Managed Services & As-a-Service Market Insights

January 10, 2022

ISG Index™

4Q 2021

HOSTED BY

Bryan Bergin
Managing Director

Cowen and Company

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Welcome

to the 77th Quarterly

ISG Index™

The ISG Experts

Steve Hall
Partner & President

Kathy Rudy
Chief Data & Analytics Officer

Stanton Jones
Director & Principal Analyst

Christian Decker
Partner & Head, Smart Manufacturing

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

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ISG Index: Three Big Thoughts

1. Record results across most market segments; significant growth in ADM and ER&D offset decline in legacy infrastructure ACV.

2. The 4th quarter showed signs of slowing.

3. ISG forecasts healthy growth rates for both Managed Services and XaaS in 2022.

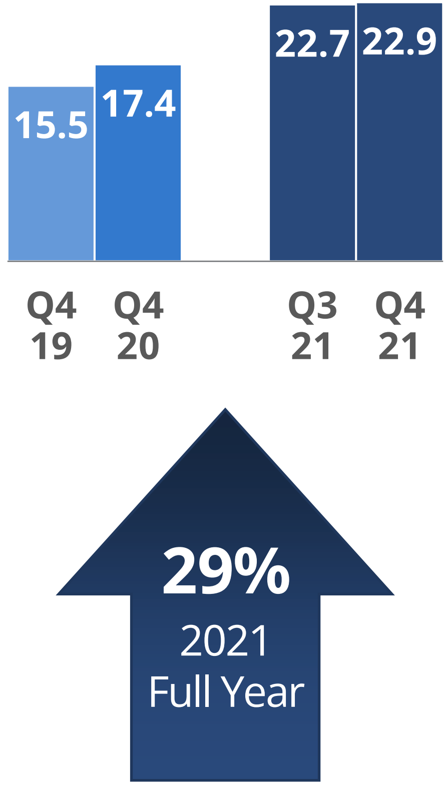
Global Broader Market Results

Quarterly Trends

After surpassing $20B for the first time in 2Q21, the Combined Market almost hit $23B in 4Q21.

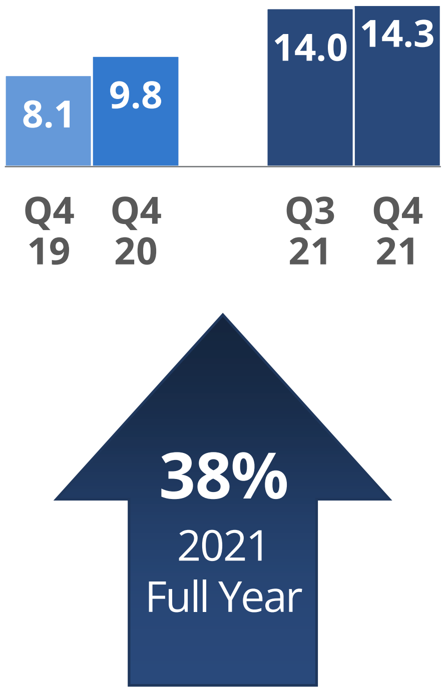
30% Y/Y growth, despite flat Q/Q performance.

Managed Services ACV of $8.6B was the second-best quarterly result ever.



Combined Market

Managed Services



As-a-Service

ACV = Annual Contract Value

Has Wage Inflation Impacted the Market?

Managed Services

- Rates holding steady on existing contracts
- Minimal increases expected on new contracts for similar scope
- Training of junior resources ramping up

T&M / Project Work

- Rates increasing 4 – 7% for in-demand skills
- Providers using blending rates / average daily rates as a pricing mechanism to avoid straight rate cards
- Projects are often back-end loaded in order to win the work

