



SECOND QUARTER 2020

Managed Services and As-a-Service Market Insights

HOSTED BY: MOSHE KATRI, WEDBUSH SECURITIES

July 8, 2020

imagine your future®

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Welcome to the 71st Quarterly

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

At a Glance

Global Combined Market

Combined Market ACV fell nearly 5% Y/Y; Managed Services was weaker during the first half of the quarter, declining 16% Y/Y; As-a-Service ACV improved 7% with IaaS growth offsetting softer SaaS results

Impact of COVID-19

COVID impact highlighted at end of March worsened in April; businesses began to slowly emerge in May and June from the lockdown but with a digital mandate; the pandemic has accelerated digital business initiatives

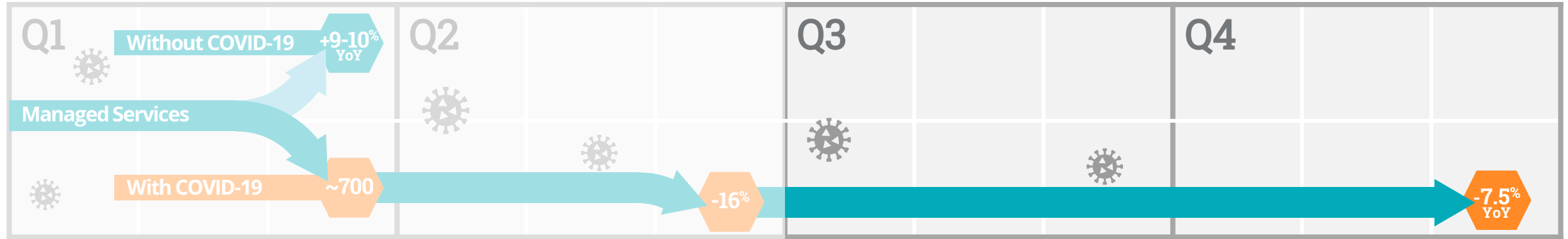
Regional Perspective

The Americas was up based on a very weak comparison with 2Q19 while EMEA and Asia Pacific fell as Managed Services and SaaS weighed on results; IaaS growth, while still positive, slowed to just over 10% with the three largest hyperscalers continuing to outpace the market

Scorecard

	2Q20 ACV (\$B)	2Q Y/Y Change	1H20 ACV (\$B)	1H Change
Global Commercial Combined Market	13.2	-4.7%	28.2	1.9%
By Type				
Managed Services	6.0	-15.7%	12.8	-7.1%
As-a-Service	7.2	6.9%	15.4	10.7%
By Region				
Americas Combined	6.8	6.5%	14.6	9.4%
EMEA Combined	4.5	-9.4%	9.5	-2.2%
Asia Pacific Combined	1.9	-24.4%	4.1	-11.3%

Impact of COVID-19 on the Managed Services Market



First Quarter

- Managed Services was depressed 700 basis points
- Managed Services ACV was on track for 9-10% rise Y/Y
- As-a-Service impacted minimally; IaaS saw brief surge due to WFH mandate

Second Quarter

- Managed Services was down 16% Y/Y as industry focuses on operational resiliency
- SaaS providers down 2% Y/Y and down 11% Q/Q on fewer license deals
- IaaS providers, led by hyperscalers, grew 10.5% Y/Y with significant moves to public cloud

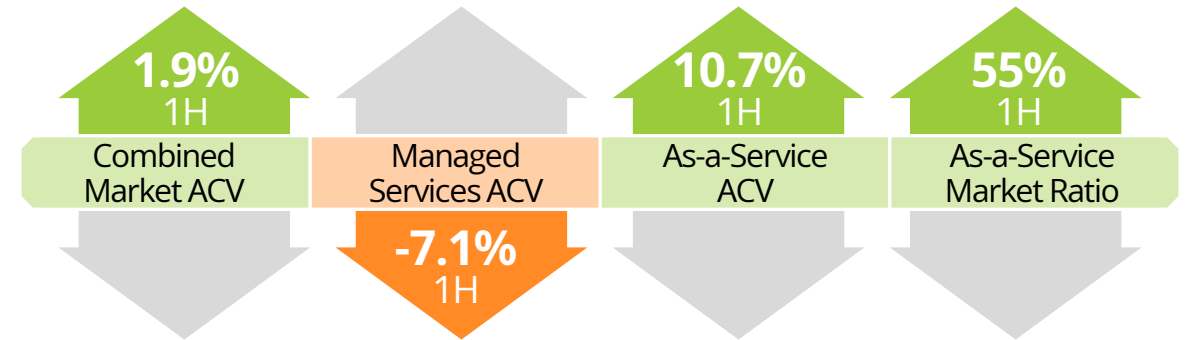
Second Half

- Managed Services will have slow recovery in 2H – projected to be up 3% Q/Q
- Overall ACV for the year forecasted to drop 7.5% Y/Y
- Digital transformation still likely to accelerate post-COVID, but at a slower pace
- As-a-Services spending likely to shift to cybersecurity, cloud migration, collaborative tools

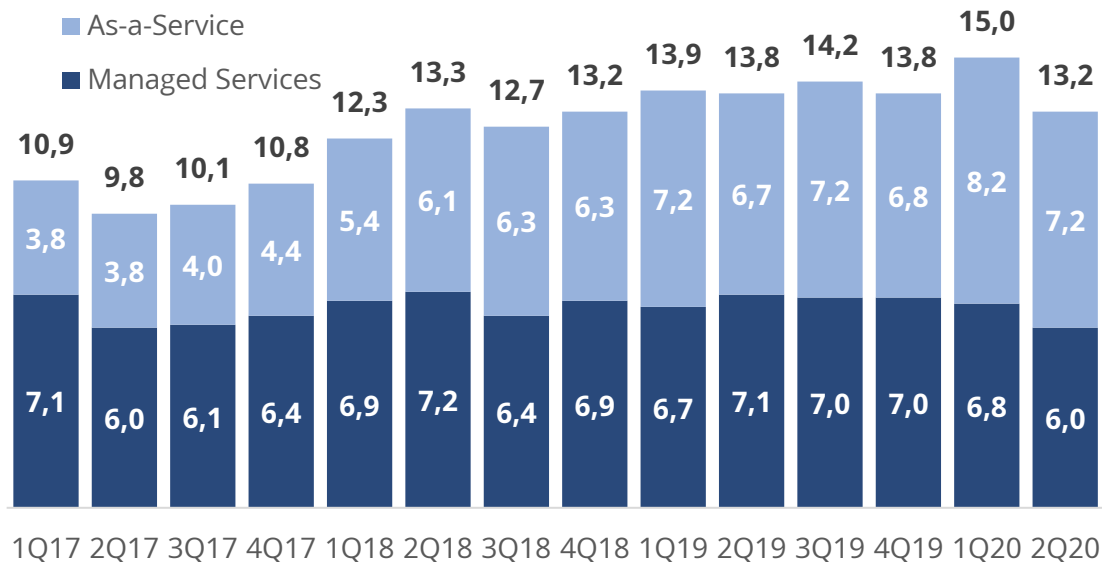
Global Commercial Sector

Quarterly Trends

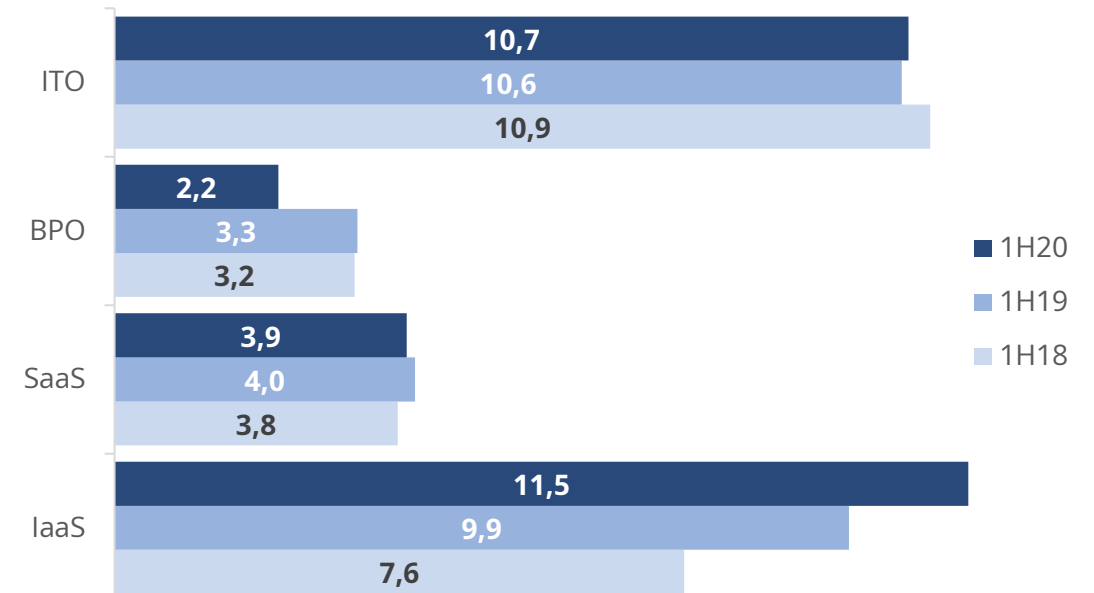
- Combined Market fell nearly \$2B sequentially to a little over \$13.2B, its lowest level since 4Q18
- Managed Services was down in the mid-teens both Y/Y and Q/Q as large deal activity was either delayed or canceled
- Largest Public Cloud providers (AWS, Azure, Google) grew ACV by 16% Y/Y, outpacing growth in the As-a-Service market



