Managed Services & As-a-Service Market Insights

7 July 2021

ISG Index™

2Q 2021

HOSTED BY

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HDFC Securities Ltd

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The ISG Experts

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

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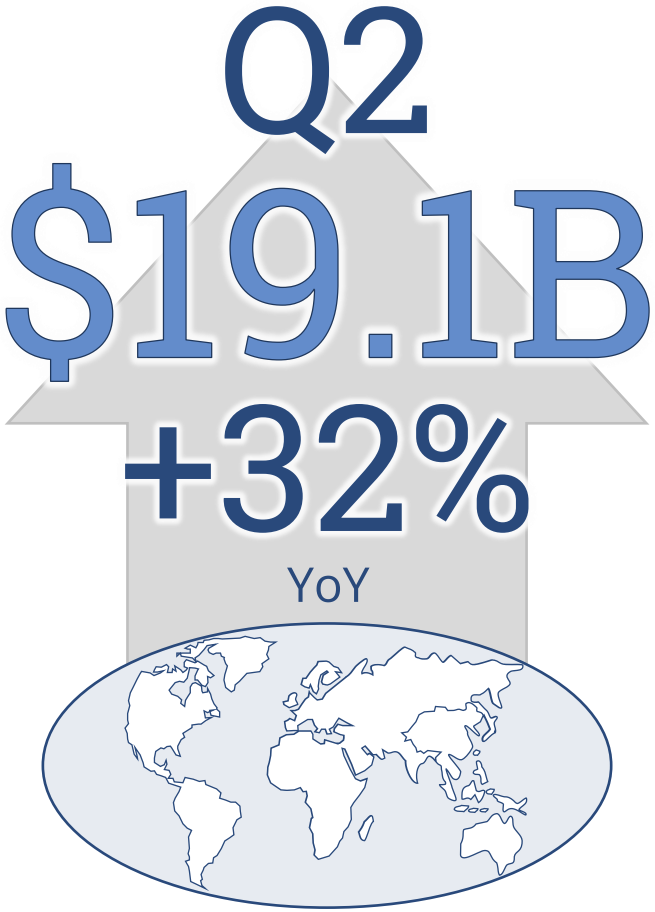
ISG's Top Findings – 2Q 2021

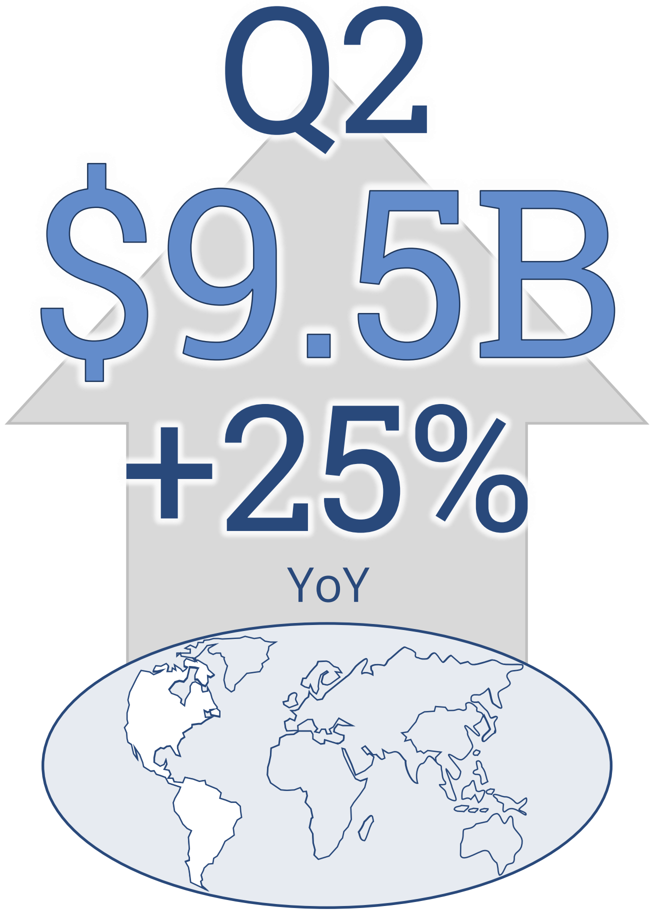


Combined Market ACV Accelerated for Third Straight Quarter

Both XaaS and Managed Services generated all-time highs; Managed Services up 24% on strength in midsized deals

ACV = Annual Contract Value

ISG's Top Findings – 2Q 2021



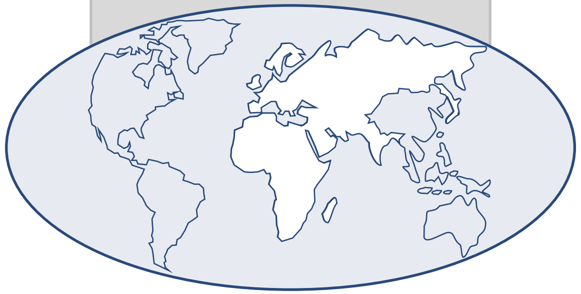
Americas Continues to Grow with Second Successive Quarter

XaaS approached $6B in ACV for the first time; without benefit of softer compare, Managed Services was up 14% Y/Y

ACV = Annual Contract Value

ISG's Top Findings – 2Q 2021

Q2
$6.3B
+31%
YoY



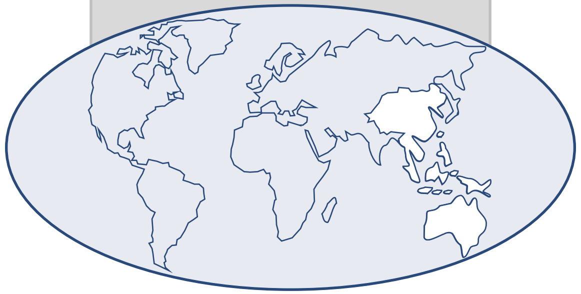
EMEA Combined Market Up 31%

In Managed Services, most geographies up significantly Y/Y, although entire region pulled back sequentially; XaaS grew at its strongest levels since 2018

ACV = Annual Contract Value

ISG's Top Findings – 2Q 2021

Q2
$3.4B
+59%
YoY



Asia Pacific Combined Market Up Significantly

Led by strength in ANZ, Managed Services had its best quarter since 2Q19; XaaS accelerated further while adding $250M in sequential ACV growth

ACV = Annual Contract Value

Global Broader Market Results

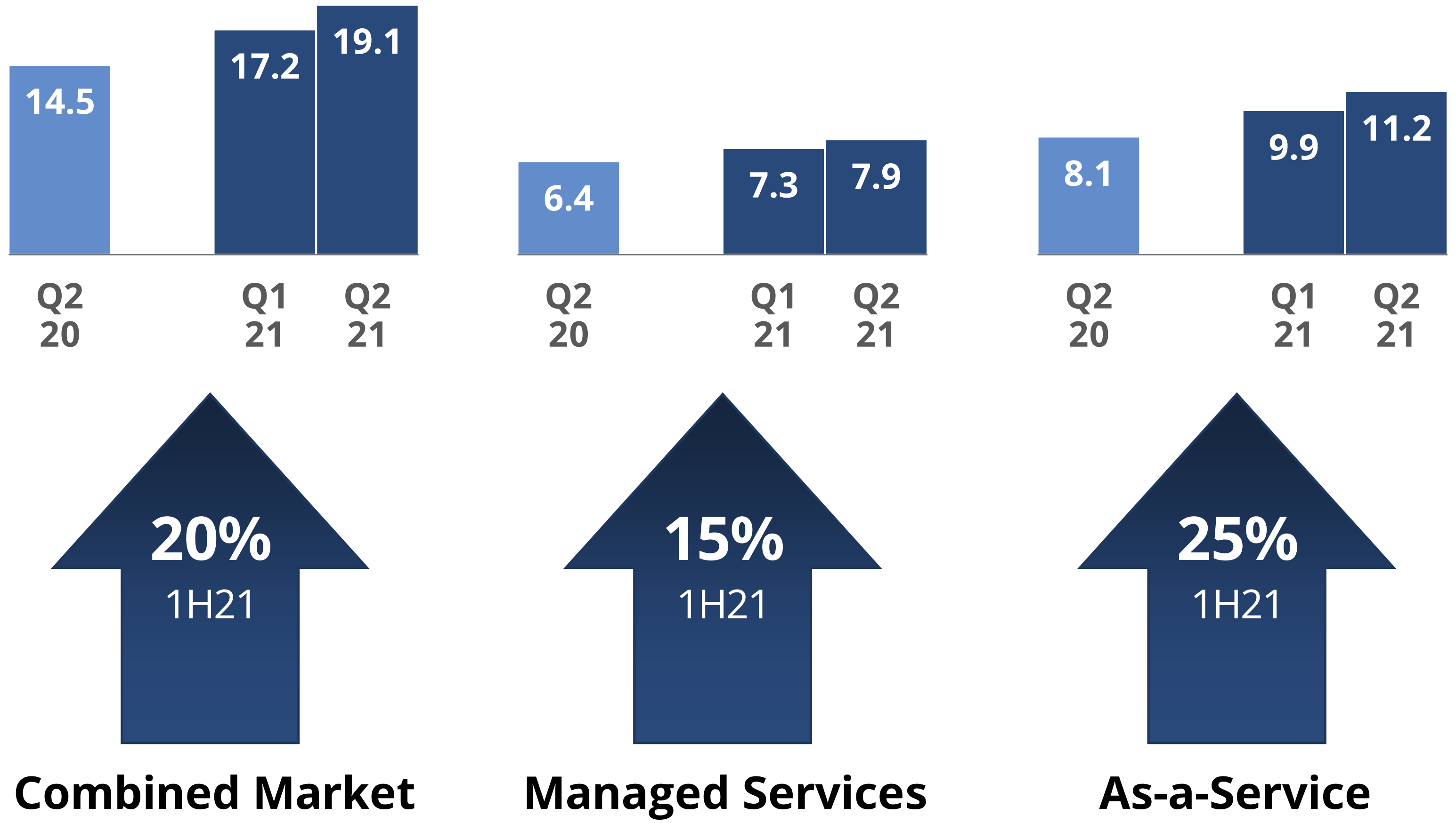
Quarterly Trends

Combined Market ACV surpassed $19B for the first time

Managed Services registered its best quarter ever, up nearly 24% Y/Y

Midsized deals dominated the market composition with 17% of awards valued with an ACV between $20M and $40M