Attrition Will Persist in the Short Term

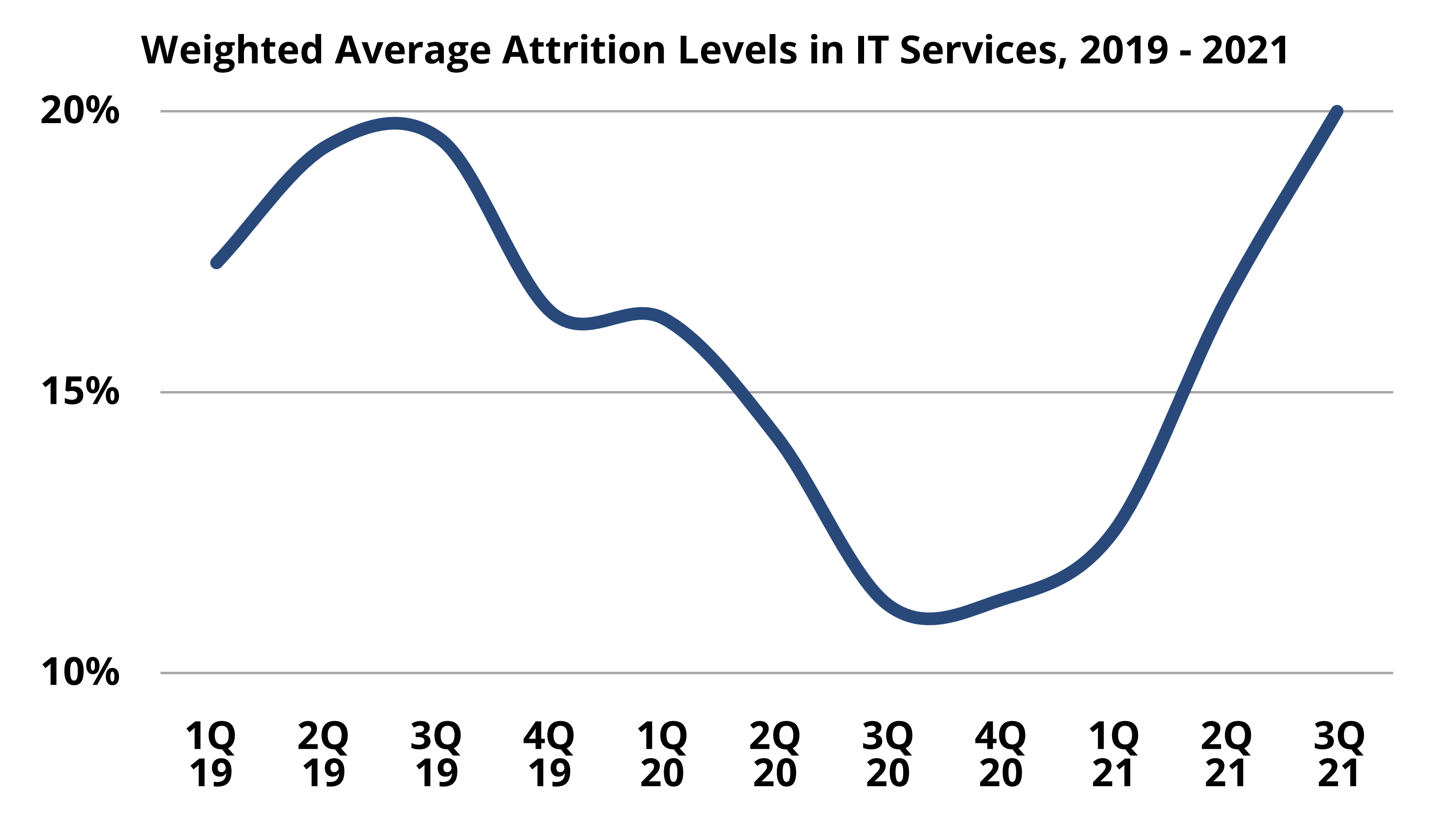
Key Trends

Attrition abated during pandemic; back to pre-pandemic levels.

Providers using all tools: lateral hires, subcontractors, automation, etc.

Challenge exacerbated by strong growth.

Likely to subside in 2 – 3 quarters.



Source: ISG, 2021; Includes providers from ISG Index™ Leaderboard.

Smaller Awards Dominate the Broader Market

Key Trends

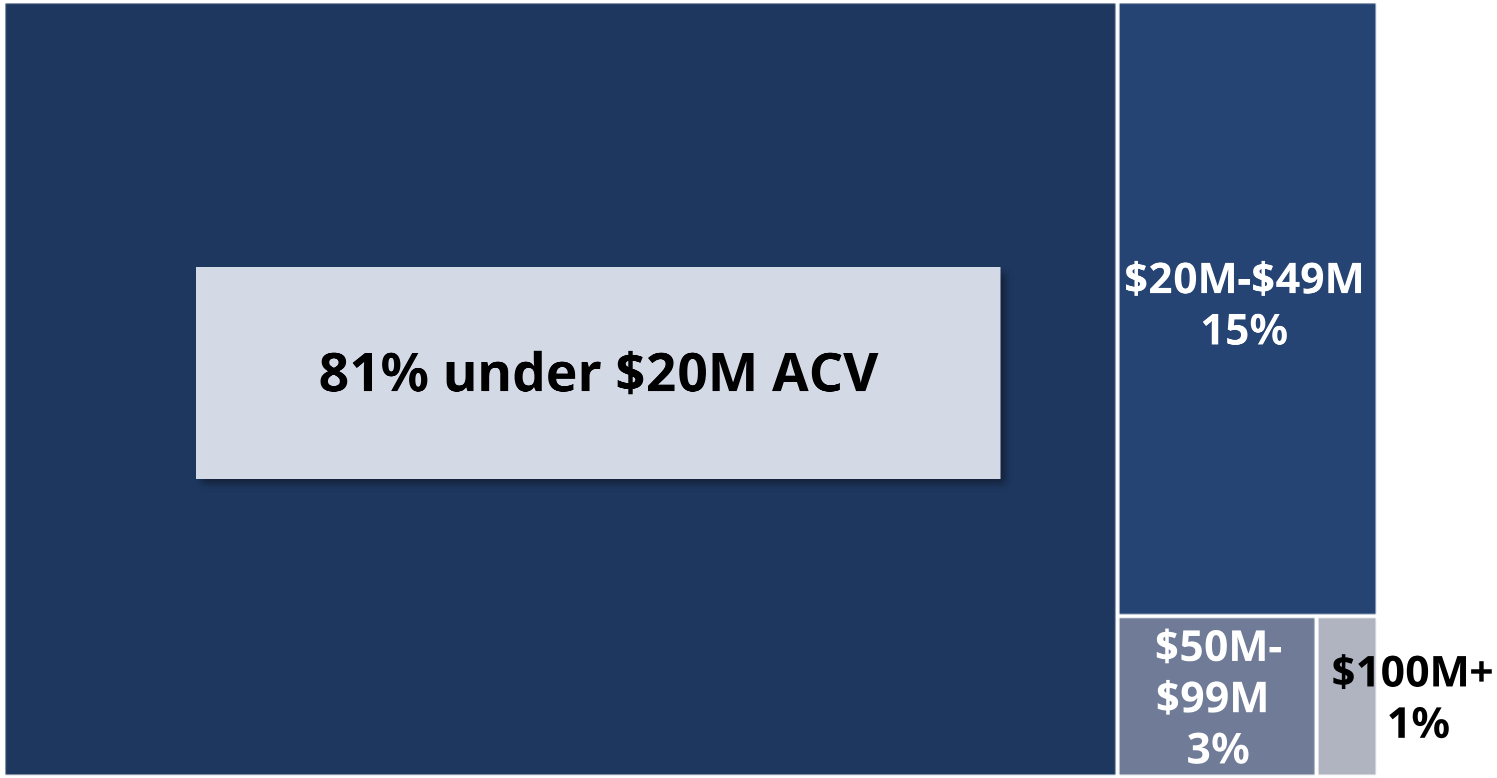
80%+ of Managed Services awards are under $20M in ACV.