Combined Market Quarterly ACV (\$B)



Global Commercial Sector ACV by Function (\$B)





Service & Technology Provider Standouts – GLOBAL

Our Contracts 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 Global Services	Amdocs	OptumInsight	EPAM Systems	Mphasis	Birlasoft *	EXL
Atos	Infosys	Bechtle	Tech Mahindra	JLL	Sutherland	CSG Systems	Globant
Capgemini	NTT Data	Computacenter	Teleperformance	LTI	TietoEvry *	Ensono	Persistent Systems
Cognizant	TCS	Genpact *	T-Systems	Mindtree	Unisys		
DXC Technology		Global Payments	Wipro	MITIE *	Virtusa		
		HCL					
As-a-Service Market							
Alibaba	Microsoft	Adobe Systems	ServiceNow	ACI Worldwide *	Digital Realty	Atlassian	OVH
Amazon	Salesforce	Equinix	Workday	Allscripts	Twilio *	CyrusOne	QTS *
Google	Tencent *			Autodesk		DocuSign	RingCentral
						Flexential	Veeva Systems *
						Okta *	

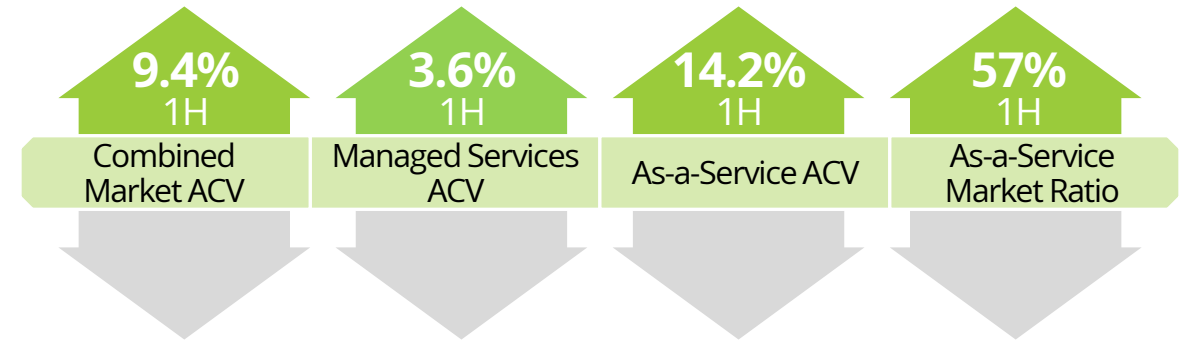
* New to leaderboard in 2Q20

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

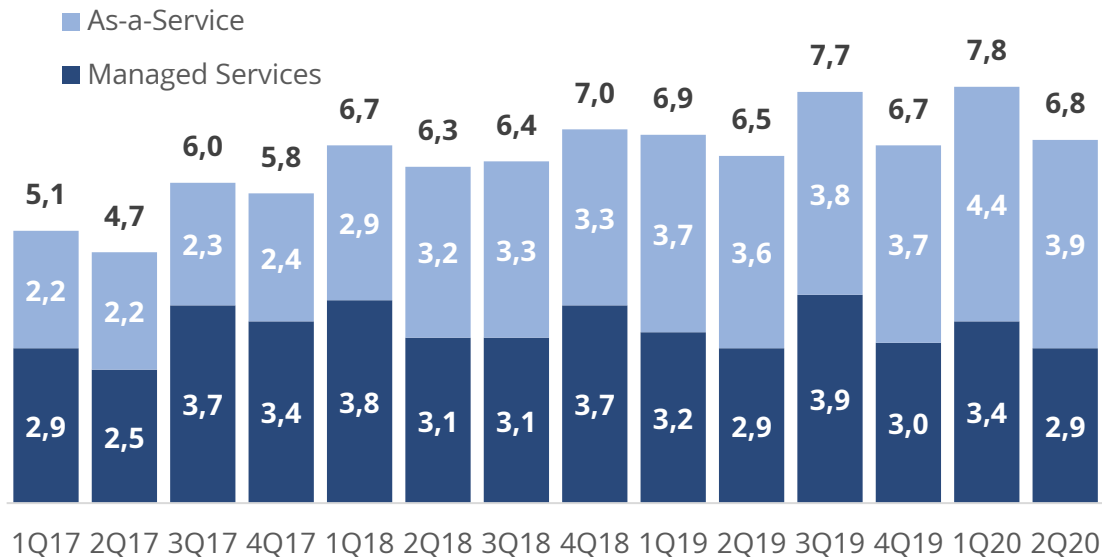
Americas Commercial Sector

Quarterly Trends

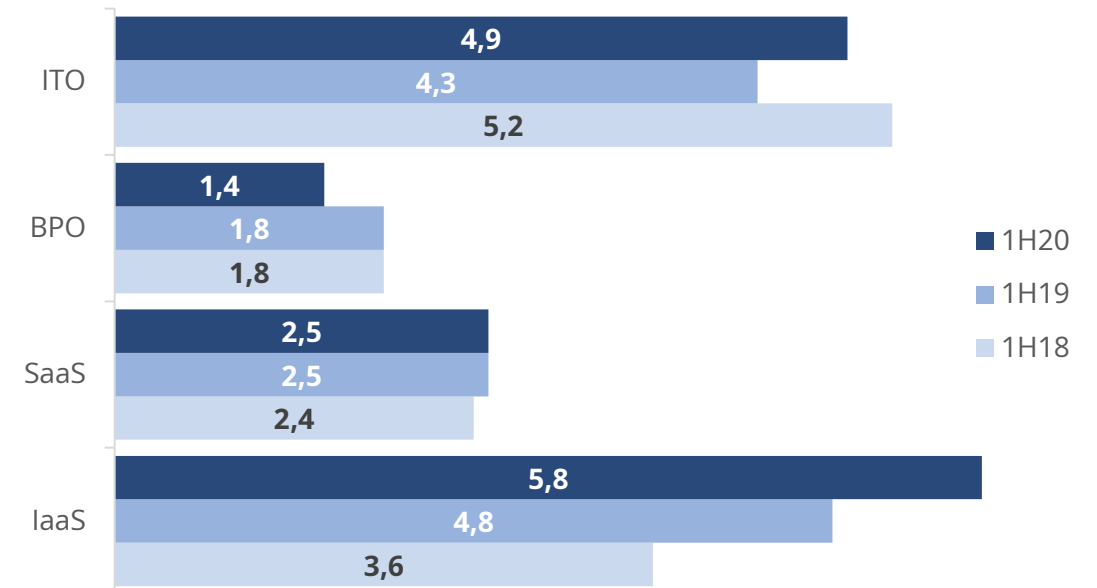
- 2Q20 Combined Market Y/Y gains were against a weaker 2Q19
- Managed Services declined 12% versus five-quarter average
- As-a-Service ACV dipped below \$4B but still rallied to finish up 11% Y/Y



Combined Market Quarterly ACV (\$B)



