EMEA Sourcing and As-a-Service Market Insights

SECOND QUARTER AND FIRST HALF 2017

Hosted by: John King, Bank of America, Merrill Lynch

17 July 2017

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Welcome to the 59th Quarterly EMEA ISG Index

Covering the state of the combined traditional sourcing and as-a-service industry for the EMEA commercial market.

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Global As-a-Service Approaching Parity with Traditional Sourcing

As-as-Service now 41% of global market and growing

2Q17 combined ACV reaches €7.5 billion, up 9%, fueled by As-a-Service growth of 32%

Americas ACV edges up as strong growth in As-a-Service offsets drop in traditional sourcing

EMEA and Asia Pacific both turn in double-digit ACV growth

At a Glance

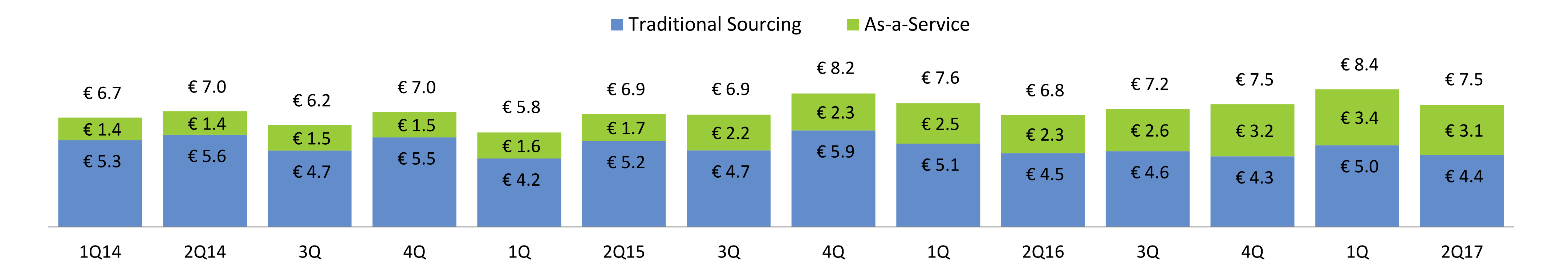
Scorecard		2Q17 ACV (€B)*	2Q Y/Y Change	1H17 ACV (€B)*	1H Y/Y Change
Global Commercial Combined Market		€ 7.5	9%	€ 15.8	10%
By Type	Traditional Sourcing	€ 4.4	-3%	€ 9.3	-2%
	As-a-Service	€ 3.1	32%	€ 6.5	36%
By Region	Americas Commercial	€ 3.6	2%	€ 7.6	6%
	EMEA Commercial	€ 2.8	13%	€ 6.3	13%
	AP Commercial	€ 1.1	24%	€ 2.0	20%

*Contracts with ACV ≥ €4M from the ISG Contracts Knowledgebase™

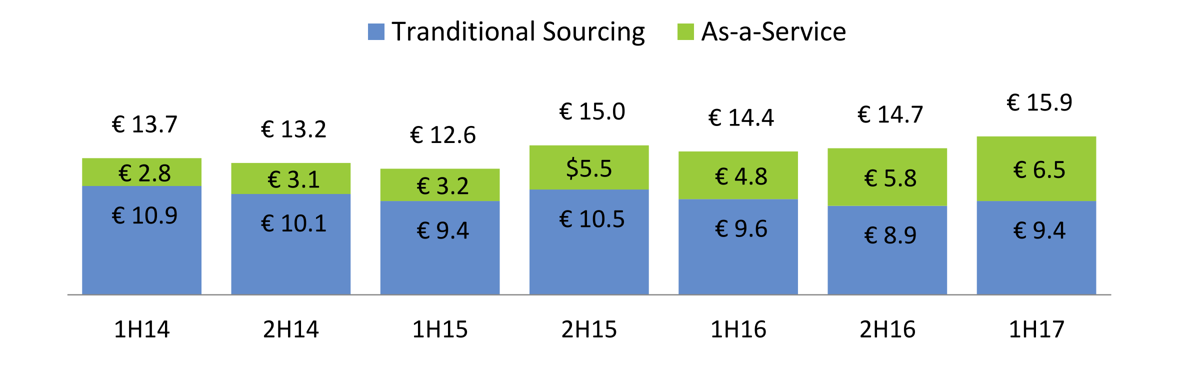
Global Commercial Sector Contracting Trends

2Q17 Combined Market ACV up 9% Y/Y on strength in As-a-service; second-highest ever quarterly number of awards in Traditional Sourcing;
YTD, Combined Market ACV up 10% with As-a-Service increasing 36%, offsetting 2% decline in Traditional Sourcing.