Slight decline in this band 2021, w/ higher percentage of awards in the $20M-$49M band.

$100M+ awards still critical, but impact is changing: 12% of ACV comes from mega deals.

Need for speed driving smaller, faster deal cycles.

Managed Services ACV Award Bands, 2021



Source: ISG, 2021, Deals over $5M ACV

ACV = Annual Contract Value

ISG Index™ 4Q21

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2021 Was a Record Year for M&A

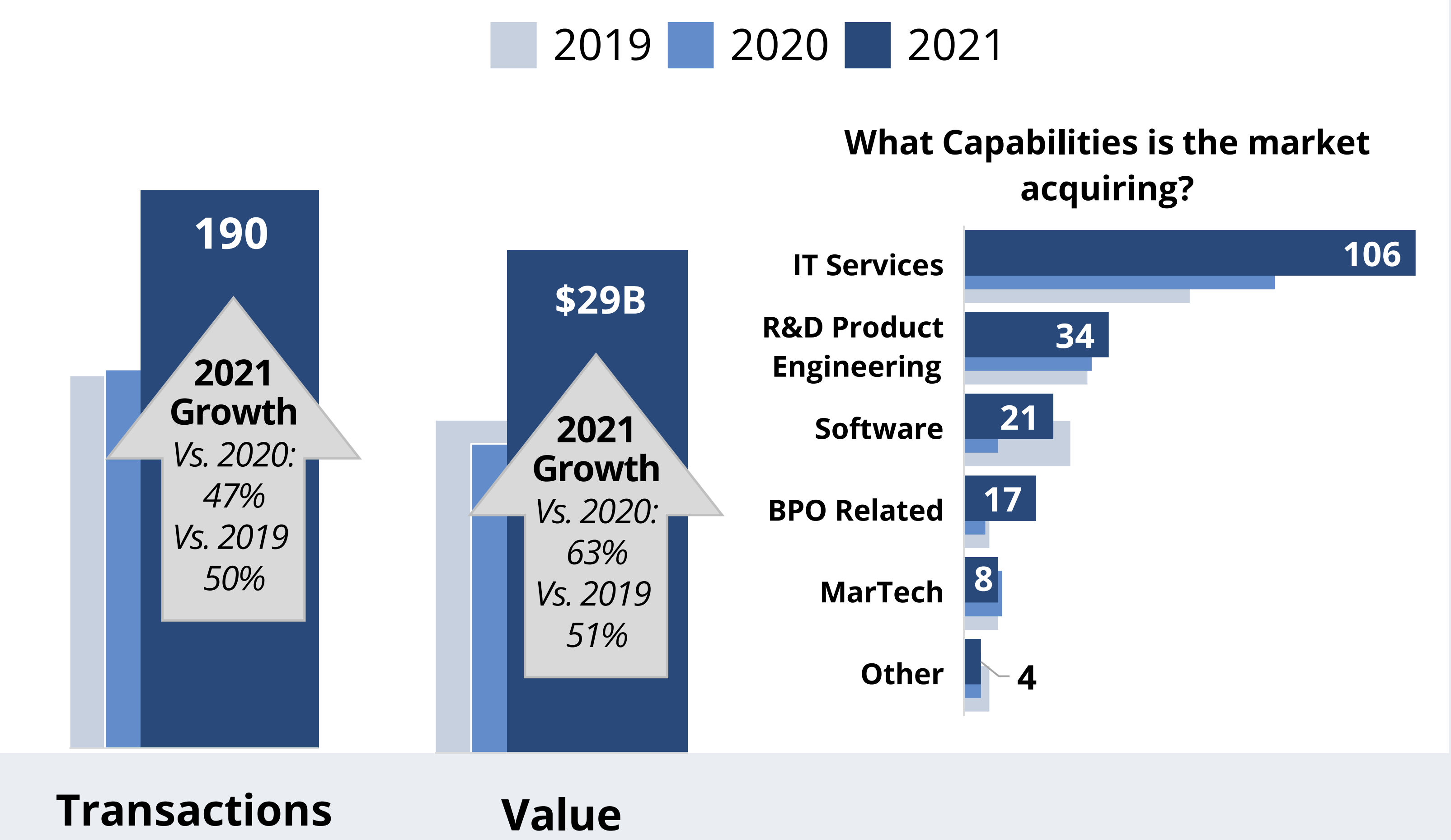
2021 Trends

IT Services M&A activity up 47% Y/Y; value up 63% Y/Y.

Robust environment for M&A: available capital, low interest rates, strong demand for digital capabilities.

Most active in 2021: Accenture, Deloitte, IBM, Atos and Tech Mahindra.

Private Equity accounted for 7 $1B+ transactions.