As-a-Service ACV exceeded $11B for first time; Y/Y growth rate was the best since 4Q18



1H = First half ACV = Annual Contract Value

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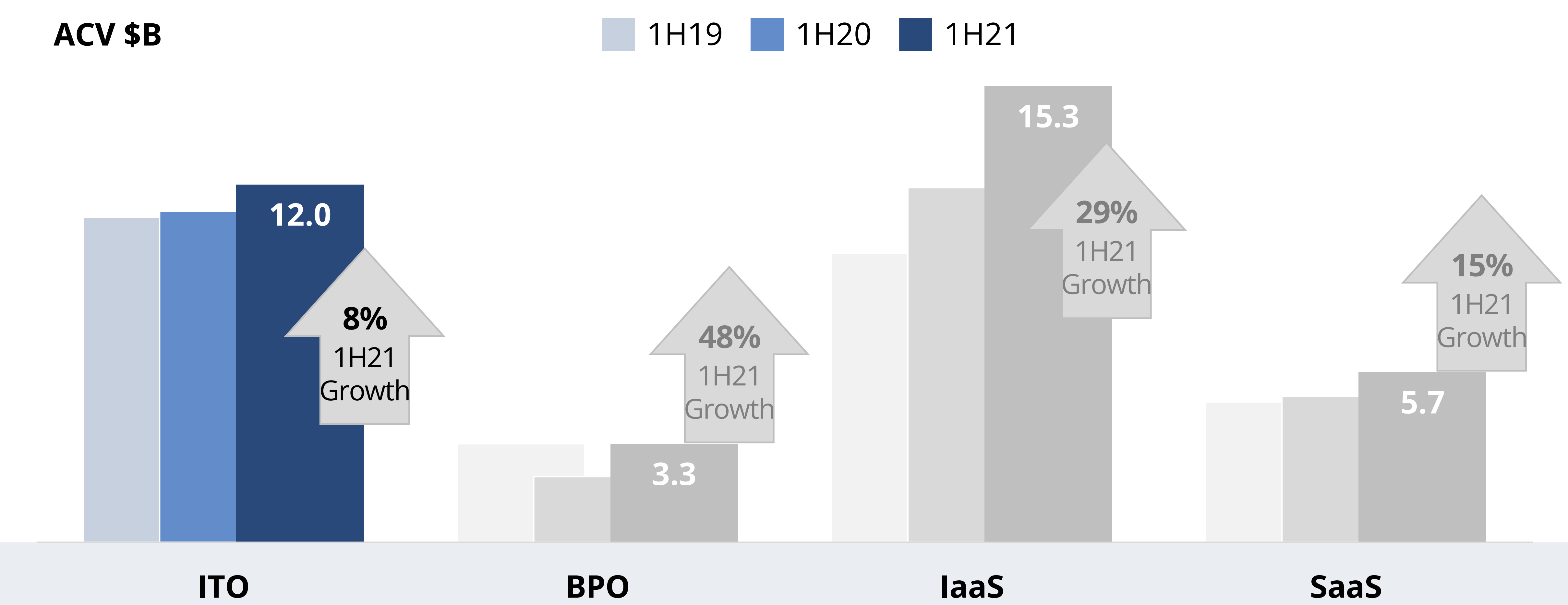
Global Results by Function



ACV = Annual Contract Value

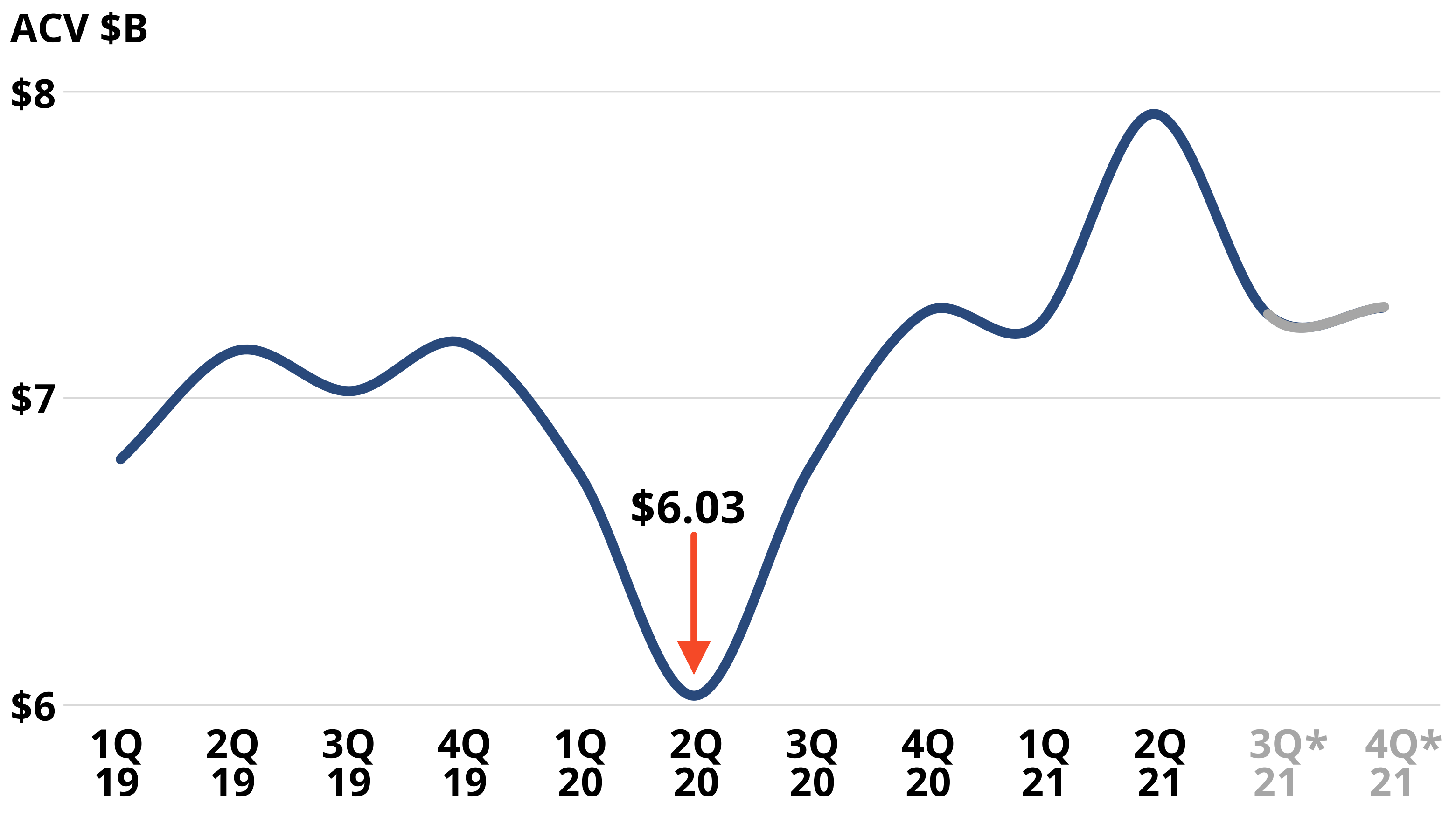
The Managed Service Market Has Recovered from the COVID-19 Dip

Key Trends

Demand has returned – 2Q/2020 saw a 17% drop in ACV

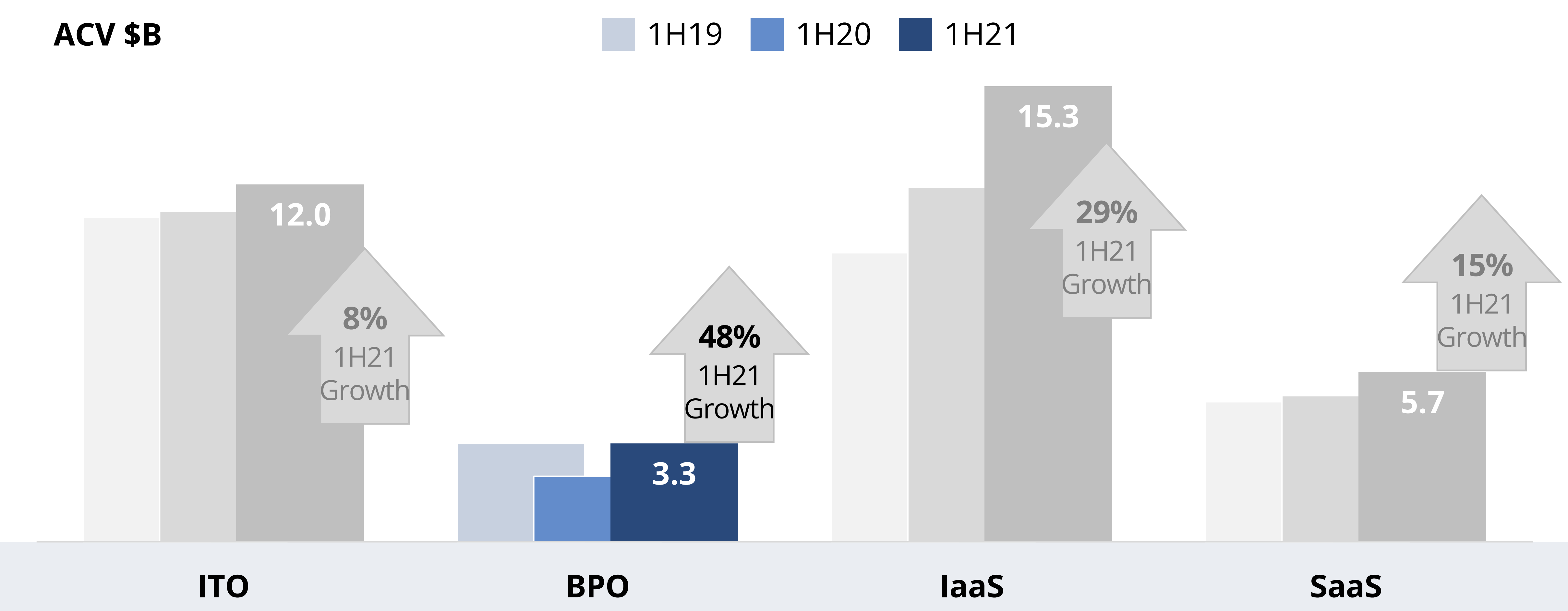
Transformation deals require investments to achieve ROI – used managed services to reduce costs