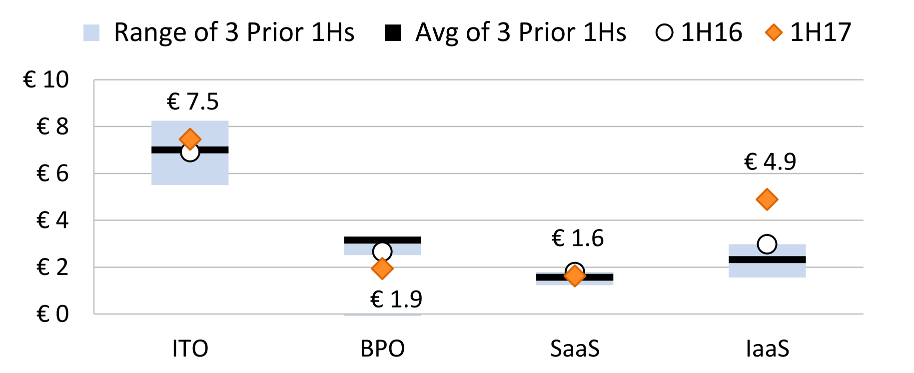
Global Commercial Sector Quarterly ACV (€B)



Global Commercial Sector Half-Year ACV (€B)



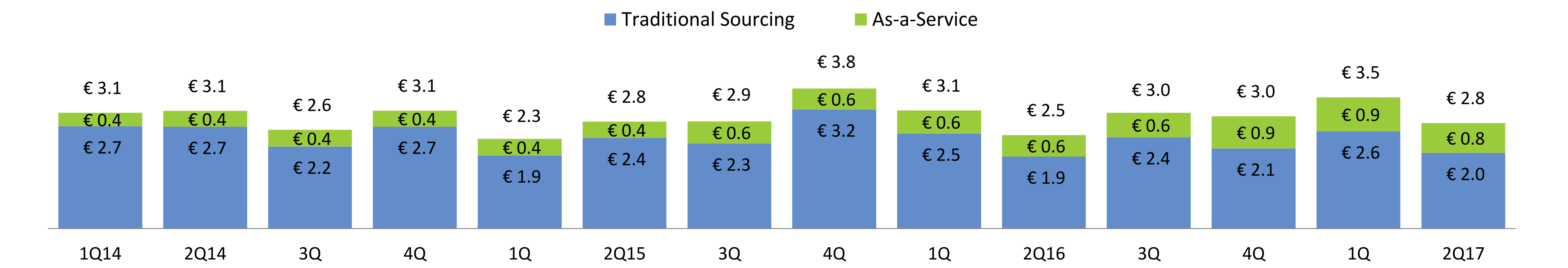
Global Commercial Sector Half-Year ACV by Type (€B)



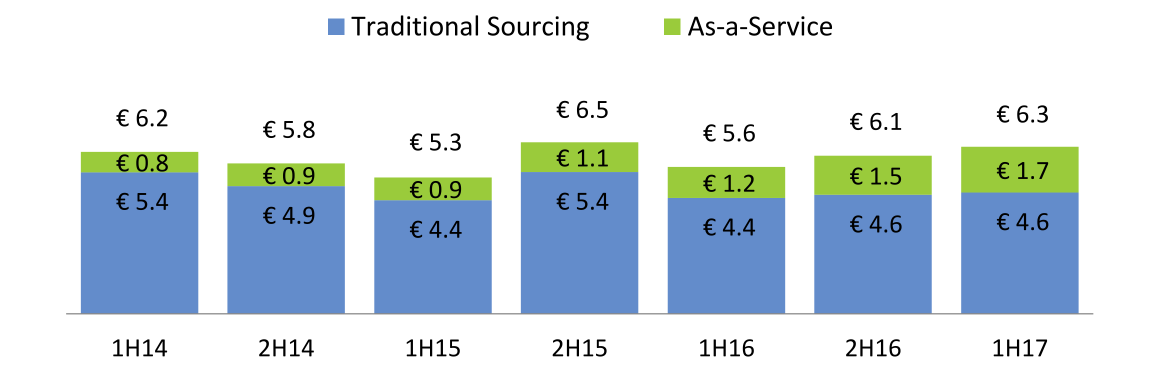
EMEA Commercial Sector Contracting Trends

Combined Market in EMEA rises 13% Y/Y with As-a-Service increase of 40% Y/Y;
Traditional Sourcing's 5% growth Y/Y is boosted by a surge in ITO activity.