Source: ISG M&A Database; Top 50 IT Service Providers

ACV = Annual Contract Value

Managed Services – Annual Results

2021 Trends

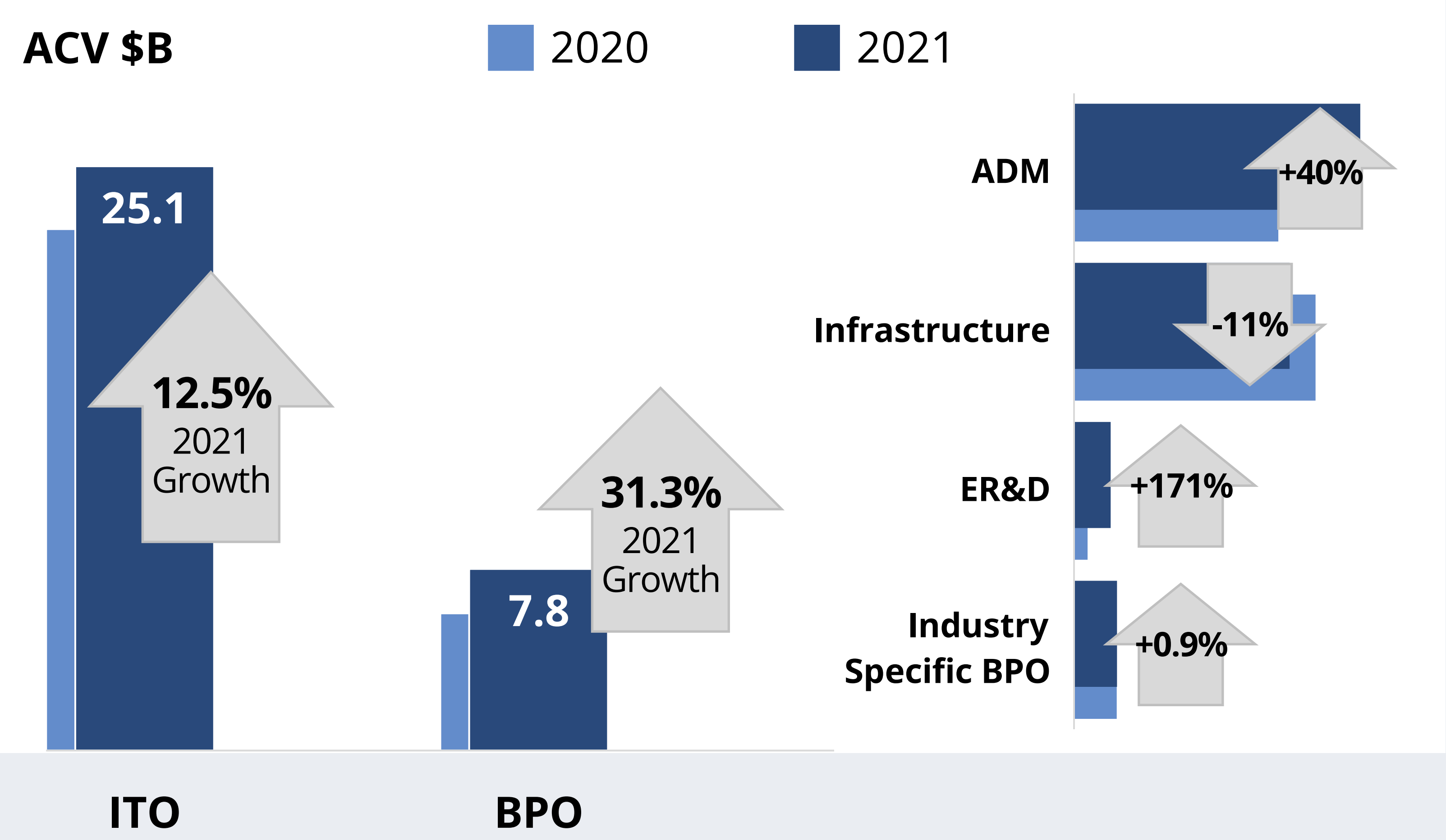
ITO ACV established a record high.

ADM ACV set a record with $4B more than any other year.

Lowest result for Infrastructure ACV since 2013.

ER&D ACV generated nearly 3x more ACV than any other year.

FM/CRE and Contact Centers have rebounded but not recovered to 2019 levels.