Almost 60% of the ITO market is now application services



ACV = Annual Contract Value. * = ISG forecast.

Global Results by Function



ACV = Annual Contract Value

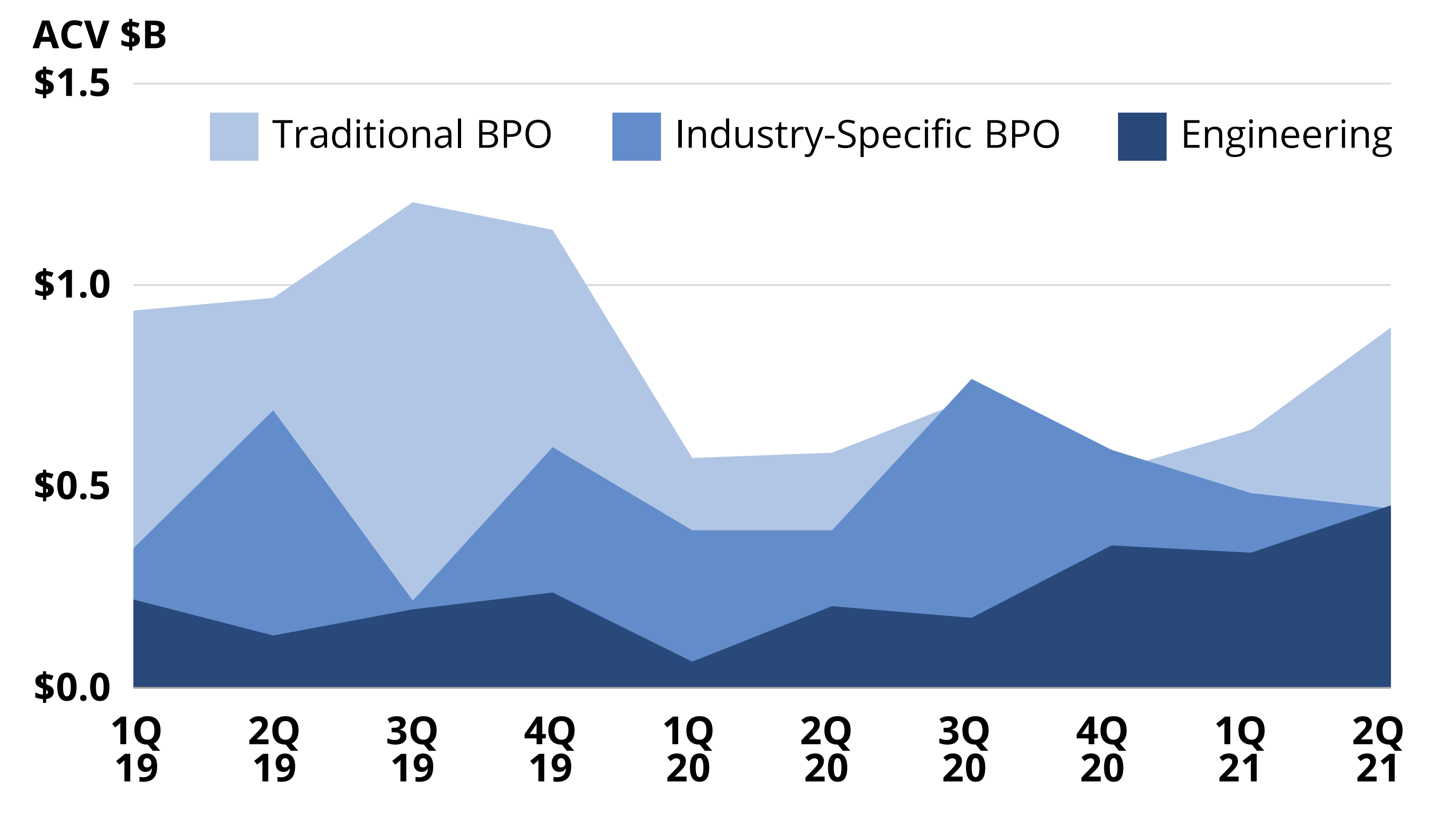
BPO is Also Recovering, But is Being Redefined

Key Trends

Traditional BPO remains soft with CRM and Facilities Management still struggling to achieve pre-pandemic levels

Industry Specific BPO seeing increased investments

Engineering is rising at 30% CAGR



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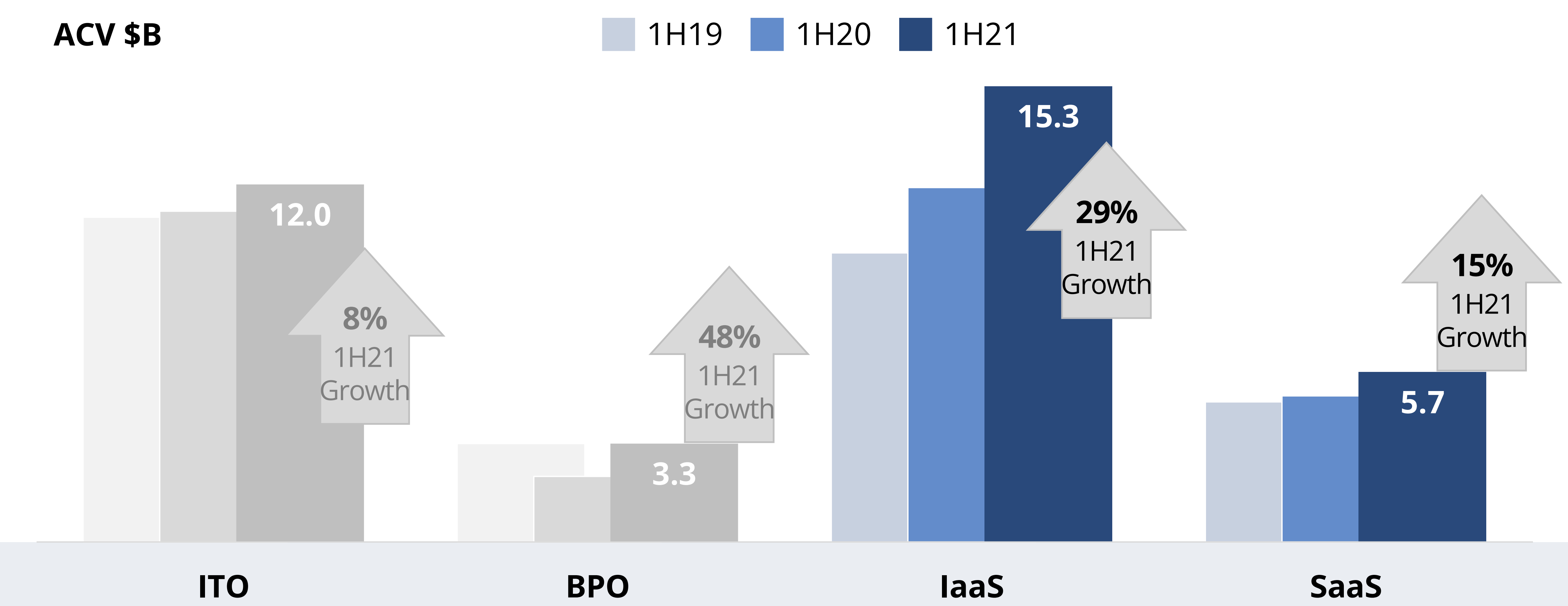
Global Results by Function