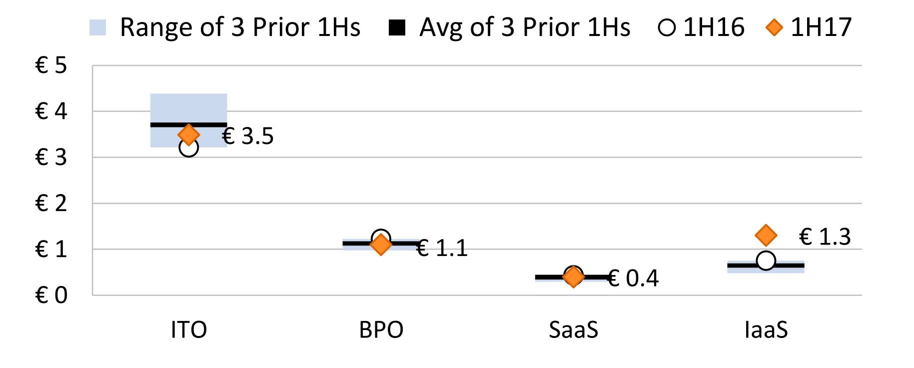
EMEA Commercial Sector Quarterly ACV (€B)



EMEA Commercial Sector Half-Year ACV (€B)



EMEA Commercial Sector Half-Year ACV by Type (€B)

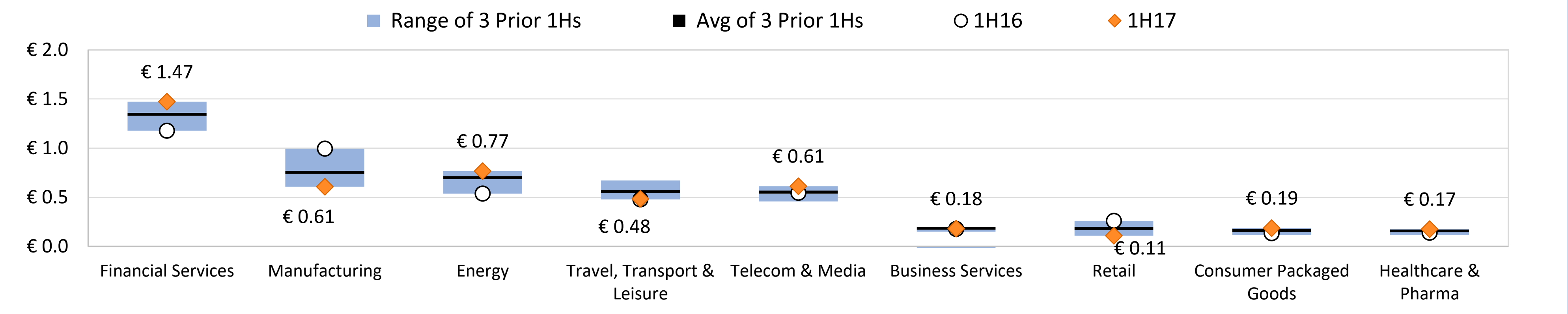


EMEA Commercial Sector Industry Award Trends

YTD, most major sectors generate ACV growth in Traditional Sourcing and As-a-Service; Manufacturing and Retail are the exceptions.