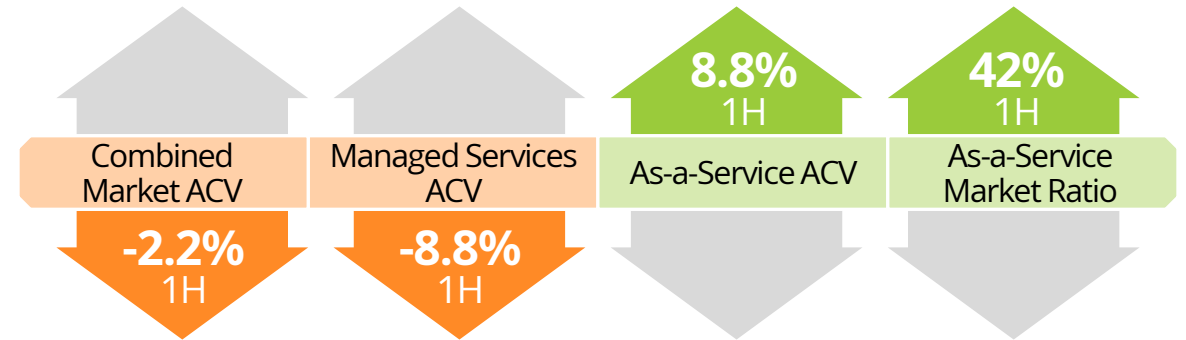
Americas Commercial Sector ACV by Service Type (\$B)



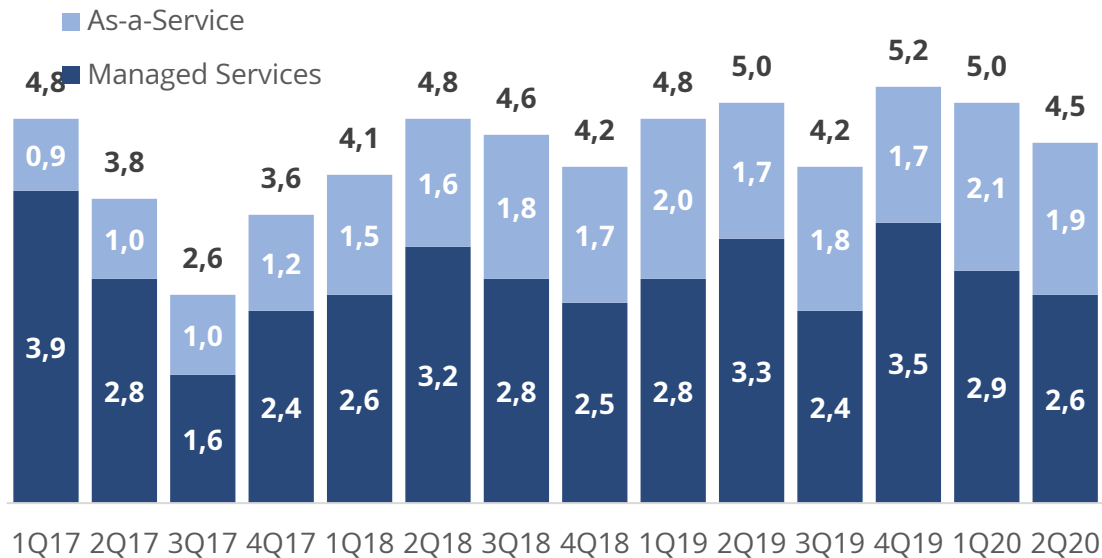
EMEA Commercial Sector

Quarterly Trends

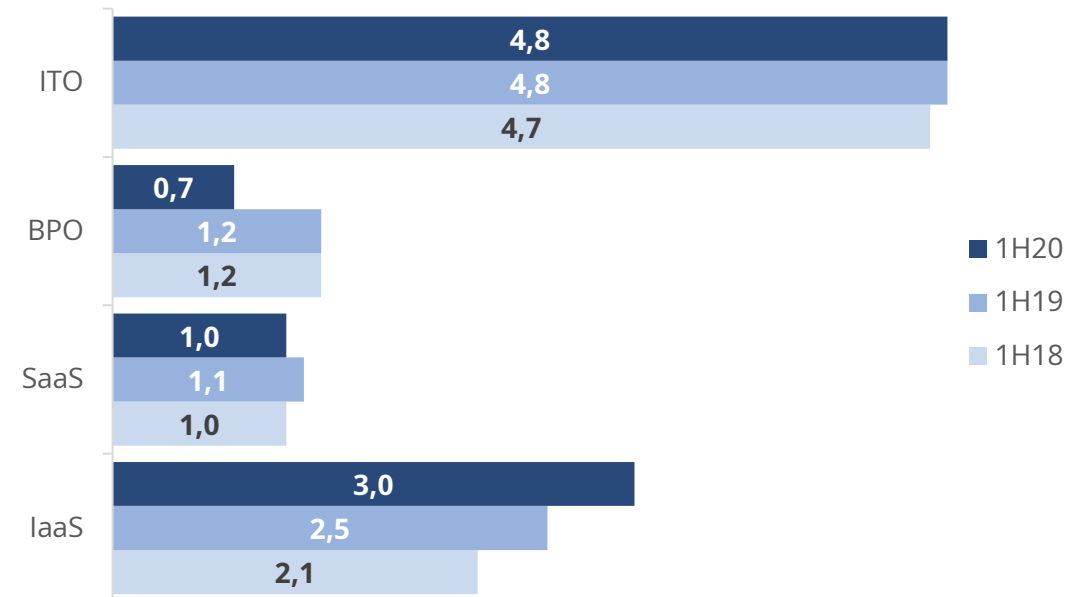
- Combined Market ACV registered back-to-back quarterly declines for the first time since 2018
- Managed Services ACV fell by double digits both sequentially and Y/Y
- As-a-Service ACV was up 13% Y/Y pulled ahead by a 23% gain in Infrastructure-as-a-Service



Combined Market Quarterly ACV (\$B)



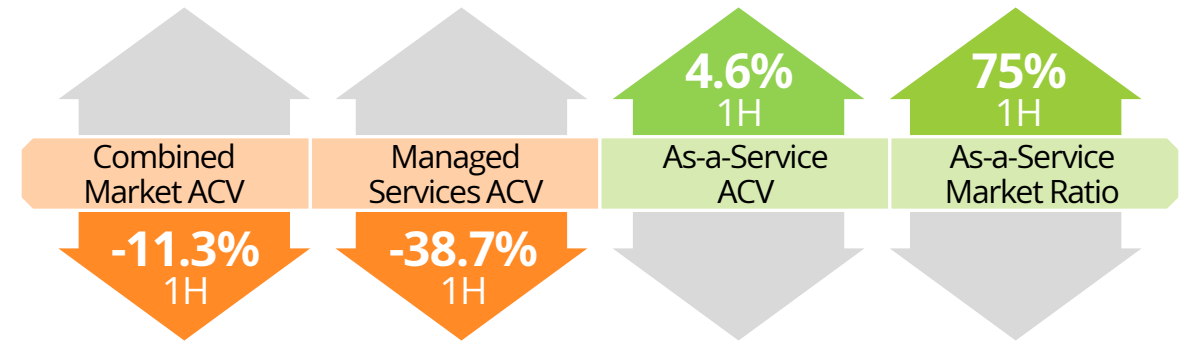
EMEA Commercial Sector ACV by Service Type (\$B)