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XaaS – Annual Results

2021 Trends

IAAS

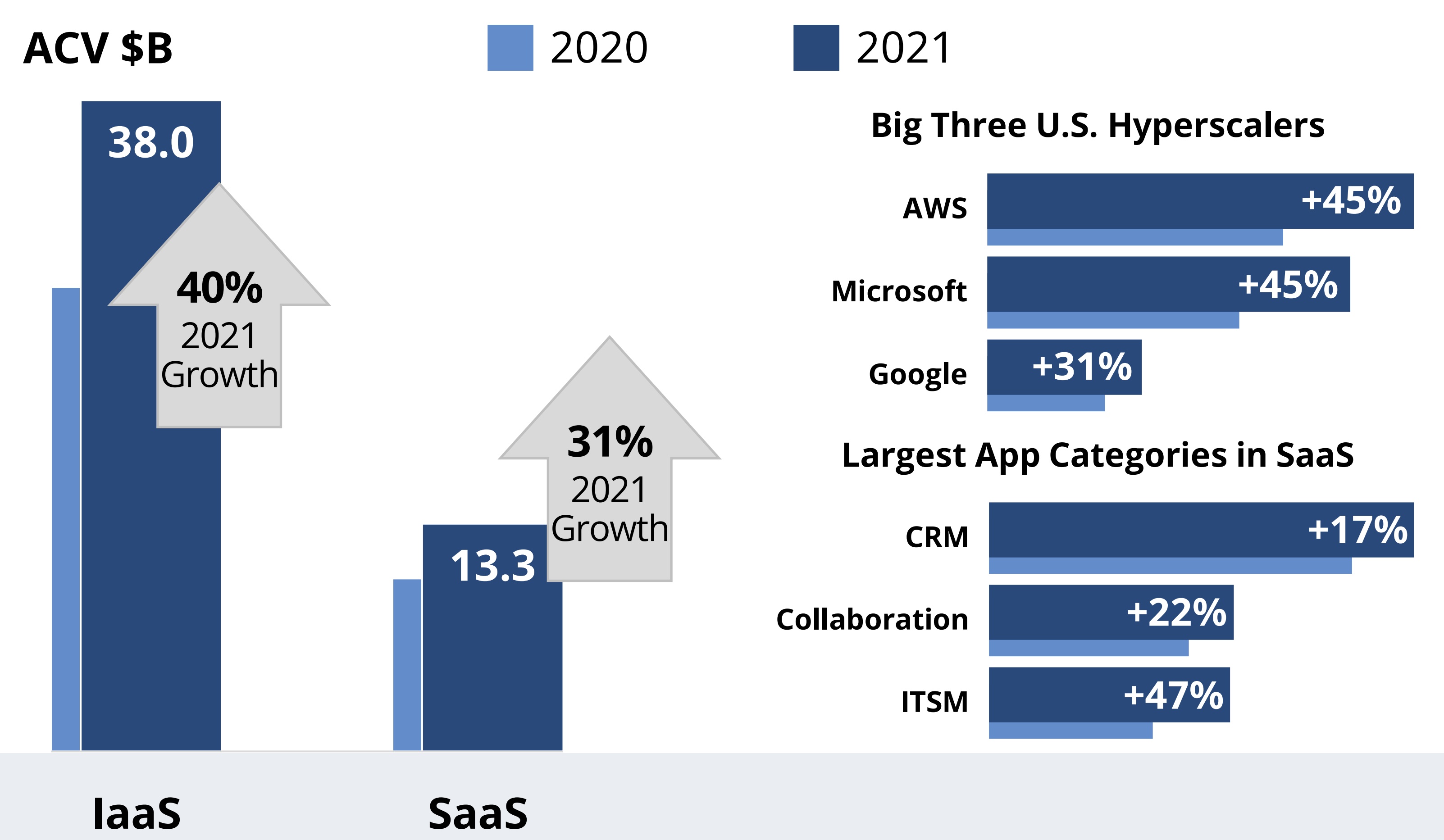
IaaS established record highs for 2021, yet slowed in 4Q21, growing by just 2.7% Q/Q.

U.S. hyperscalers (AWS, Azure, GCP) outperformed the general market in 4Q21 growing 7% versus 2.7% for broader market.

SAAS

31% annual growth for SaaS was best ever and much higher than the 2% decline in 2020.

Wider participation in the SaaS market as companies outside Top 10 have grown faster than overall market.



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

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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 HCL IBM Infosys TCS	Bechtle CGI Computacenter* Genpact Global Payments OptumInsight Samsung SDS Sitel Group Tech Mahindra Teleperformance T-Systems Wipro	EPAM Systems Exela Technologies* LG CNS LTI Mindtree Mphasis Rackspace TietoEvry TTEC Unisys	Birlasoft EXL Globant L&T Technology Services Persistent Systems Softtek WNS Global Services
As-a-Service Market	Adobe Alibaba Amazon Web Services Google Cloud Microsoft Salesforce Tencent *	Equinix Intuit ServiceNow	Palo Alto Networks RingCentral* Shopify Twilio UKG	21Vianet Atlassian Corporation Crowdstrike HubSpot* Okta* OVH Snowflake Computing Zoom Video

* New to leaderboard in 4Q21

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

Americas Broader Market Results

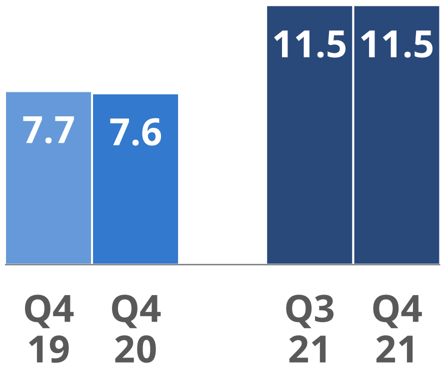
Quarterly Trends

Combined Market surpassed $11B.

4Q21 Combined Market ACV saw $4B in incremental ACV compared to 4Q20.

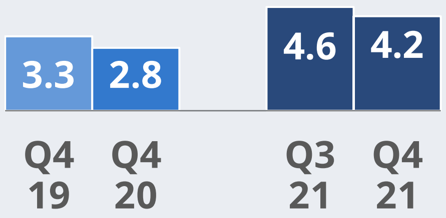
Combined Market was flat Q/Q.

Managed Services surged past $4B for second straight quarter, but sequentially ACV fell by 10% from 3Q21.