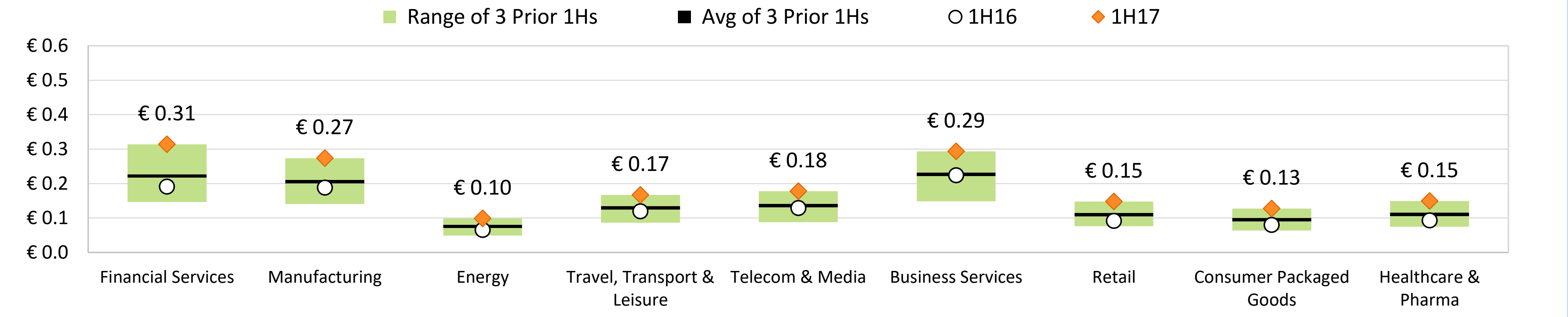
Traditional Sourcing TTM ACV (€B)

EMEA Commercial Industries



As-a-Service TTM ACV (€B)

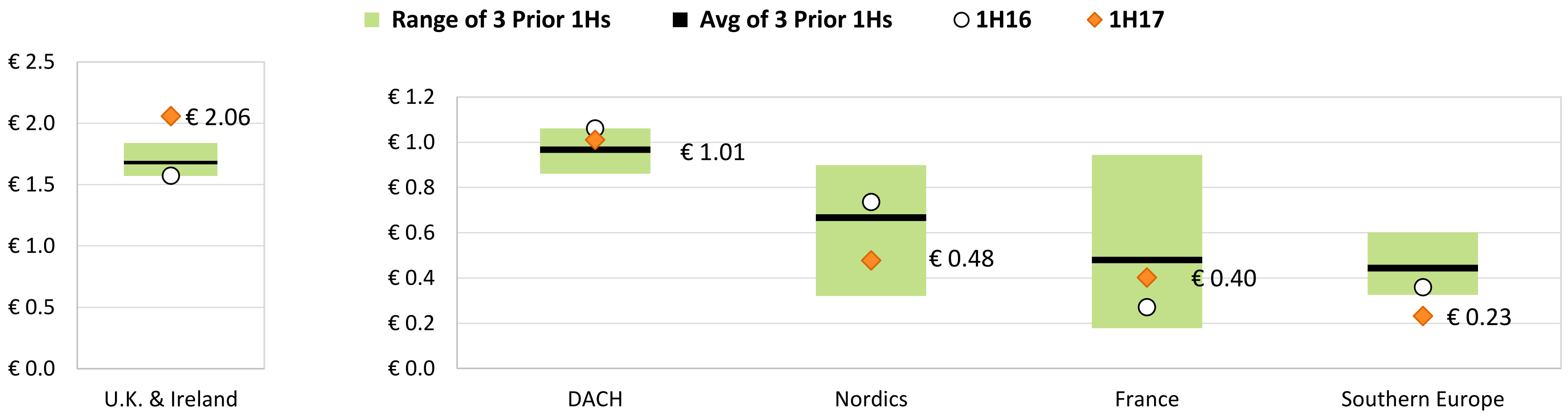
EMEA Commercial Industries



EMEA Sub-Regions - Traditional Sourcing Only

UK first-half ACV is the strongest in five years, and France ACV reaches a three-year high
DACH is down modestly while ACV in the Nordics plunges compared to the strong start to 2016

EMEA Commercial Sector Sub Regions - Quarterly ACV (€B) – Traditional Sourcing Only



EMEA Sourcing Standouts

the ISG 15

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
Co. Revenues > $10 B

Traditional Sourcing Market
Accenture
Atos
BT
Capgemini
Cognizant
DXC Technology
IBM
Infosys
TCS
T-Systems/Deutsche Telekom

As-a-Service Market
Amazon Web Services
Google
Microsoft
Oracle
SAP

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market
Capita
Carillion
Emcor Group
EVRY A/S
HCL
Interserve
Orange Business Services
Sopra Steria Group SA
Tech Mahindra
Tieto
Wipro