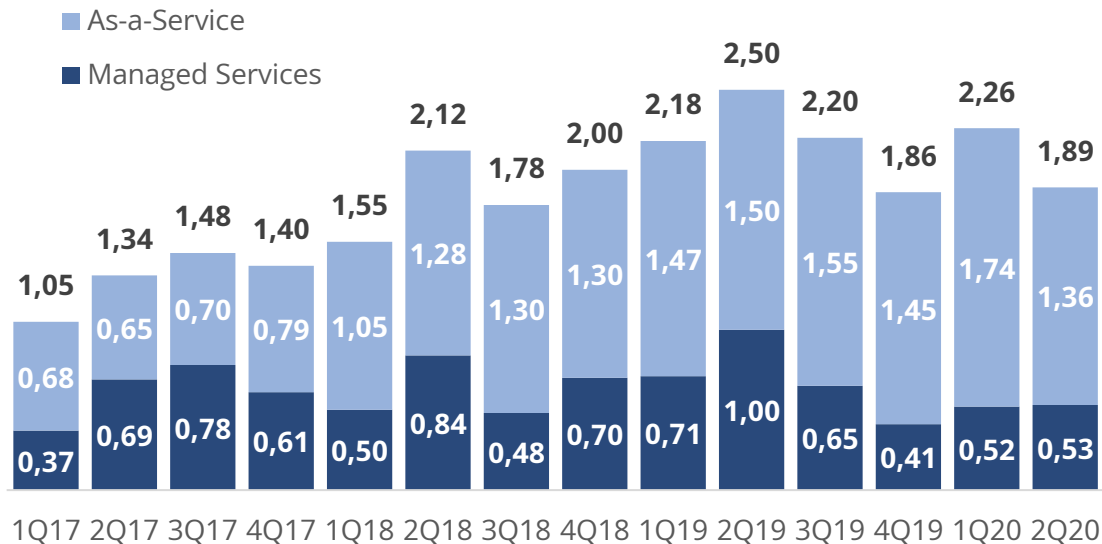
Asia Pacific Commercial Sector

Quarterly Trends

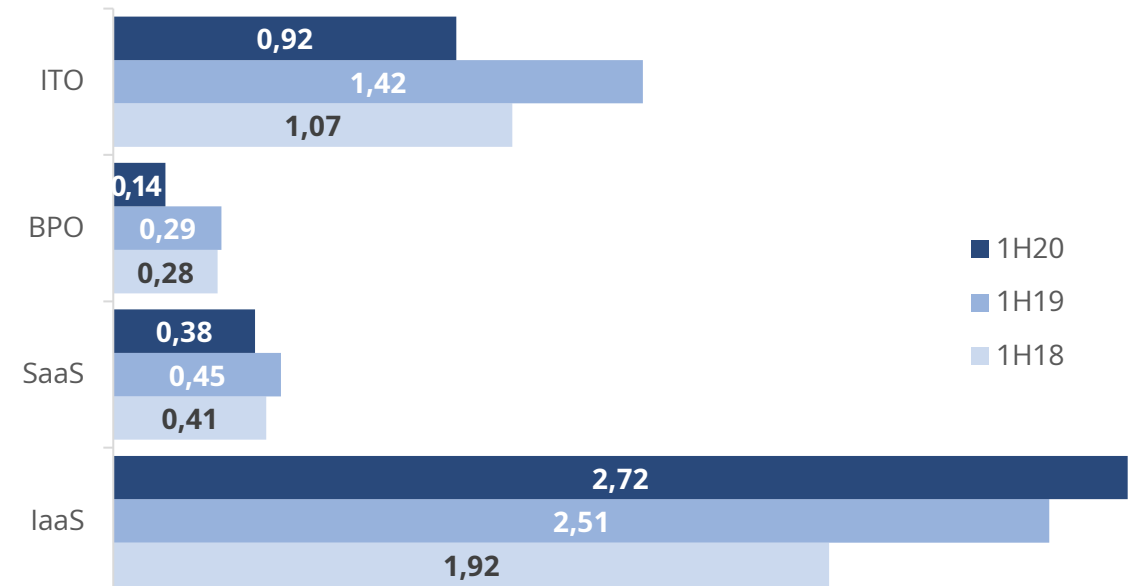
- Managed Services ACV was down significantly Y/Y due to a very strong 2Q19, which had three mega-deals
- Number of Managed Services awards (57) was the most seen since 4Q18 but it was confined to lower ACV bands
- As-a-Service market fell back to levels not seen since 4Q18












Combined Market Quarterly ACV (\$B)



Asia Pacific Commercial Sector ACV by Service Type (\$B)



Global Commercial Sector Industry Award Trends

1H20 Y/Y Growth	Global Broader Market 	Business Services 	Retail & Consumer Packaged Goods 	Energy 	Financial Services 	Healthcare & Pharma 	Manufacturing 	Telecom & Media 	Travel, Transport Leisure 
	\$28.21B ACV	\$5.29 ACV	\$3.39B ACV	\$1.82B ACV	\$5.57B ACV	\$2.65B ACV	\$4.31B ACV	\$2.72B ACV	\$2.47B ACV
Combined Market	2%	18%	7%	9%	-11%	6%	1%	-2%	-3%
Managed Services	-7%	35%	-3%	12%	-25%	4%	2%	-9%	-17%
As-a-Service	11%	15%	13%	4%	17%	10%	0%	6%	10%
Americas	9%	18%	4%	4%	11%	7%	8%	5%	9%
EMEA	-2%	13%	14%	10%	-29%	15%	11%	4%	-2%
Asia Pacific	-11%	23%	6%	27%	-29%	-13%	-33%	-26%	-36%

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Emerging Trends in BPO

"If you have a great customer experience, you won't need customer service. Customer service is insurance for breakdowns in the customer experience."



Scott Furlong
Partner, ISG
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Michael Fullwood
Partner, ISG
Business Services

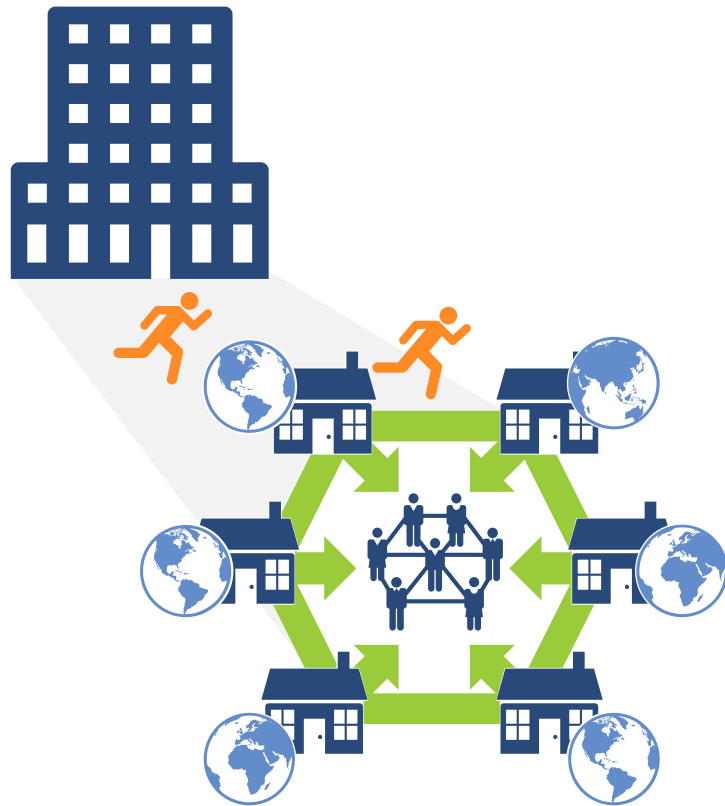
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Contact Centers

Flexible Work-From-Home Teams Work Pretty Well

Creative, flexible workforces for increased resilience on an ongoing basis



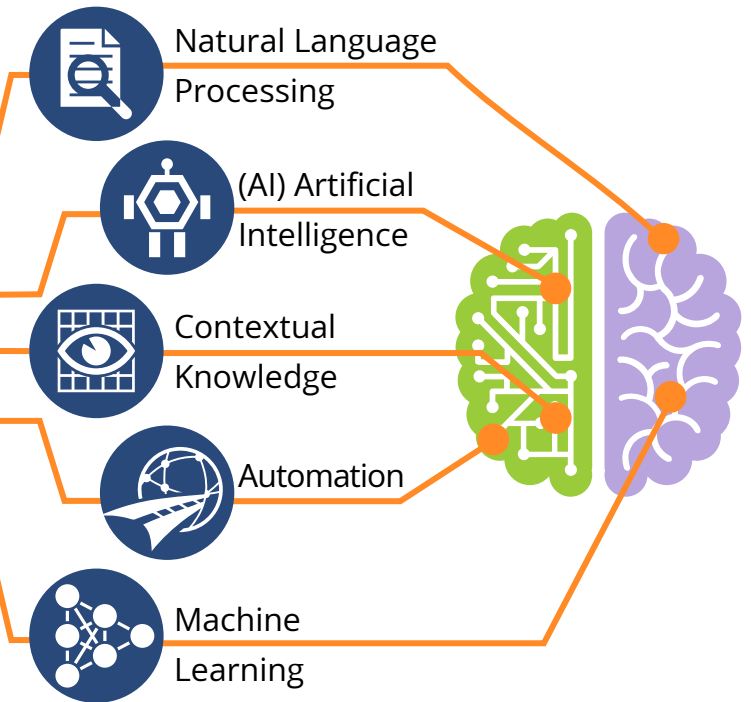
One Path of Mass Customization and Multi-channel Options