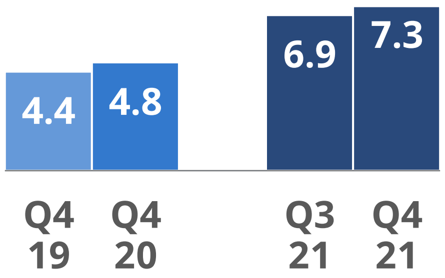
27%
2021
Full Year

Combined Market



19%
2021
Full Year

Managed Services



32%
2021
Full Year

As-a-Service

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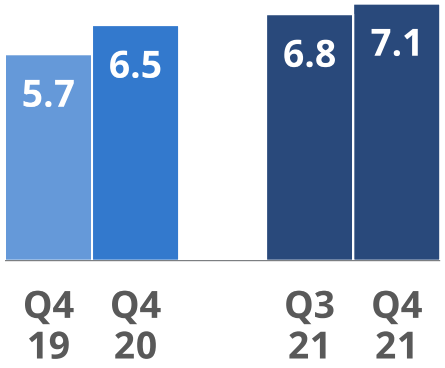
EMEA Broader Market Results

Quarterly Trends

EMEA Combined Market ACV broke through $7B ceiling.

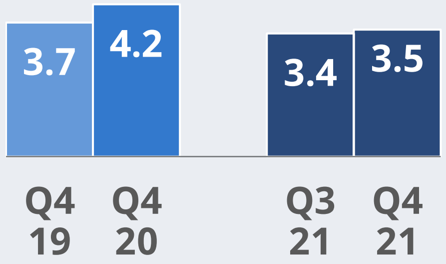
EMEA Managed Services ACV surpassed $3.4B for the fifth straight quarter.

Managed Services quarterly Y/Y ACV declined 16% against a very difficult 4Q20.



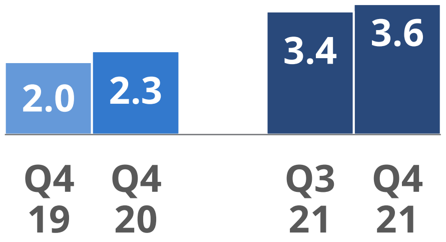
23%
2021
Full Year

Combined Market



11%
2021
Full Year

Managed Services



41%
2021
Full Year

As-a-Service

ACV = Annual Contract Value

Asia Pacific Broader Market Results

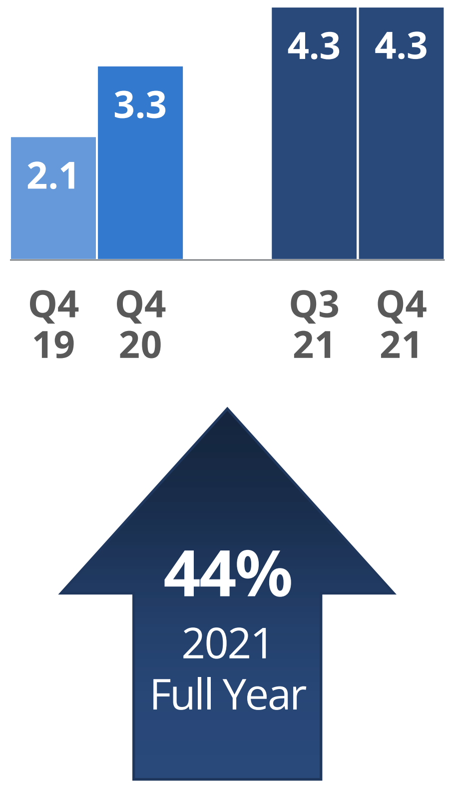
Quarterly Trends

Combined Market ACV up 31% Y/Y but slowed Q/Q, up 1%.

Managed Services ACV surpassed $900M, up 43% Y/Y.

XaaS ACV posted a $3B quarter for the third straight quarter but fell back sequentially by 7%.

Rest of Asia (excluding China) IaaS grew 68% Y/Y and 18% Q/Q.



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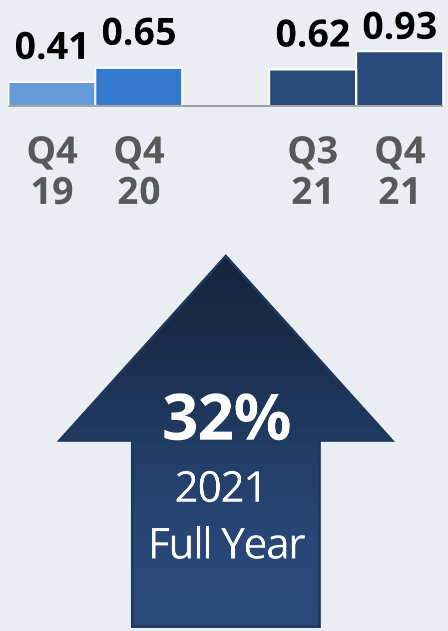
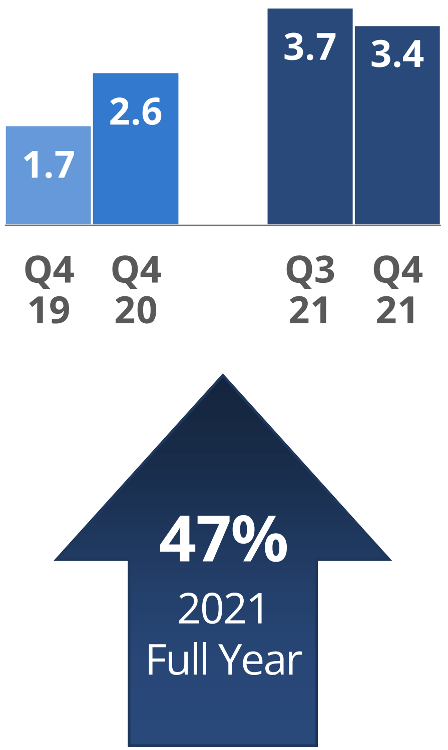


Managed Services



As-a-Service

ACV = Annual Contract Value

Global Technology Services Industry Award Trends

2021 Full Year Growth	Business Services	Retail & Consumer Packaged Goods	Energy	Financial Services	Healthcare & Pharma	Manufacturing	Telecom & Media	Travel, Transport Leisure
Combined Market	34%	38%	25%	30%	18%	16%	35%	36%
Managed Services	46%	36%	13%	24%	-12%	-11%	38%	25%
As-a-Service	31%	39%	45%	38%	39%	43%	32%	43%

ACV = Annual Contract Value

Special Topic - Industry

Christian Decker

Partner & Head, Smart Manufacturing

"Accelerating toward a connected and intelligent future."