ACV = Annual Contract Value

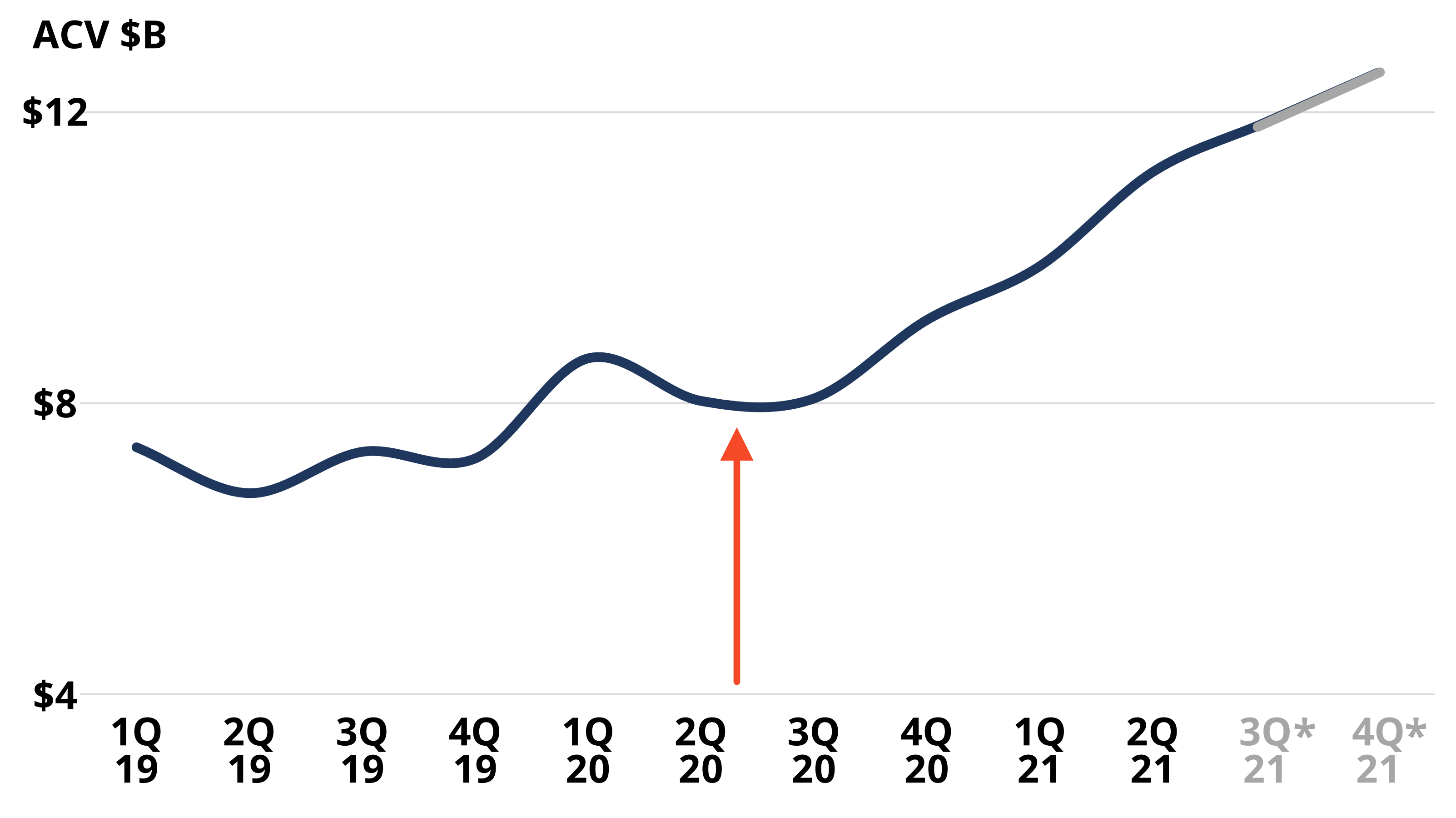
COVID Accelerated Growth in the As-a-Service Market

Key Trends

Slight dip when pandemic 1st occurred as organizations focused on work-from-home strategies

Segment continuing to grow at 20%+ CAGR with Cloud leading the way

Forecast projected to grow at 24%+



ACV = Annual Contract Value. * = ISG forecast.

Global Results by Function

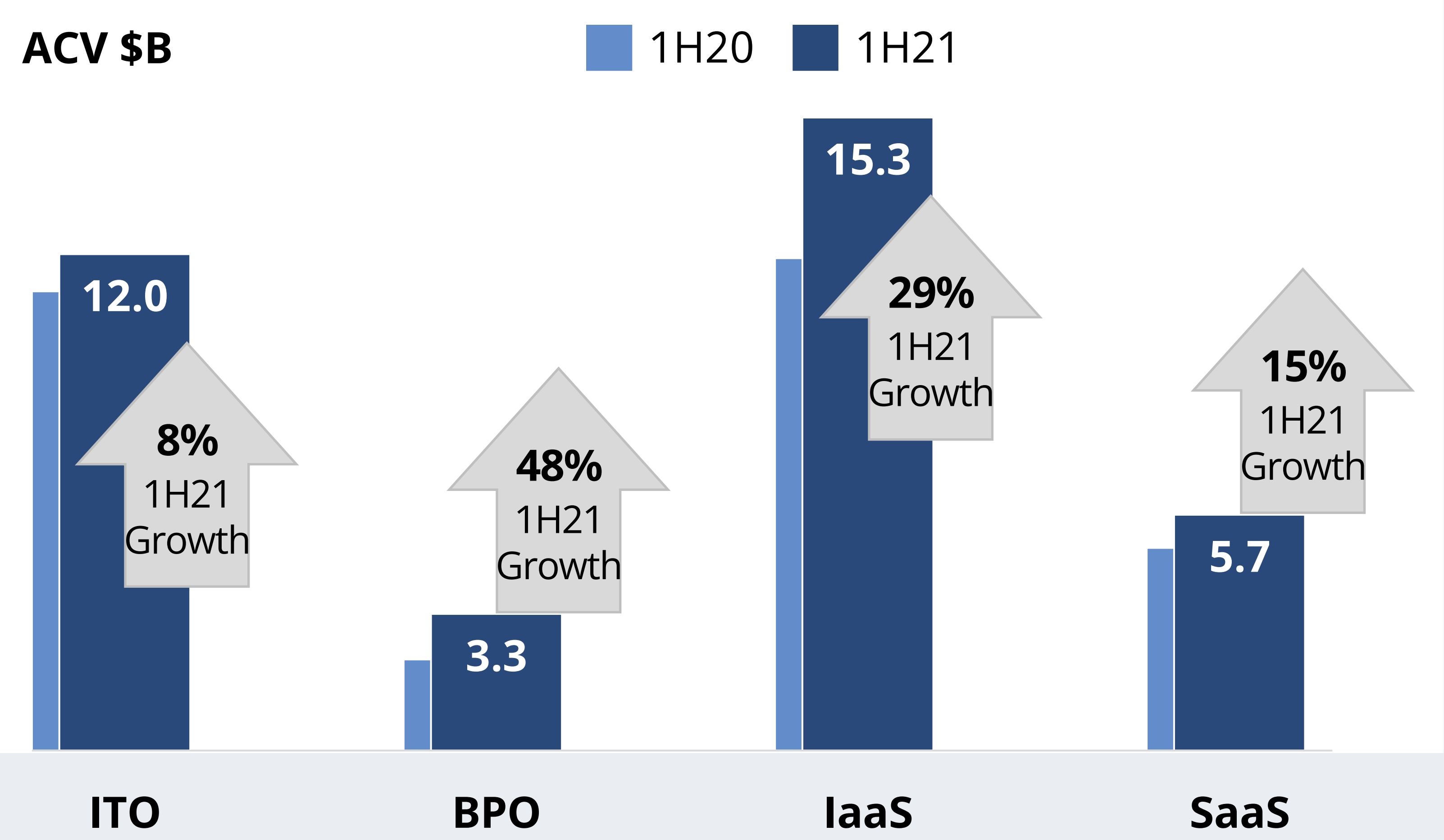
1H Trends

ITO ACV up 8% with ADM activity up 30%+ versus both 1H19 and 1H20

BPO ACV up 48% versus 1H20 but down slightly versus 1H19; strength in Industry-specific BPO, F&A and ER&D

IaaS ACV surpassed $15B with 28.5% growth outpacing growth rates from 1H18-1H20

SaaS ACV up 15% accelerating from the 1H20 slowdown of just 6%



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 TCS	CGI * Computacenter * Genpact Global Payments OptumInsight Samsung SDS * Sopra Steria Tech Mahindra T-Systems Wipro	Asseco * EPAM Systems LTI Mindtree Mphasis Rackspace Hosting TietoEvry TTEC Unisys	Birlasoft Coforge * EXL Globant * HGS * L&T Technology Services Persistent Systems Softtek WNS
As-a-Service Market	Adobe * Alibaba Amazon Web Services Google Microsoft Salesforce	Autodesk Equinix Intuit * ServiceNow Workday	Digital Realty Dropbox Okta * Palo Alto Networks Shopify Twilio	Atlassian Coresite Crowdstrike Snowflake Computing Veeva Systems Zoom Video