As-a-Service Market
Adobe Systems
Equinix
Iron Mountain
Salesforce.com

The Breakthrough 15
Co. Revenues < $1 B

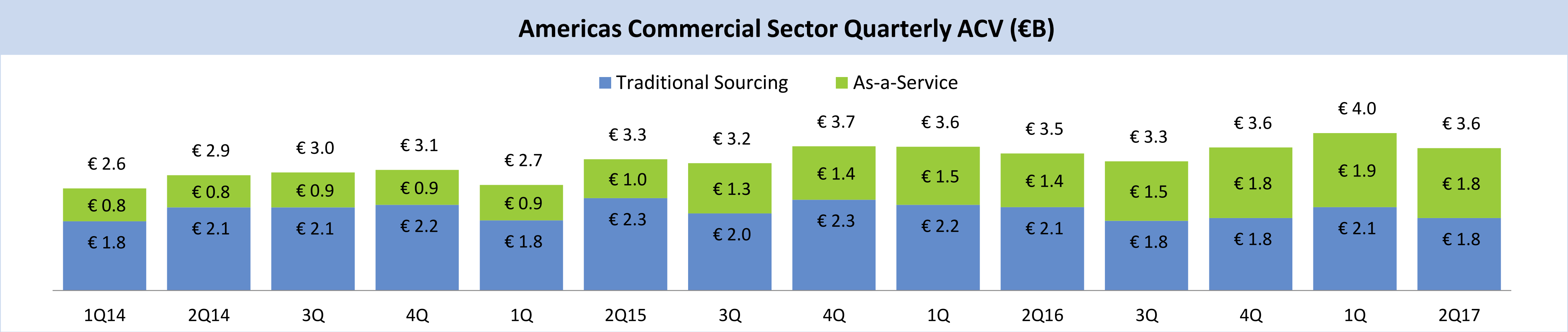
Traditional Sourcing Market
Atento
DATAGROUP SE
EPAM Systems
Grupo EULEN
Firstsource Solutions
Hexaware
Luxoft
MAYKOR
NNIT A/S
SIA S.p.A.
VirtusaPolaris
Webhelp
WNS

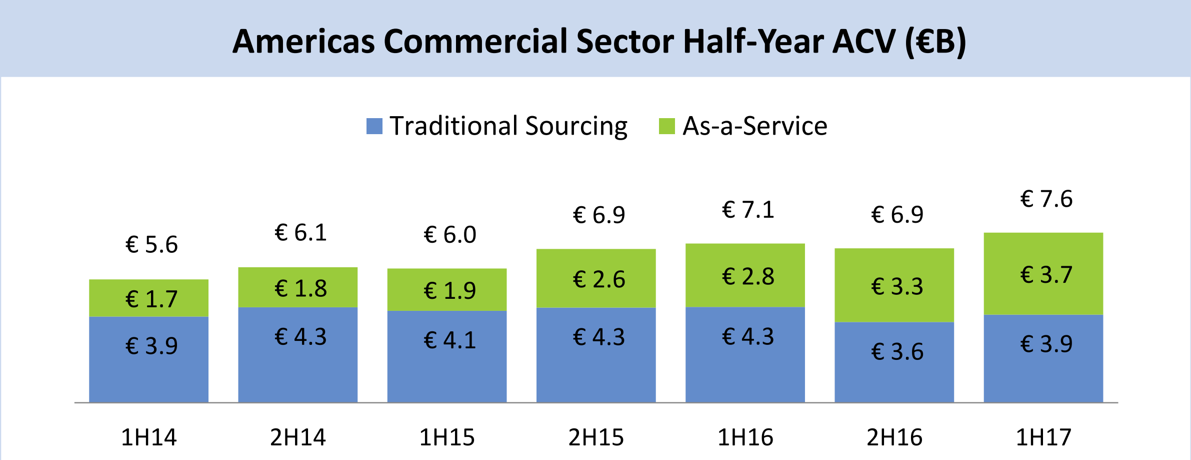
As-a-Service Market
Interxion
iomart Group

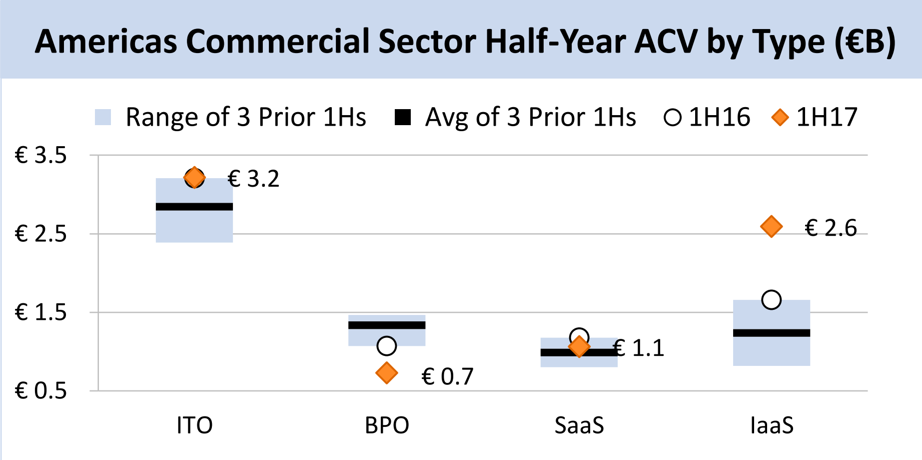
Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.