Top 5 Industry-specific Trends to Watch on C-level Agendas in 2022

1	Emergence of Digital Thread	IIoT	Cybersecurity
2	ESG hits the Board Agenda	Energy efficiency	"Net Zero" / Greenhouse gas emissions
3	Monetization of Software & Services	Customer experience	Availability of skill & resources
4	Smart M&A drives focus and growth	New skills & capabilities	Captive vs. in-source
5	Building tomorrow's supply chain	Resiliency, adaptability & forecasting	Real time visibility and traceability

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The Customer Agenda in Manufacturing

I want to leverage **Digital Transformation** to optimize, manage and connect my assets, my operations **to enable connected services**

How do I converge my enterprise IT transformation to my OT landscape to arrive at an **integrated IT-OT deployment roadmap**

I need to build an **integrated operating model** with clear **roles-responsibility split**, as the current IT-OT-ET organizations operate in **silos**

The IT-OT **cultures** are so different. When is the right time, and how do I **implement a change** in the organization?

How do I select and deploy an optimum **digital technology** landscape and exploit **power of cloud**, to gain more data insights, improve operational efficiency and optimize legacy?

How do I manage my **IT-OT-ET vendor landscape** which is fragmented and tactical and not delivering required optimal value?

IT – Information Technology
OT – Operational Technology
ET – Engineering Technology

M&A Activity Impacts Both Enterprises and Providers

Industrial Companies Acquiring Software and Services		
Acquiring Firm	**Acquired Firm**	**Price (USD)**
Emerson Electric Co.	AspenTech	$11B
Hitachi	GlobalLogic	$9.6B
Samsung	Harman	$8B
Panasonic	Blue Yonder	$7.1B
Qualcomm	Veoneer	$4.5B
Rockwell Automation Inc.	Plex Systems	$2.2B
CNH Industrial	Raven Industries	$2.1B
Fortive	ServiceChannel	$1.2B
Hyundai Motor Company	Boston Dynamics	$1.1B
Siemens AG	Supplyframe	$700M
Fortive	Intelex	$570M
Siemens	Fractal Technologies	$500M

Service Providers Acquiring ER&D Capabilities		
Acquiring Firm	**Acquired Firm**	**Price (USD)**
Capgemini	Altran	$4.0B
Adecco	Akka Technologies	$2.4B
DXC	Luxoft	$2B
Concentrix	ProKarma (PK)	$1.6B
Accenture	Umlaut	$1B
ÅF AB	Pöyry	$700M
Cognizant	Softvision	$500M+*
Akka Technologies	Data Respons	$400M+*
Accenture	Imaginea	$200M+*
HCL	GeometricPLM	$190M
EPAM Systems	Dextrys	$150M+*
Cognizant	ESG Mobility	$100M+*

Includes pending M&A activity
*Estimate

Summary: What Does This Mean for You?

1. The verticalization across IT-ET-OT toward a product-oriented E2E agile enterprise impacts the strategy, implementation and ultimately delivery models.

2. Tech spending in manufacturing will continue to increase as digital twins, digital transformation, cybersecurity and supply chain insights drive market.

4Q21 ISG Index – Summary and Outlook

Summary

Strong Demand Environment in Managed Services

- Managed Services up 16% , with the Americas posting its best year ever.
- ADM, ER&D combined to generate over $5B in ACV versus 2020; offsetting the 11% decline in legacy infrastructure awards.

Consistent Highs in XaaS but Slowing in 4Q

- Record-setting ACV results for both Saas and IaaS with at least 30% annual gains across each region.
- In 4Q21, both segments of XaaS slowing sequentially.

Outlook

Managed Services Forecast

- Solid pipeline of deals with an emphasis on digital transformation, cloud and data and analytics.
- Projected growth in 2022 will not match 2021 but will still be 2.5x the historical industry average growth rate from 2010-2020.

5.1%
2022e

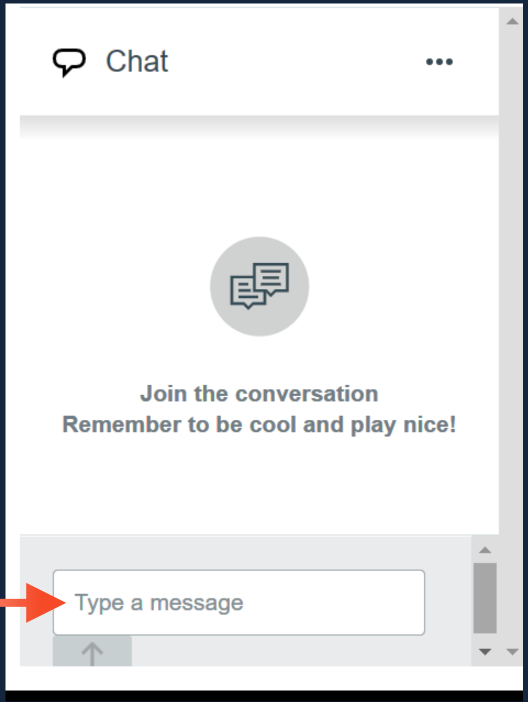
As-a-Service Market Forecast

- IaaS market leadership has narrowed with Big 3 firmly protecting share; SaaS market is more democratized with smaller firms growing at a faster pace than Top 10 firms.
- Headwinds are front and center, but those companies with secular growth themes and pricing power will still outperform.