The ultimate goal is a proactive cognitive contact center



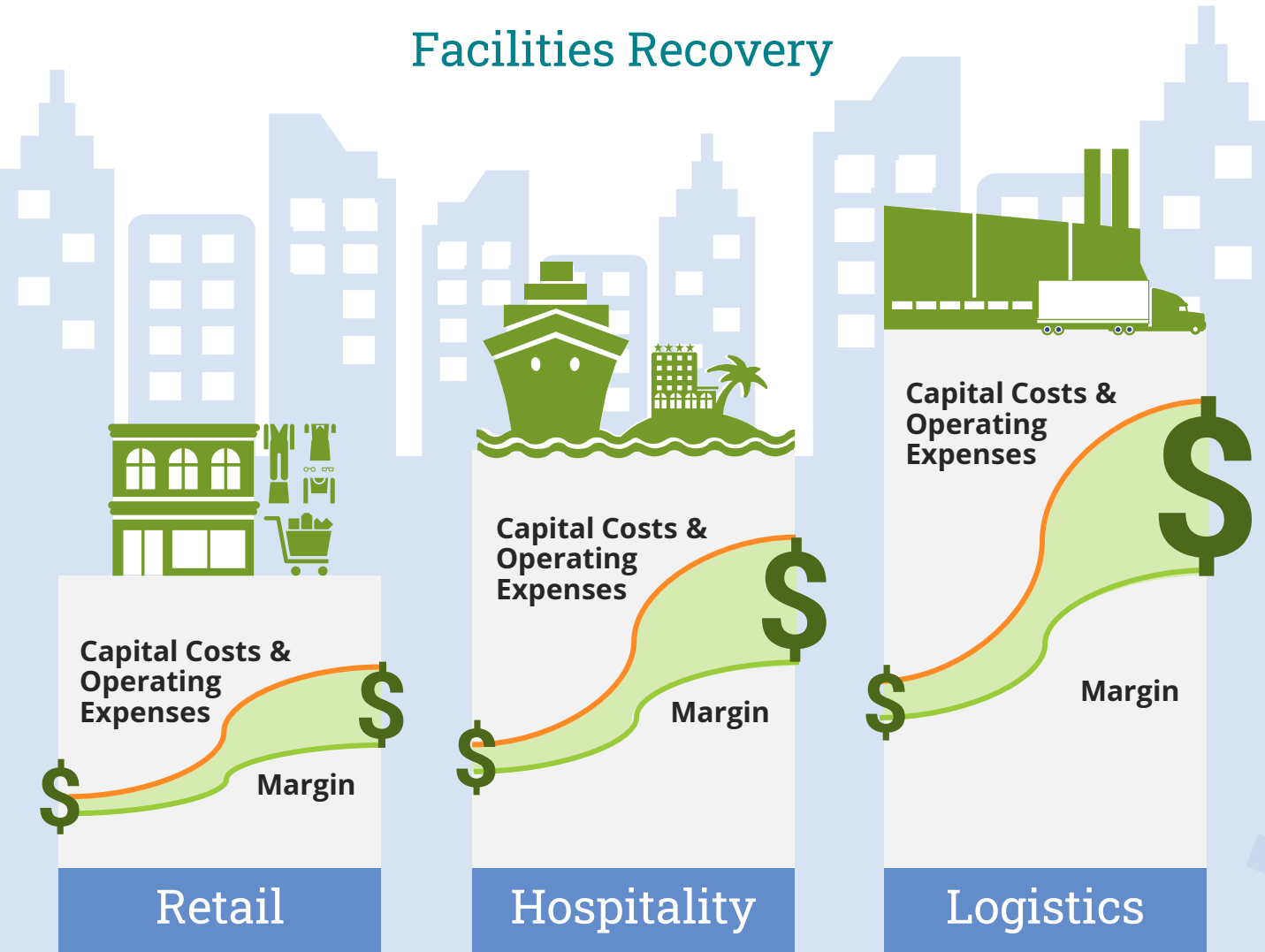
Enterprise Workforces Will Mix Bots & Humans

Enhancing customer experience is the name of the game



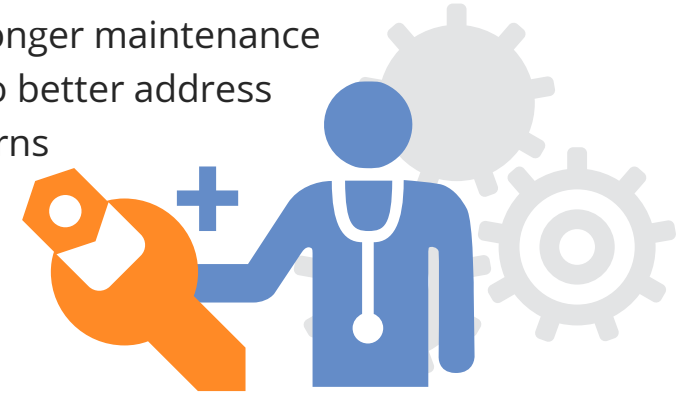
Facilities Management

Facilities Recovery



Facilities Management Agreements

Will have stronger maintenance obligations to better address health concerns



Strong Future for Co-working & Flex-space Models

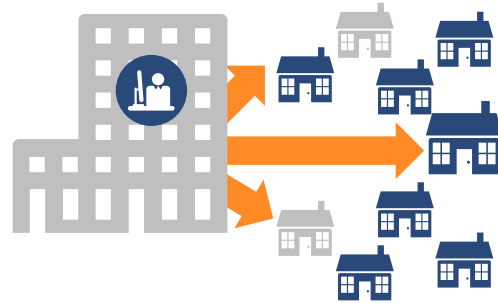
Particularly in their ability to protect service providers against events like a pandemic



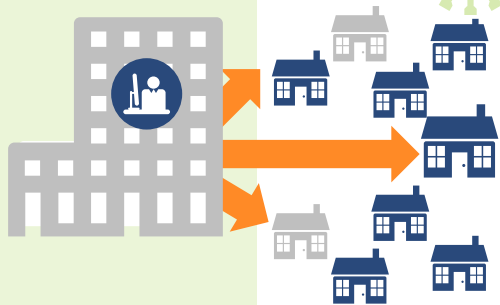
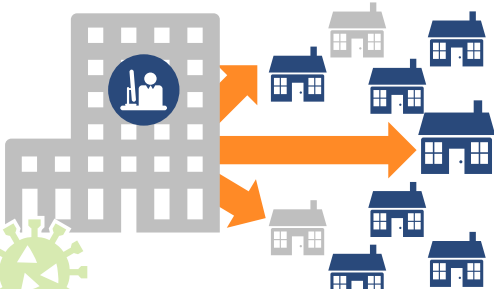
Monetization of Captives

Providers Were Able to Quickly Enable Employees to Work-From-Home

Most service providers were able to stand up a remote workforce in a matter of days