* New to leaderboard in 2Q21 • ** Promoted to the Big 15 from the Building 15

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

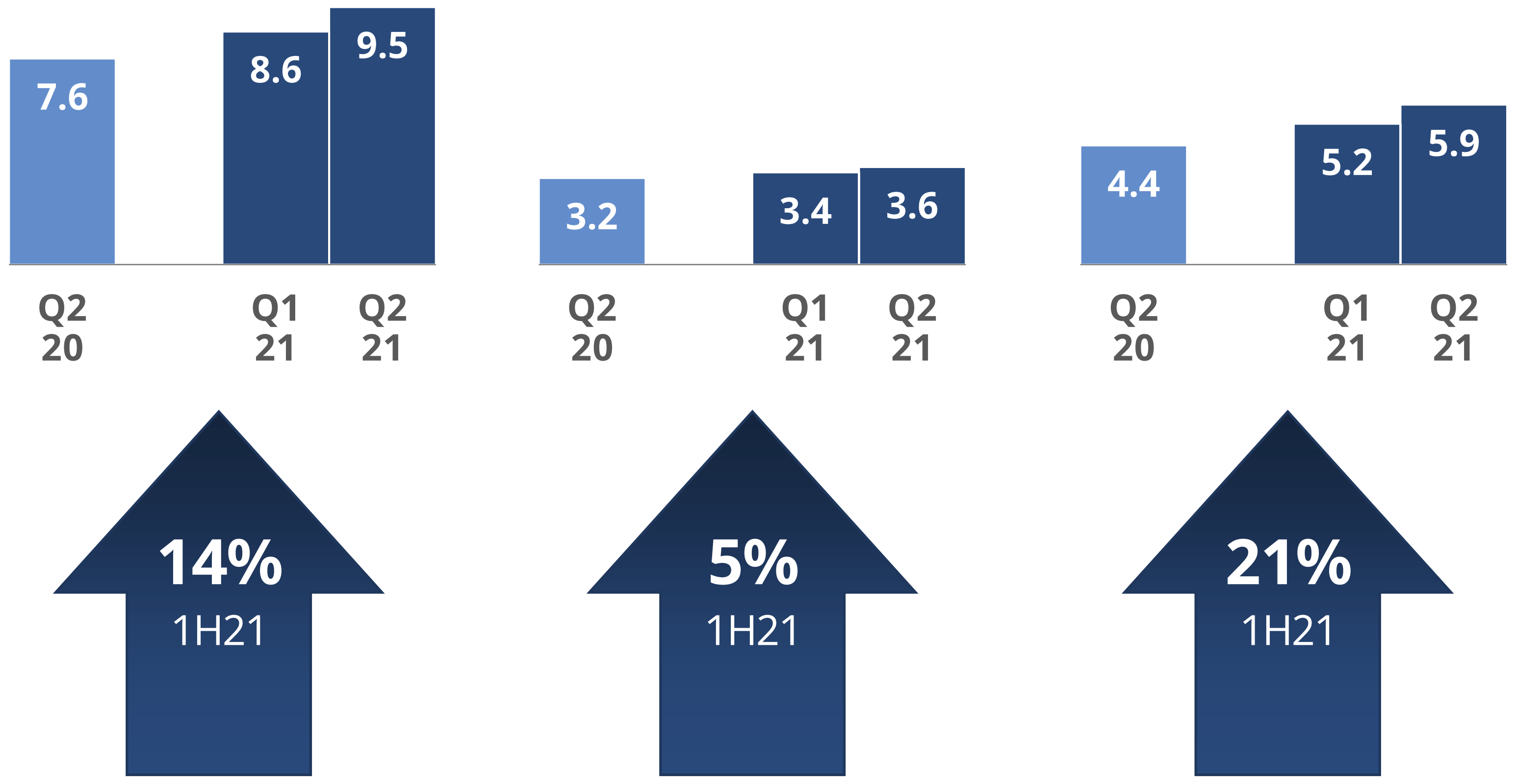
Americas
Broader Market Results

Quarterly Trends

Combined Market surpassed $9B for the first time, with ACV up 25% Y/Y

Managed Services, up 14% with its second consecutive Q/Q increase

As-a-Service nearly reached $6B for the first time, up 33% Y/Y



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

1H = First half ACV = Annual Contract Value

Americas Results by Function

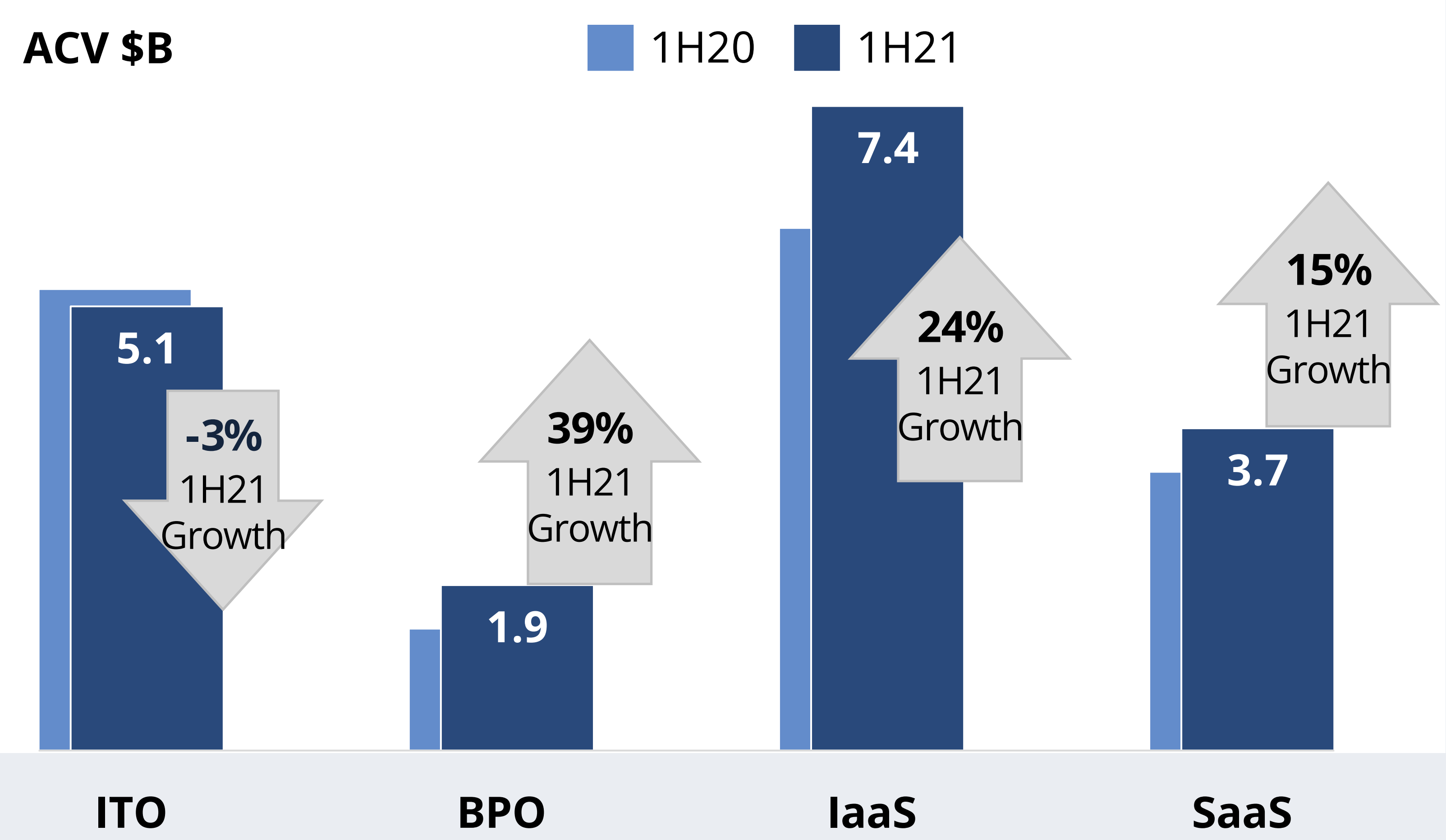
1H Trends

ITO dropped 3.2%, weighed down by Infrastructure decline of 25.5%; ADM activity was stellar, up 22%

BPO grew 39% versus 1H20

IaaS achieved record highs and continued to grow at more than 20% at the half-year mark since 1H 2016

SaaS ACV was up 15% versus 1H20 growth of 11%



ACV = Annual Contract Value

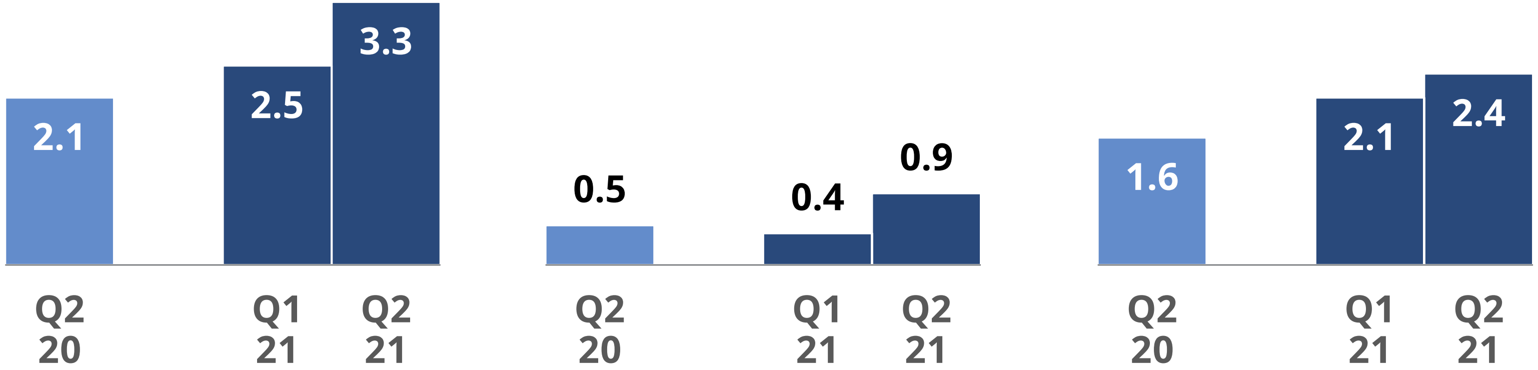
Asia Pacific Broader Market Results

Quarterly Trends

Combined Market ACV up 59% Y/Y, surpassing $3B for the first time

Managed Services sector had its best quarter since 2Q19; up 87% Y/Y versus a weaker 2Q20 compare

As-a-Service ACV surpassed $2B for the third straight quarter, best Y/Y growth rate since 2018