20%
2022e

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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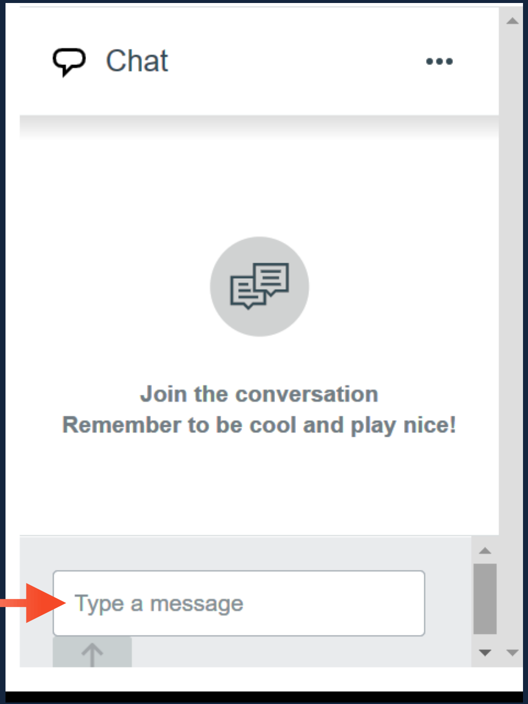

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Broadcast Scheduled for April 6, 2022
Mark Your Calendars!

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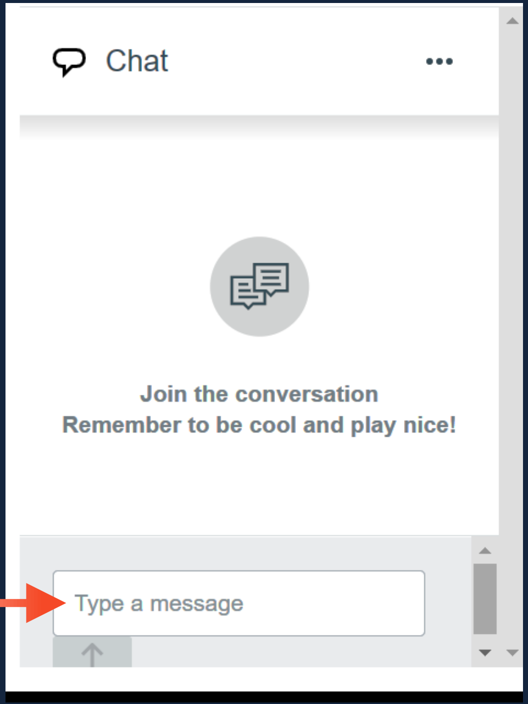

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The 77th Quarterly

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Appendix

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 Capgemini Cognizant DXC Technology HCL Infosys Kyndryl* NTT Data Tata Consultancy Services	CGI Concentrix Conduent * Genpact Global Payments Hitachi Vantara OptumInsight Sitel Group Tech Mahindra Teleperformance* Wipro	EPAM Systems Exela Technologies LTI Mindtree Mphasis Rackspace TTEC Unisys	Birlasoft Coforge Ensono EXL GEP Globant HGS L&T Technology Services Persistent Systems Softtek WNS Global Services
As-a-Service Market	Adobe Systems Amazon Web Services Google Cloud Microsoft Salesforce	Equinix Intuit ServiceNow Workday	Akamai* Palo Alto Networks RingCentral Shopify Splunk Twilio UKG	Atlassian* CrowdStrike HubSpot* Snowflake Computing Zoom Video Communications

* New to leaderboard in 4Q21

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

Service & Technology Provider Standouts – EMEA

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As-a-Service Market	Amazon Web Services Google Cloud	Microsoft SAP*	Autodesk Equinix	United Internet* Vmware	Nice Systems Palo Alto Networks*	Shopify* Twilio	Atlassian DigitalOcean Global Switch IFS AB*	Okta* OVH Visma Zscaler

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Service & Technology Provider Standouts – Asia Pacific

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Managed Services Market	Accenture Capgemini DXC Technology IBM Infosys NEC* Tata Consultancy Services	Amdocs CGI Genpact IT Holdings (TIS)* Nomura Research Institute* Samsung SDS Serco* Tech Mahindra Wipro	Digital China LG CNS* Mindtree Neusoft NS Solutions* Rackspace SCSK* SK C&C* transcosmos TTEC Unisys	Beyondsoft* Chinasocft* Data#3 HGS* PCCW Solutions* SSsangyong Information & Communications* Taiji Computer WNS Global Services
As-a-Service Market	Alibaba Amazon Web Services Baidu* China Telecom Google Cloud Huawei Microsoft Tencent	Autodesk Citrix Dassault Systemes Equinix ServiceNow Telstra	Palo Alto Networks Sage* Splunk Twilio	21Vianet Atlassian Corporation DigitalOcean Global Switch Keppel DC REIT Kingdee Xero

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