COVID-19
Horizon



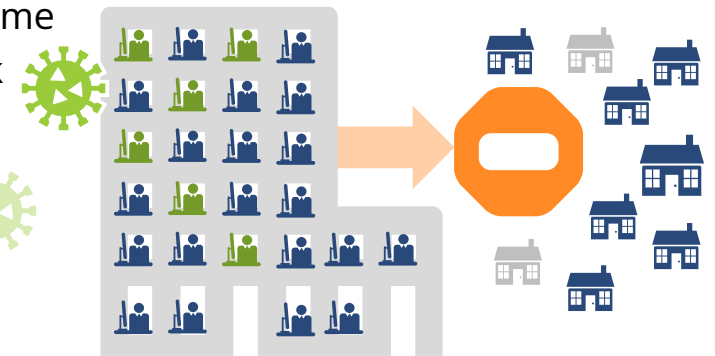
Providers Have Found

Employees have been productive working from home, and operations have improved



Captives Have Not Been as Resilient as Service Providers

This has prompted some enterprises to rethink their captive strategy



*ISG Index™ Insider

Impact of Recent H-1B Executive Order

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2Q20 ISG Index™



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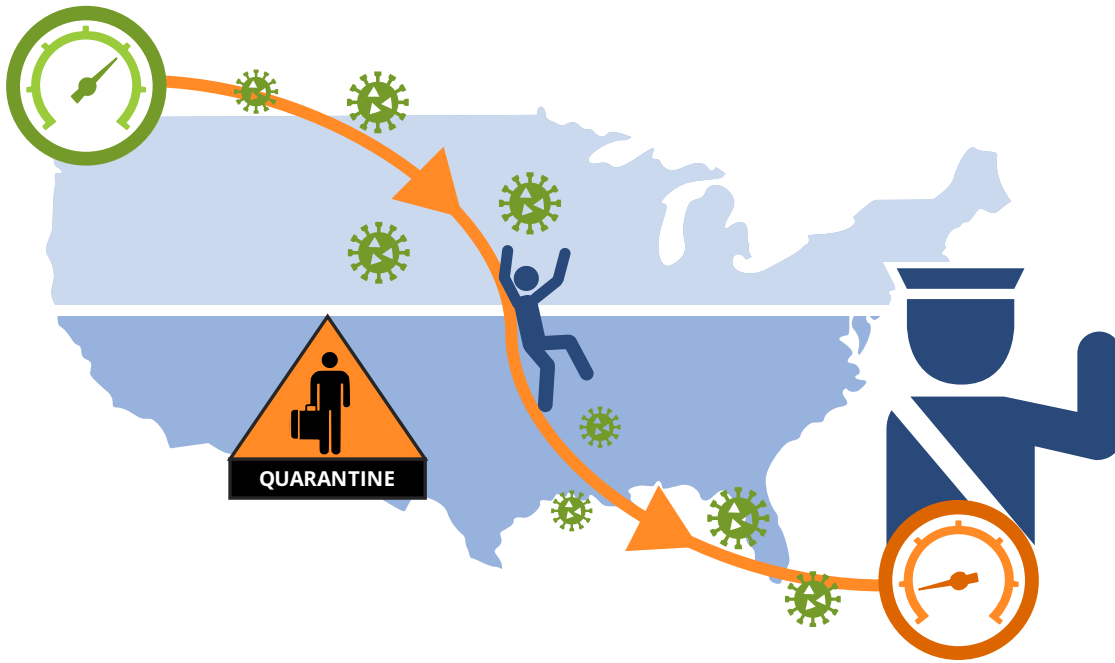
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What's Happening With H-1Bs?

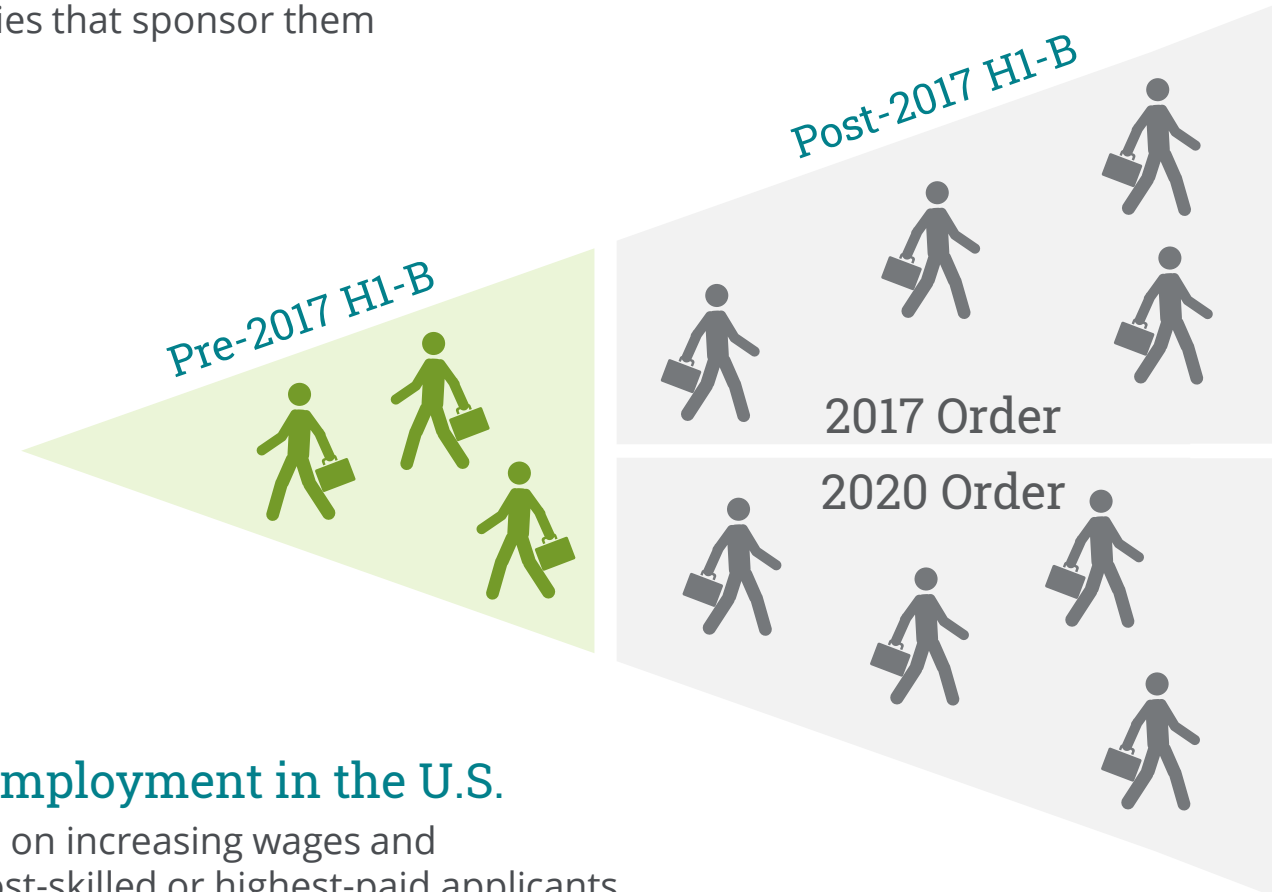
The 2020 H-1B Order

- Limited to new H-1B requests and individuals yet to enter the country
- Current U.S. H-1B holders may not be able to return due to COVID-19 restrictions
- Creating anxiety for H-1B holders, their families and companies that sponsor them



The 2017 H-1B Order

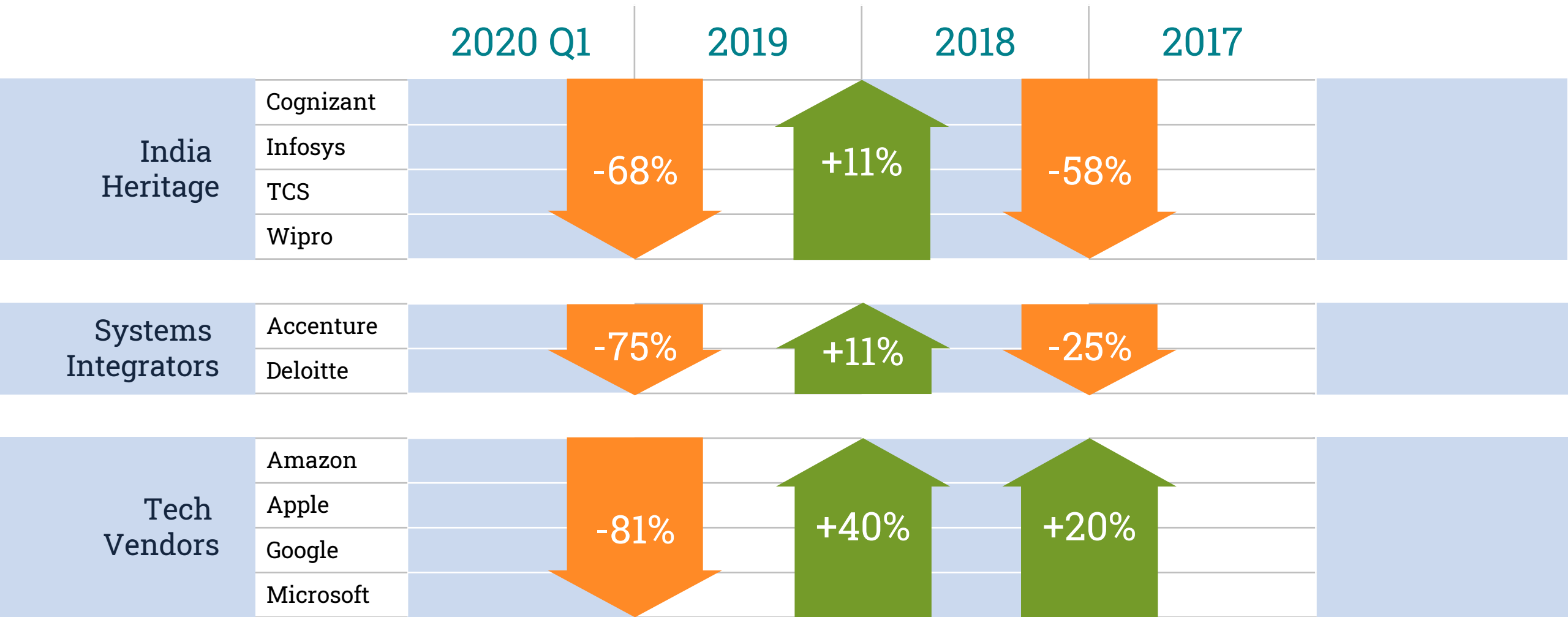
President Trump enacted "Buy American, Hire American"



The Pandemic Is Creating Record Unemployment in the U.S.