32% 1H21

29% 1H21

33% 1H21

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

1H = First half ACV = Annual Contract Value

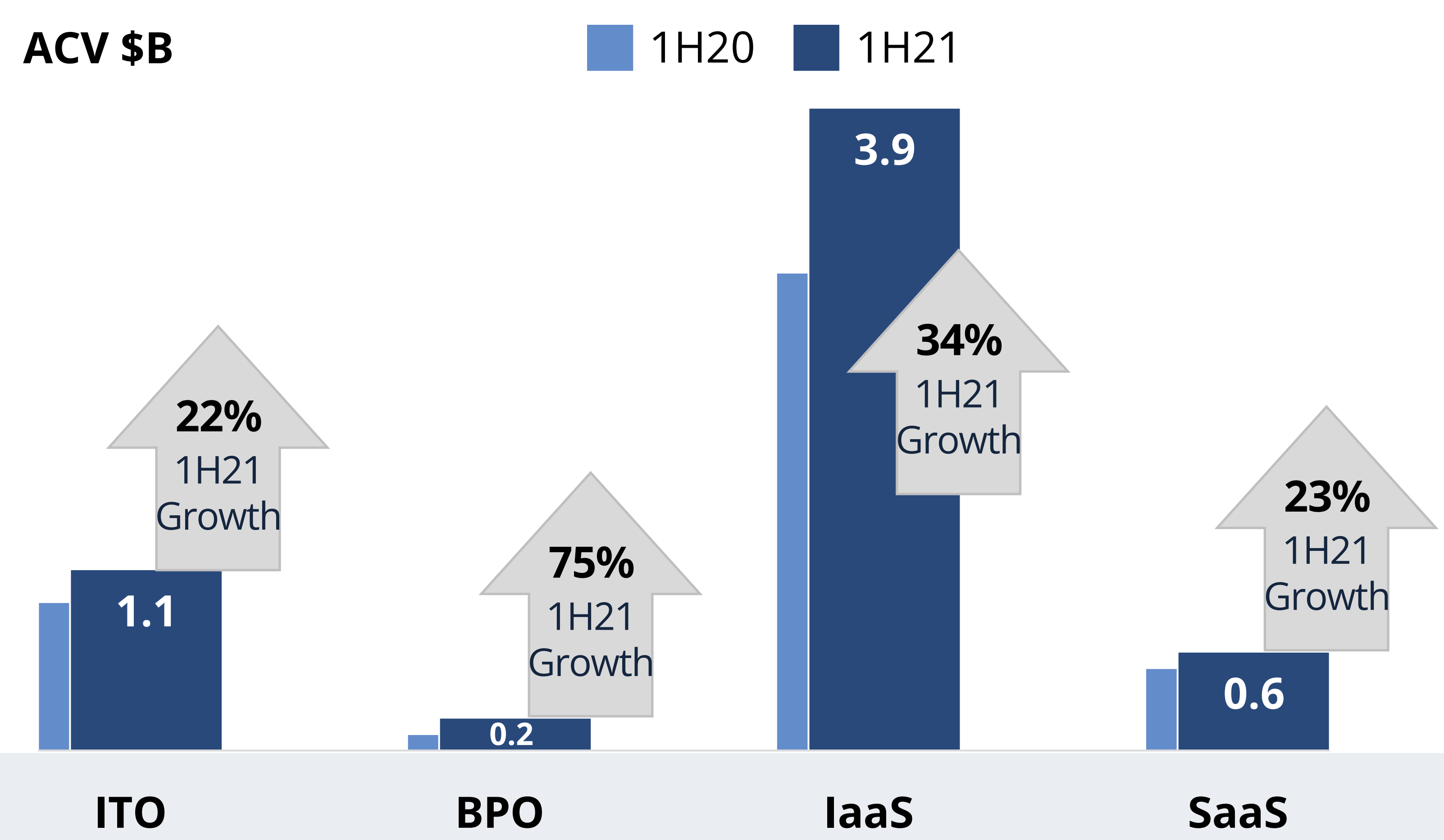
Asia Pacific Results by Function

1H Trends

ITO segment improved from slower 1H20 and was up over 20%; down 25% versus 1H19

BPO up 75% off a smaller base; 60% of BPO activity confined to Industry-specific BPO and ER&D

IaaS up 34% with a strong 2Q providing upside; SaaS accelerated 23% for its best growth since 1H17



ACV = Annual Contract Value

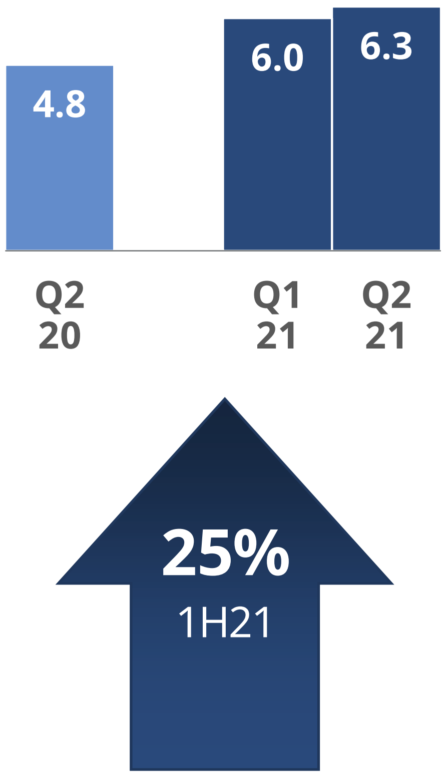
EMEA
Broader Market Results

Quarterly Trends

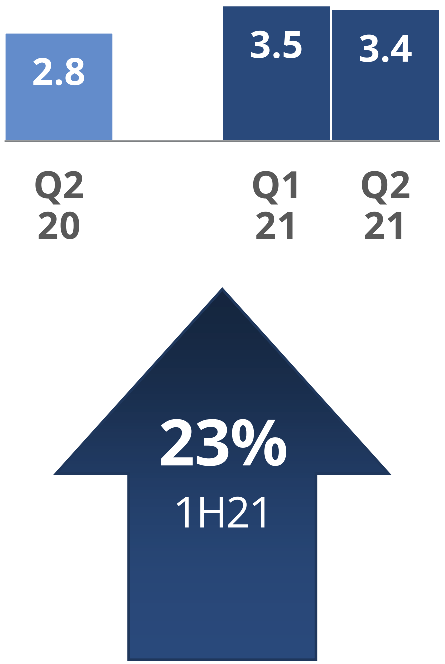
Combined Market ACV generated its third straight $6B quarter, up 31% YoY and almost 25% compared to 1H/2020

Managed Services was down QoQ, up 23% YoY, and up 23% compared to 1H/2020

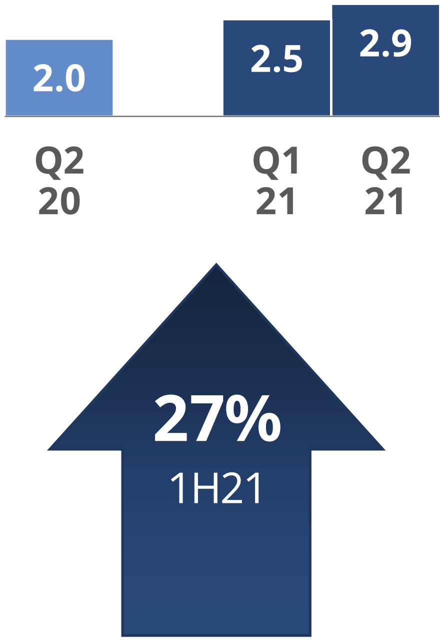
As-a-Service ACV is approaching $3B in ACV up 15% QoQ, 38% YoY and almost 27% compared to 1H/2020