Americas Commercial Sector Contracting Trends

Commercial Market ACV is up 2% Y/Y; As-a-Service markets' 27% increase is unable to offset the 13% Y/Y drop in Traditional Sourcing due to lack of large contract awards.





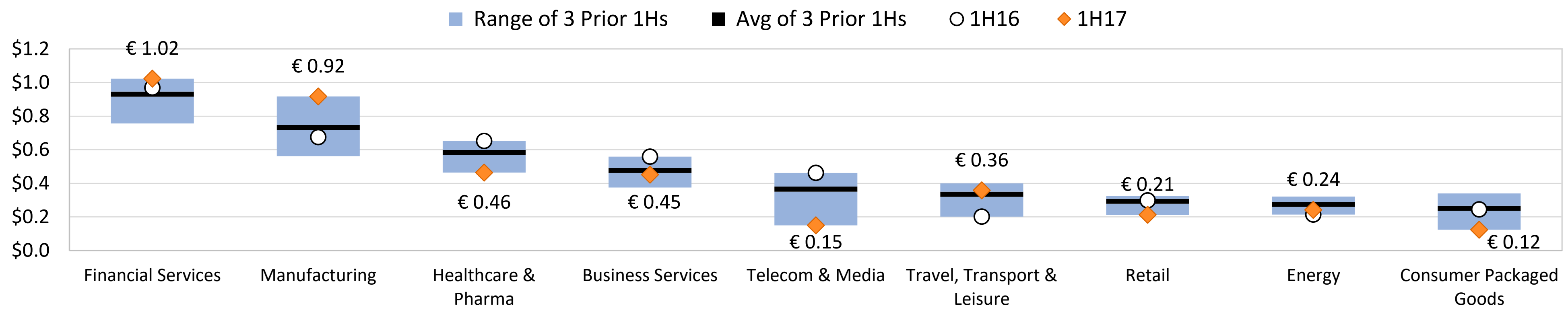


Americas Commercial Sector Industry Award Trends

Telecom, Healthcare and CPG mar good performance of Financial Services and smaller industries;
all industries in As-a-Service register double-digit growth.

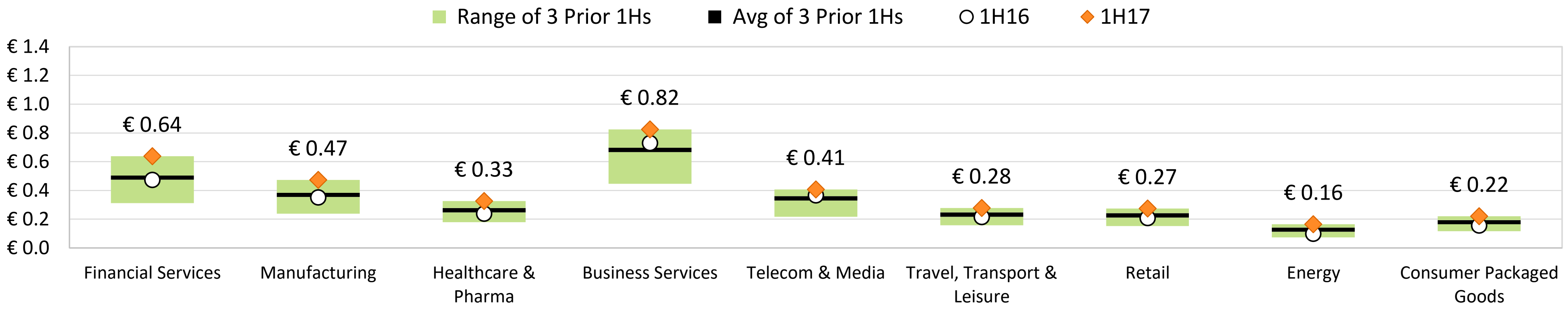
Traditional Sourcing TTM ACV (€B)