These federal orders were issued with a focus on increasing wages and employment rates by focusing H-1B approvals on the most-skilled or highest-paid applicants.

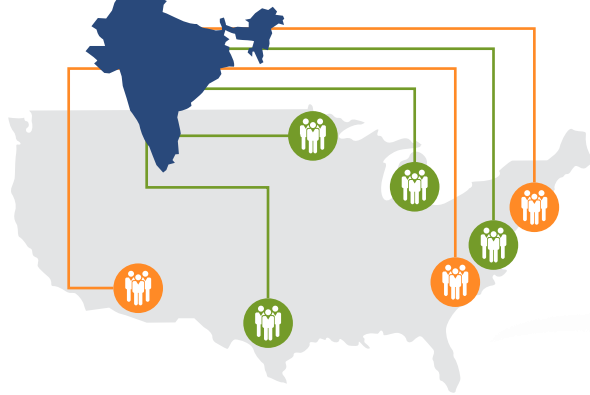
Annual Trends for the Top 10 H-1B Petitioners*



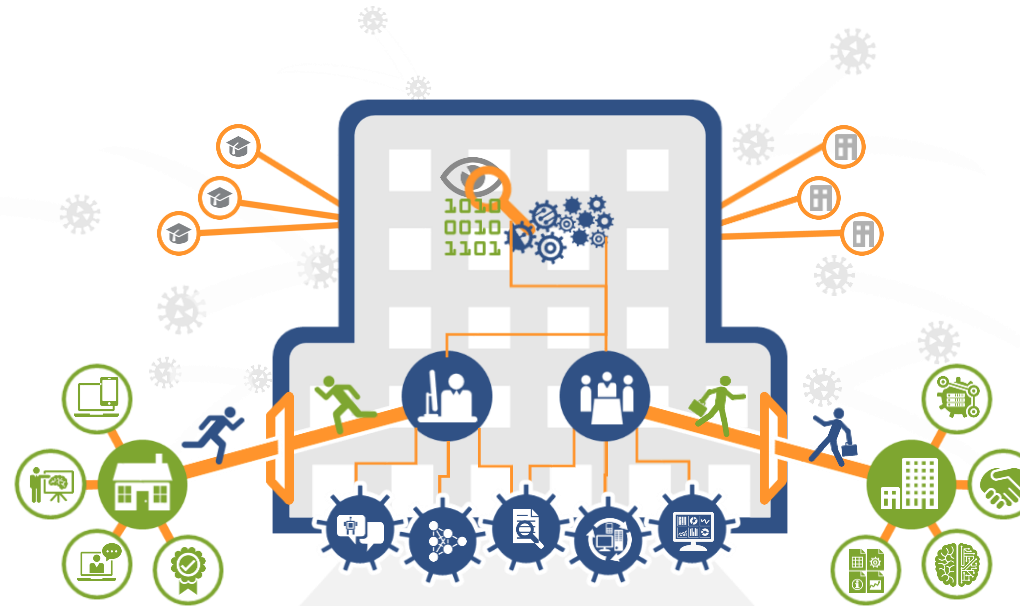
* Source: U.S. State Department

Services Firms Have Been Preparing for Policy Changes

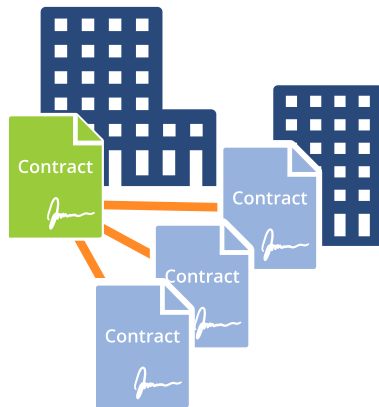
Nearshore Hiring



Mitigating Risks Through Technology and Hiring Practices



Tapping U.S.-based Subcontracting Firms



Automation and Labor Arbitrage



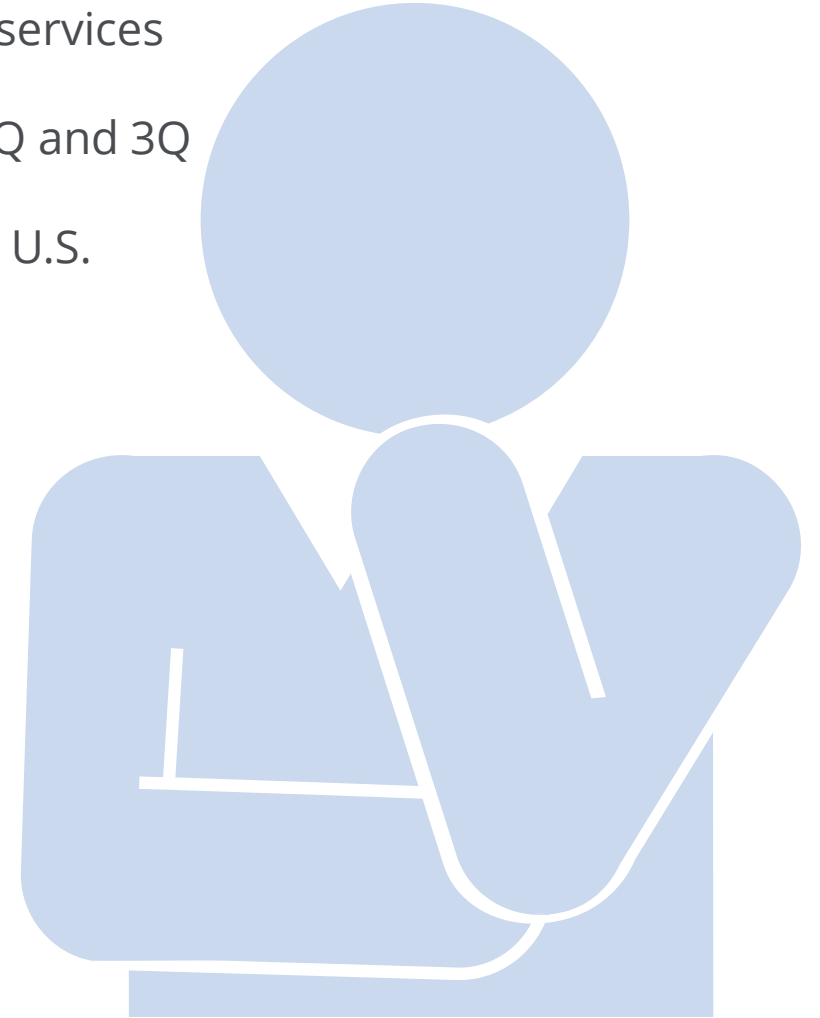
Building College Recruiting Pipelines



Operational Resilience Through Digital Transformation

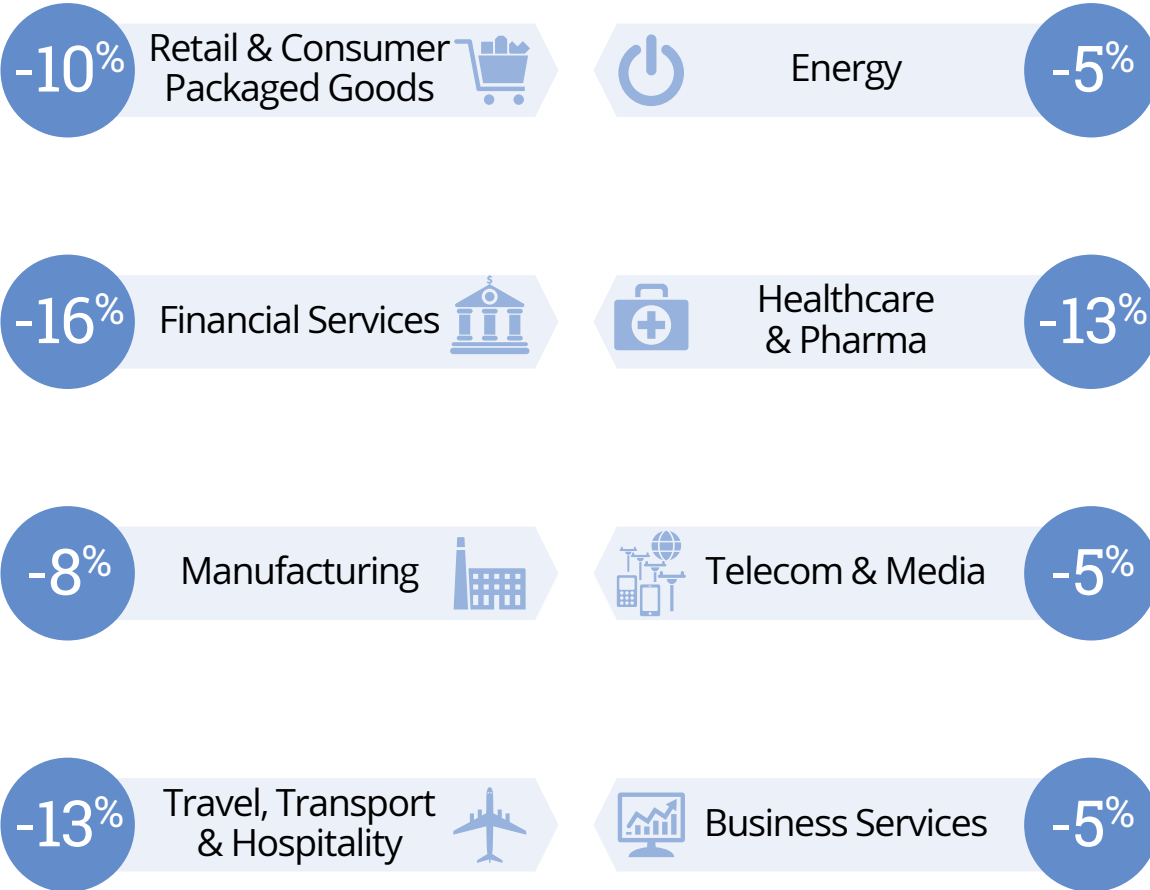
In Summary . . .

- **Order is limited to new H-1B requests** and those H-1B holders yet to enter the country
- **India Heritage Firms:** Negligible short-term impact on support services
- **Systems Integrators:** Could see impact on projects starting in 2Q and 3Q
- **Technology Vendors:** May increase high-end talent use outside U.S.
- **Administration evaluating more restrictions including:**
 - Creating a new definition for “specialty occupation”
 - Requiring an advanced degree
 - Decreasing the duration of the H-1B visa
- **Existing order likely in place through 1Q20;**
Future depends on fall elections

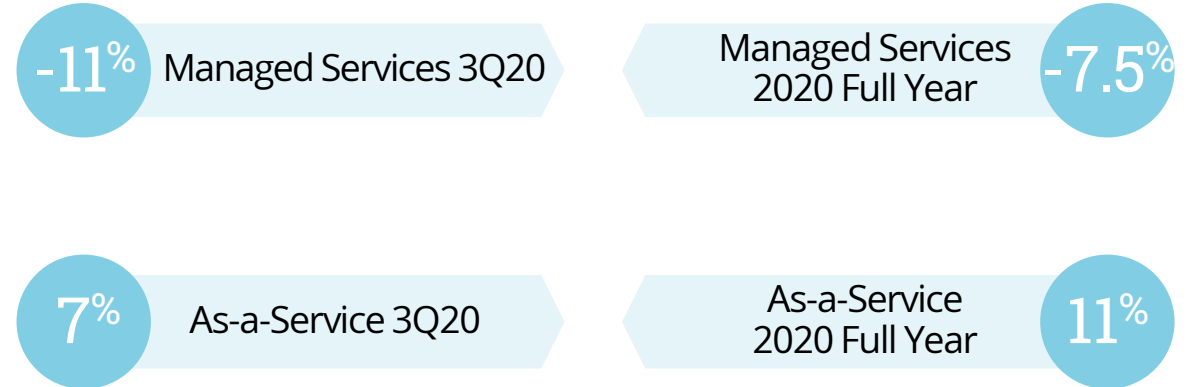


Summary and Outlook

Q3 Outlook



Revised Market Outlook (3Q Y/Y and Full Year)



Trends Outlook

- Further Impact of the COVID-19 pandemic is still uncertain due to possible second wave of infections
- Number of larger transactions will continue to be down as clients focus on business resiliency and operational issues

Want to Ask a Question?

1. Click the "Listen by Phone" button.
2. The phone number and passcode will appear, and the web streaming to your computer will be automatically muted.
3. After you dial in, the operator will ask you for your name and company.
4. Now press *1 to be added to the queue.

Your Webcast Screen



ISG's 3Q20 Index Call
is scheduled for:

**October
7th**

Mark Your Calendars!

***ISG** Index™ 2Q20

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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.

Scorecard

	2Q20 TCV (\$B)*	2Q Y/Y Change	1H TCV (\$B)*	1H Y/Y Change
Global Commercial Combined Market	27.6	-17%	61.0	-8%
By Type				
Managed Services	16.8	-27%	37.8	-14%
As-a-Service	10.9	4%	23.2	6%
ITO	13.0	-21%	31.1	-6%
BPO	3.8	-41%	6.7	-40%
IaaS	5.3	11%	11.4	16%
SaaS	5.5	-2%	11.8	-3%
By Region				
Americas Combined	13.9	-5%	29.7	3%
EMEA Combined	10.7	-22%	23.7	-14%