Combined Market



Managed Services



As-a-Service

1H = First half   ACV = Annual Contract Value

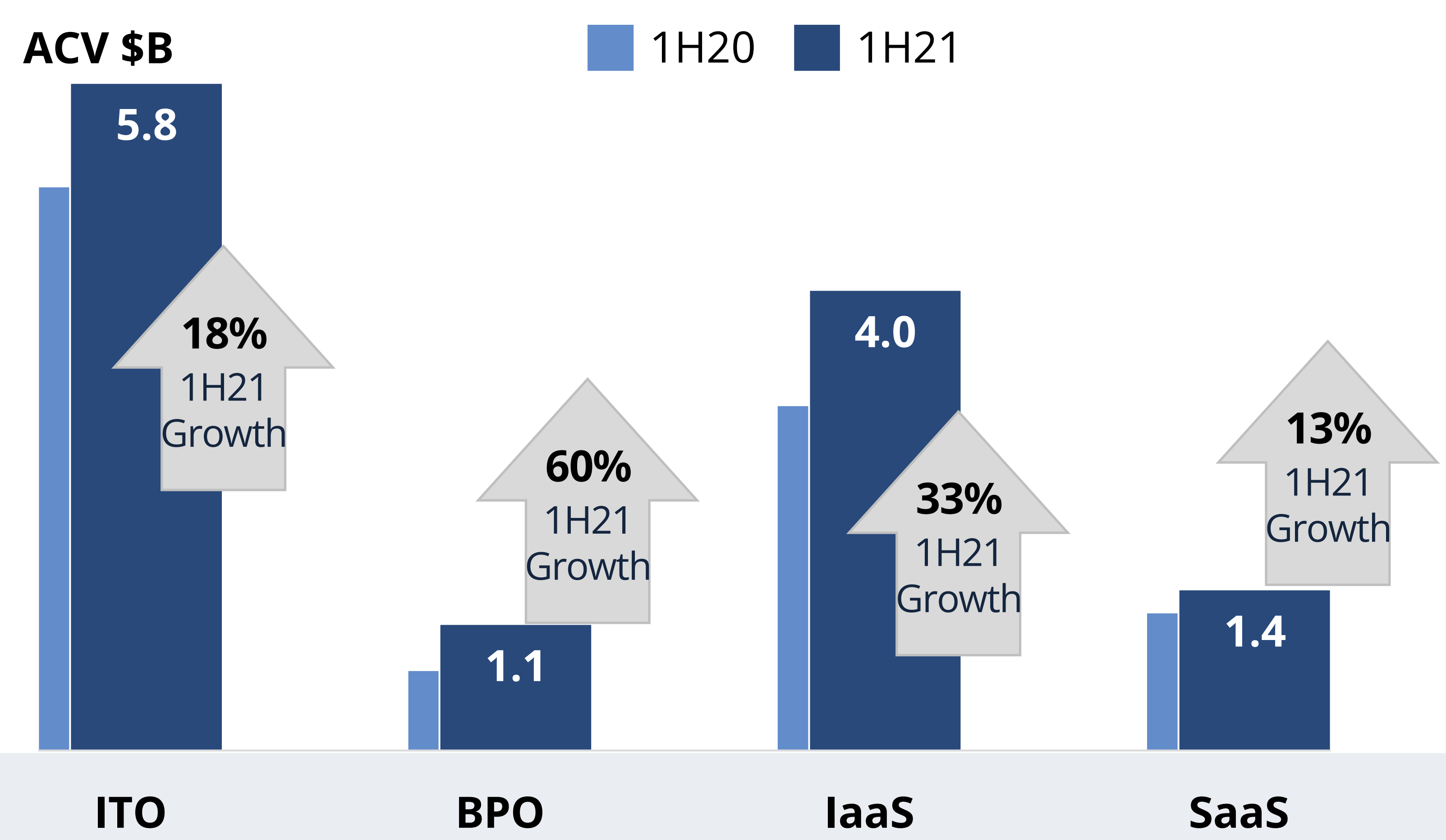
EMEA Results by Function

1H Trends

ITO ACV up 18% with ADM ACV up 17% and Infrastructure up 4%

BPO activity rebounded from weaker 2020, up 60% but still down 10% versus 1H19 pre-pandemic levels

Both segments of As-a-Service reached new quarterly highs in ACV; IaaS accelerated versus both 1H19 and 1H20 growth rates



ACV = Annual Contract Value

Global Technology Services Industry Award Trends

1H Growth	Business Services $6.9B ACV	Retail & Consumer Packaged Goods $4.9B ACV	Energy $2.4B ACV	Financial Services $7.6B ACV	Healthcare & Pharma $2.8B ACV	Manufacturing $5.4B ACV	Telecom & Media $3.2B ACV	Travel, Transport Leisure $3.2B ACV
Combined Market	25%	33%	26%	24%	1%	16%	12%	18%
Managed Services	36%	49%	25%	24%	-22%	5%	-3%	7%
As-a-Service	22%	25%	26%	24%	24%	27%	27%	26%

ACV = Annual Contract Value

Global Technology Services Industry Award Trends

1H Growth	Business Services $6.9B ACV	Retail & Consumer Packaged Goods $4.9B ACV	Energy $2.4B ACV	**Financial Services $7.6B ACV**	Healthcare & Pharma $2.8B ACV	Manufacturing $5.4B ACV	Telecom & Media $3.2B ACV	Travel, Transport Leisure $3.2B ACV
Combined Market	25%	33%	26%	**24%**	1%	16%	12%	18%
Managed Services	36%	49%	25%	**24%**	-22%	5%	-3%	7%
As-a-Service	22%	25%	26%	**24%**	24%	27%	27%	26%

ACV = Annual Contract Value

Trends in Insurance

"It's all about getting the digital transformation to work faster."

Johanna von Geyr
Partner, BFSI

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The Insurance Industry Faces a Massive Task

Reduce legacy IT

Expand product portfolio unity

Gain agility

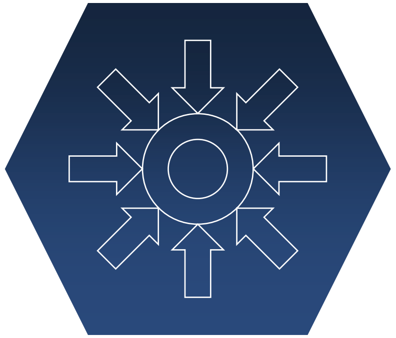
Ecosystem Network

Enable Market Strategy

Manage ambiguity of multiple existing and future-state products

Insurance Business Imperatives

Speed to Transformation



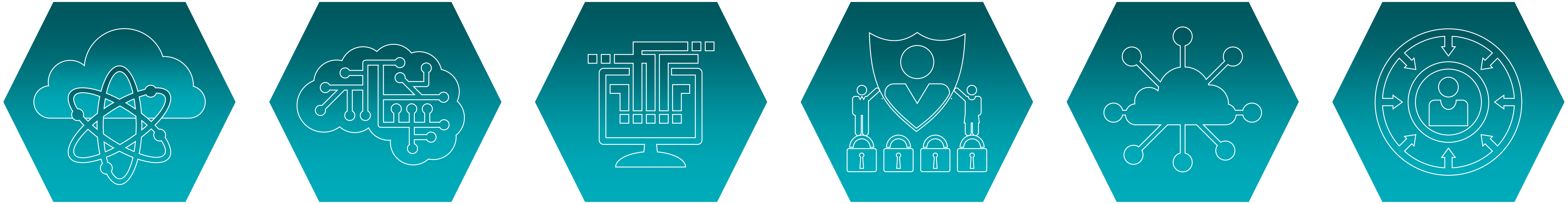
Simplification

M&A

Cyber Security

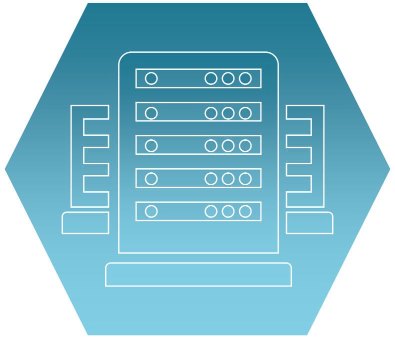
Regulatory Compliance

Insurance Technology Imperatives

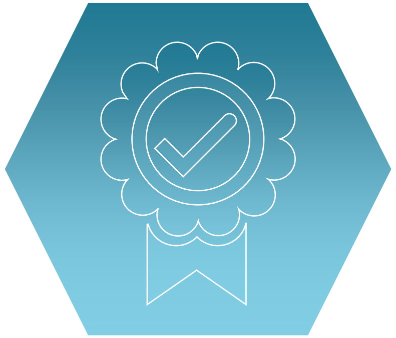


Cloud Transformation | **AI** | **Digital Platforms** | **Cyber Security** | **Big Data** | **Customer Experience**

The Provider Outlook



Infrastructure



Over-deliver Discrete Solutions

Enable Cloud Strategy & Solutions

ISG Index Insider™

What's Important in IT & Business Services 2Q21

Stanton Jones

Director & Principal Analyst
ISG Research

"Moving faster by simplifying."

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The Lowest Bid Is Not Always The Winner!

- Enterprises buy for many reasons – not just cost
- Low bid only wins 40% of the time
- Low bids can create doubt in buyer's mind
- Environment, social and governance criteria becoming critical in evaluations

Source: ISG ProBenchmark®, a basket of ISG-advised tenders representing ≈ 2.3B in TCV.

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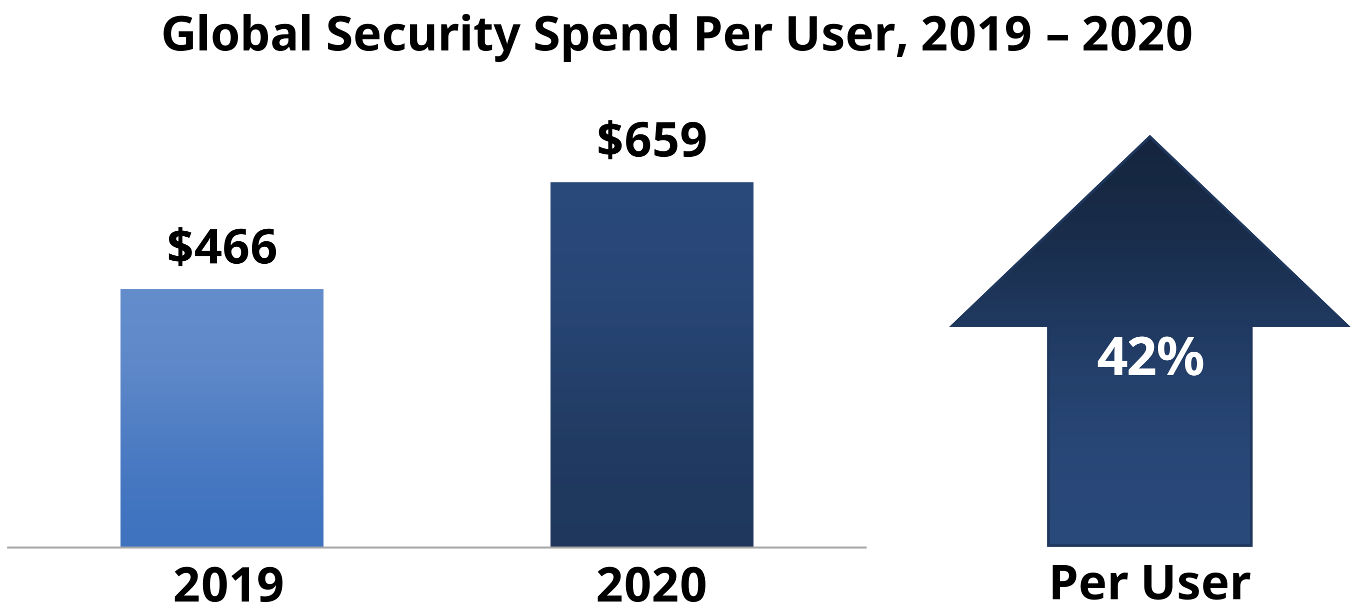
Cyber Security Spending Will Surge

