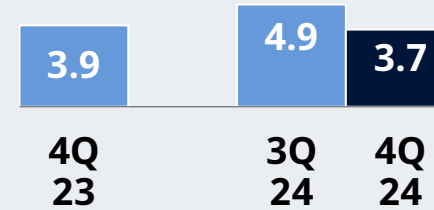
Managed Services declined 5% Y/Y, driven by lack of large transactions and weakness in UK and France

XaaS segment up Y/Y for fourth consecutive quarter; highest growth rate since 2Q22

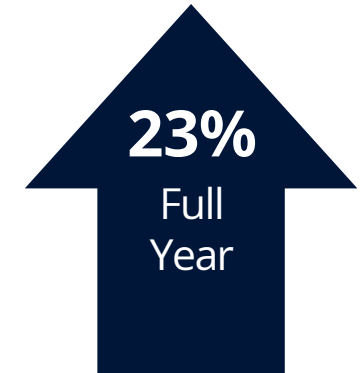
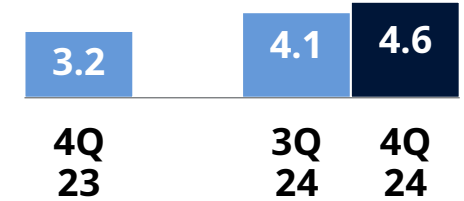
### ACV \$B



### Combined Market



### Managed Services



### As-a-Service

ACV = Annual Contract Value



# Service & Technology Provider Standouts – EMEA



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**Managed Services Market**

**As-a-Service Market**

	<b>The Big 15</b>		<b>The Building 15</b>		<b>The Breakthrough 15</b>		<b>The Booming 15</b>	
	Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
	Accenture	Infosys	Amadeus*	Indra Sistemas	Alten	LTTs	adesso AG	Mastek
	Capgemini	ISS Global*	'Bechtle	LTIMindtree*	Asseco*	Persistent Systems	Eltel	Netcompany
	DXC Technology	Kyndryl*	Capita	Sodexo*	Cancom	Reply SpA	Endava*	Tata Elxsi*
	HCLTech	TCS	Computacenter	Sopra Steria	Dustin AB	Softcat*	eWork	Tata Technologies
	IBM Consulting	Wipro	Foundever	Tech Mahindra	EXL	Sweco	GFT Technologies	Zensar
			Genpact	T-Systems	Fastweb			
			Hays					
	Amazon Web Services	Microsoft	Equinix*	ServiceNow	Nice Systems	Veeva Systems*	DigitalOcean	OVH
	Google	Oracle*			Sage	Visma	IFS AB	TechnologyOne*
		SAP					Nermetschek	

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# Asia-Pacific Broader Market Results

## Quarterly Trends

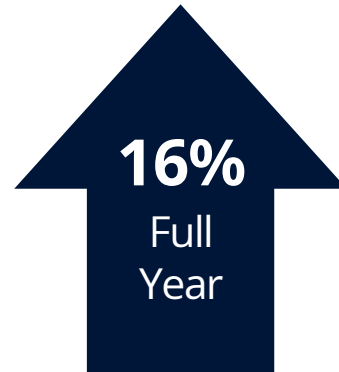
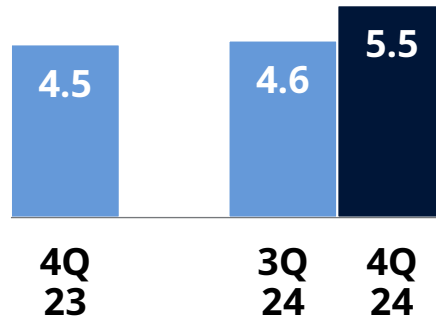
Combined Market surpassed \$5B for the second time

Managed Services ACV of \$1.1B represented the third quarter of 2024 to exceed \$1B+

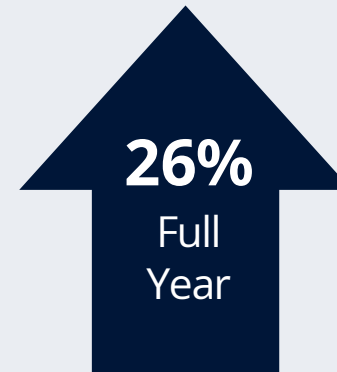
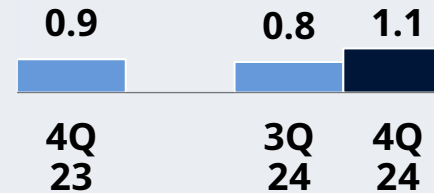
Growth driven by activity in ANZ and Japan, which were up significantly Y/Y

XaaS ACV rose 20% Y/Y on best quarter since 1Q22

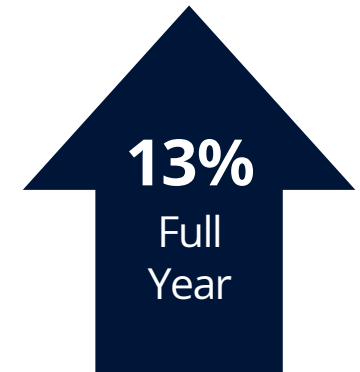
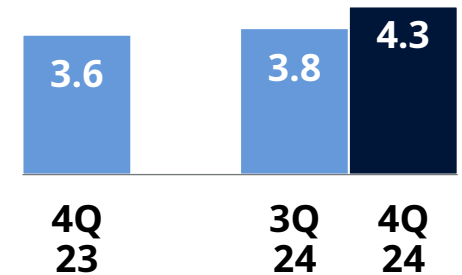
### ACV \$B



### Combined Market



### Managed Services



### As-a-Service

ACV = Annual Contract Value





# Service & Technology Provider Standouts – Asia-Pacific



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<b>Managed Services Market</b>	Accenture	IBM	Foundever	Nomura Research Institute	Bellsystems24	Neusoft	BayCurrent	KPIT Technologies
	Capgemini	Infosys	Genpact	Sumitomo SCSK	Coforge*	NS Solutions	Beyondsoft*	
	DXC Technology*	NTT Data*	ITOCHU	Tech Mahindra	Digital China	Persistent	Data#3*	Tata Elxsi
	Fujitsu	Wipro	LG CNS	transcosmos	LTTs	SK C&C	DigitalOcean	Tata Technologies
	HCL Tech*		LTIMindtree		NCS	WNS	Firstsource Solutions*	
<b>As-a-Service Market</b>	Amazon Web Services	China Unicom	Atlassian	Dassault Systèmes	CloudFlare*	Sage	21Vianet	NEXTDC
	China Mobile	Google	Autodesk	Equinix	Datadog	Zoho Corp.*	Keppel DC	Xero
	China Telecom	Microsoft	CrowdStrike*	ServiceNow	MongoDB		Kingdee	Youyou

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