Asia Pacific Combined	3.1	-40%	7.6	-22%

*Contracts with TCV ≥ \$25M from the ISG Contracts Knowledgebase™



Service & Technology Provider Standouts – AMERICAS

Our Contracts 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 Atos Capgemini Cognizant	DXC Technology IBM Global Services Infosys NTT DATA TCS Verizon *	Amdocs Cushman & Wakefield Genpact * Global Payments * HCL	OptumInsight SS&C Technologies Tech Mahindra Teleperformance Wipro	EPAM Systems JLL LTI Mindtree Mphasis	Sutherland TTEC Unisys Virtusa	Birlasoft * CSG Systems Ensono EXL Globant * Persistent Systems	
As-a-Service Market							
Amazon Google Microsoft Salesforce	Adobe Systems Equinix	Paychex ServiceNow Workday	ACI Worldwide* Allscripts Autodesk	Digital Realty Twilio * Ultimate Software	Ceridian HCM Coresite * CyrusOne Docusign * Flexential	HubSpot* Paycom QTS * RingCentral	

* New to leaderboard in 2Q20

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



Service & Technology Provider Standouts – EMEA

Our Contracts 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	DXC Technology	Amdocs	SoftwareOne *	Alten	LTI	adesso AG *	HH Global
Atos	IBM Global Services	Bechtle	Sopra Steria	Arqiva *	Mindtree	Digita	NNIT A/S
BT Group	Infosys	Computacenter	Tech Mahindra	Asseco	MITIE	EXL	Persistent Systems *
Capgemini	ISS Global	HCL	Teleperformance	Cancom	Reply *	Fastweb	QIWI
Cognizant	TCS	Orange Business Services	T-Systems	EPAM Systems *	TietoEVRY	HGS *	WNS *
			Wipro	JLL	Unisys		
					Virtusa		
As-a-Service Market							
Amazon	Salesforce	Adobe Systems		ACI Worldwide *		Atlassian Corporation *	
Google	SAP	Equinix				DocuSign	
Microsoft		ServiceNow *				OVH	
		VMWare *				Veeva Systems *	
						Visma	

* New to leaderboard in 2Q20

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Service & Technology Provider Standouts – Asia Pacific

Our Contracts 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	Hitachi	Amadeus	Nomura Research Institute	Digital China	SCSK	Beyondsoft	Fuji Soft
Capgemini *	IBM Global Services	Amdocs	Orange *	JLL	Sutherland	ChinaSoft	Relia
Cognizant	NTT Data	Genpact	Sodexo	Neusoft	transcosmos	Data#3 *	Shinsegae I&C
DXC Technology	TCS	HCL	Tech Mahindra	Nihon Unisys	TTEC	Empired *	Taiji Computer
		IT Holdings (TIS)	T-Systems*	NS Solutions	Unisys		
		ITOCHU Techno-Solutions	Wipro				
As-a-Service Market							
Alibaba	Microsoft	Adobe Systems		ACI Worldwide *	Sage	Atlassian	Xero
Amazon	Salesforce *	Equinix		Autodesk	Twillio *	Docusign *	Zendesk *
Google	SAP *	ServiceNow *		DropBox *		Kingdee	Zoho Corp.
	Tencent					Veeva Systems	

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