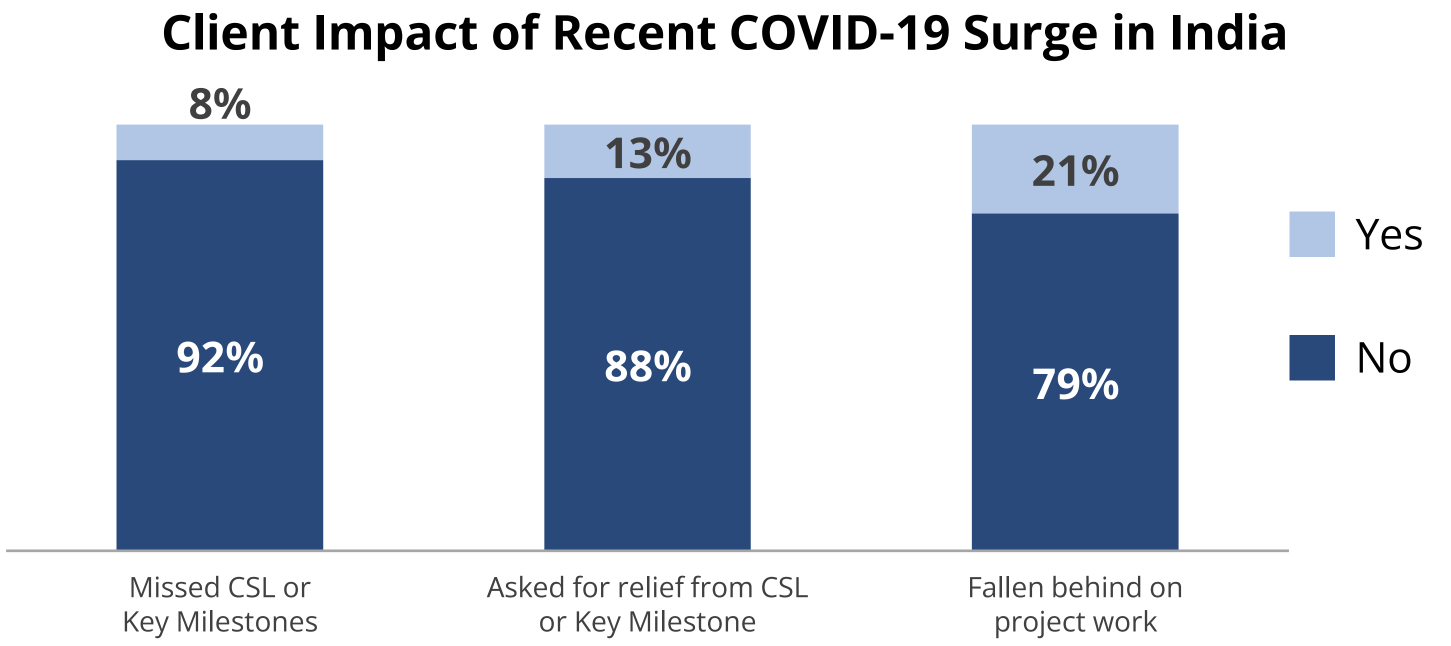
- Ransomware attacks up 300% since 2020
- Phishing primary attack vector; crypto hard to track
- ACV for managed security services is growing
- Cyber insurance will be costlier – and harder to get



Source: ISG Inform, 2021. Fortune 500 enterprises.

Indian IT Sector Remains Resilient

- First wave required huge operational pivot
- 20% productivity hit; discounts & delays
- Second wave impacted family, friends & colleagues; provider stepped up
- Enterprises saw limited disruption



Source: ISG advisors with clients with India-based delivery, May 2021. N=24

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2Q21 ISG Index – Summary and Outlook

Summary

Managed Services Recovers

- Managed Services up nearly 15% with Americas and EMEA both up against 1H20 and 1H19
- Broad-based recovery across ITO/BPO with strength in Applications, ER&D, F&A and Industry-Specific BPO

New Highs in XaaS

- Record-setting ACV results across each region
- Growth accelerating in EMEA and Asia Pacific, but in more mature Americas market, 1H growth rates steadily decline since 2016

Outlook

Managed Services Forecast

- Market no longer dominated by smaller transactions, which were indicative of the market composition since onset of pandemic
- Forecast implies 2021 ACV would approach $30B, representing a 5.7% gain over 2019's pre-pandemic full-year ACV

9%
2021e

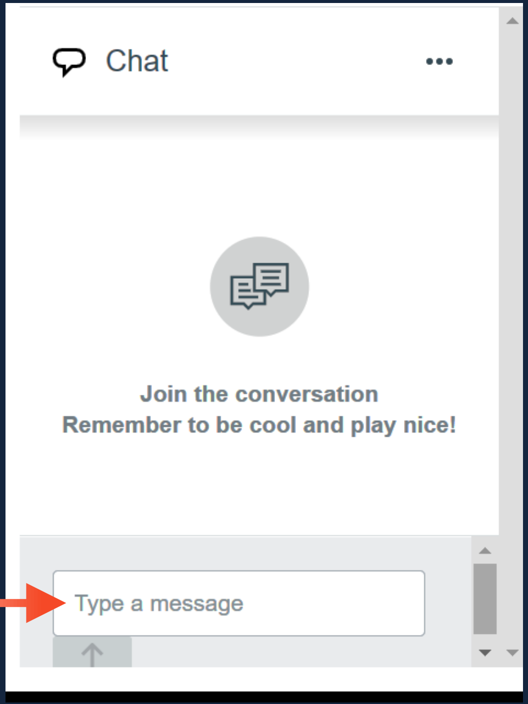
As-a-Service Market Forecast

- Expect fits and starts due to inflationary pressures, increased regulations, scrutiny and taxation; but the multi-year secular growth drivers remain very healthy.
- Cloud is still roughly 10%-15% of the global IT business, and it will occupy a much more influential profile in the next 10 years

21%
2021e

Want to Ask a Question?

1. The “Chat” feature is to the right of the slides
2. Type your question and click the up arrow to send it!



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Thank you!

The 75^{th} 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.

	2Q21 TCV ($B)*	2Q Y/Y Change	1H21 TCV ($B)*	1H21 YTD Change
Global Commercial Combined Market	**40.2**	**24%**	**76.7**	**13%**
By Type				
Managed Services	23.1	17%	44.3	8%
ITO	17.1	7%	33.6	-3%
BPO	6.0	61%	10.7	60%
As-a-Service	17.1	36%	32.4	21%
IaaS	8.2	41%	15.3	28%
SaaS	8.9	31%	17.1	15%
By Region				
Americas Combined	20.0	17%	37.5	9%
EMEA Combined	14.8	24%	30.2	18%
Asia Pacific Combined	5.4	65%	9.0	12%

1H21 vs 1H20 growth rate. 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**
Managed Services Market	Adobe Systems Amazon Web Services Google Microsoft Salesforce	Amdocs Conduent Genpact Global Payments OptumInsight Tech Mahindra Wipro	EPAM Systems LTI Mindtree Mphasis Rackspace Hosting TTEC Unisys	Birlasoft Coforge Ensono EXL Globant L&T Technology Services Persistent Systems Softtek WNS
As-a-Service Market	Accenture Capgemini Cognizant DXC Technology FIS Global HCL IBM Global Services Infosys NTT Data Tata Consultancy Services	Autodesk Citrix Equinix Intuit Iron Mountain ServiceNow Vmware Workday	Digital Realty DropBox Palo Alto Networks RingCentral Shopify Splunk Twilio UKG	Coresite CrowdStrike HubSpot QTS Snowflake Computing Zoom Video Communications

* New to leaderboard in 1Q21 • ** Promoted to the Big 15 from the Building 15

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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	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 Ltd Atos BT Group Capgemini Cognizant DXC Technology	HCL IBM Global Services Infosys Tata Consultancy Services	Bechtle Capita CGI Computacenter Global Payments Orange	Serco Sopra Steria Tech Mahindra Teleperformance T-Systems Wipro	Asseco Dustin AB EPAM Systems JLL LTI Mindtree	Mphasis Rackspace Technology Reply SpA TietoEvry Unisys	adesso AG Atea ASA EXL Fastweb KPIT Technologies	Reed Specialist Recruitment Transportes Blindados WIIT S.p.A. WNS
As-a-Service Market	Adobe Systems Amazon Web Services	Google Microsoft Salesforce	Autodesk Equinix Vmware		Digital Realty DropBox	Nice Systems Twilio	Atlassian Corporation OVH Veeva Systems	Visma Zoom Video Communications Zscaler

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Service & Technology Provider Standouts – Asia Pacific

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Managed Services Market	Accenture Cognizant DXC Technology HCL IBM Global Services Tata Consultancy Services	Amdocs Canon Genpact Global Payments Nomura Research Institute Samsung SDS Serco Tech Mahindra Wipro	LG CNS Mindtree Mphasis Neusoft SCSK SK C&C transcosmos TTEC Unisys	Beyondsoft ChinaSoft Data#3 Fuji Soft Inc. PCCW Solutions Taiji Computer Corp.
As-a-Service Market	Alibaba Adobe Systems Amazon Web Services Baidu China Telecom Google Microsoft Salesforce Tencent	Autodesk Citrix Dassault Systemes Equinix ServiceNow Telstra	Akamai Palo Alto Networks Sage Shopify Splunk Twilio	Atlassian Corporation CloudFlare CrowdStrike Kingdee MongoDB Veeva Systems Inc. Xero Zoho Corp. Zoom Video Communications

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