Americas Commercial Industries



As-a-Service TTM ACV (€B)

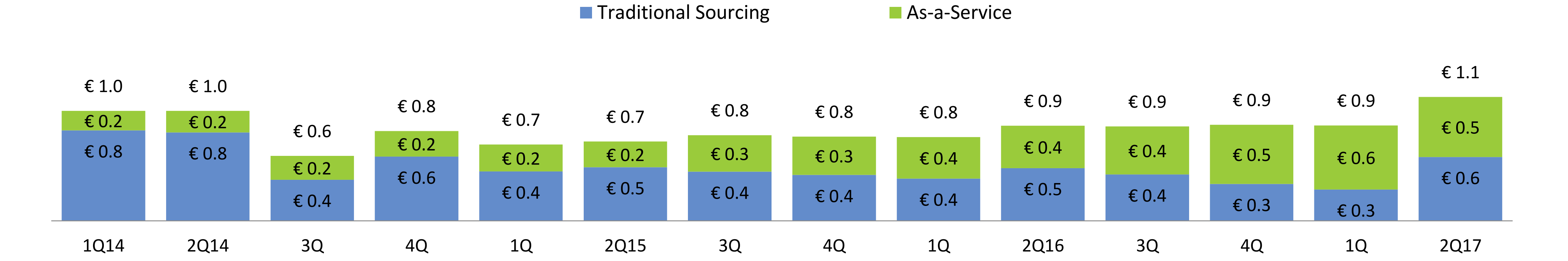
Americas Commercial Industries



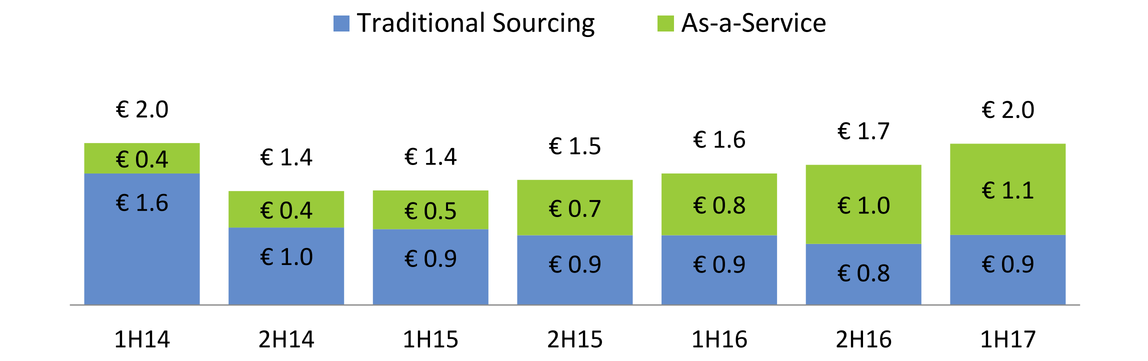
Asia Pacific Commercial Sector Contracting Trends

Combined Market ACV up 24% Y/Y; Traditional Sourcing ACV sees its best quarter since 2014 and sets all-time high in contract count.

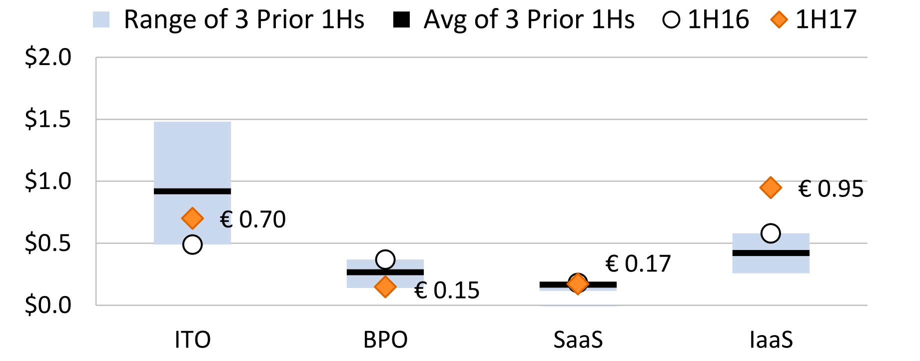
AP Commercial Sector Quarterly ACV (€B)



AP Commercial Sector Half-Year ACV (€B)



AP Commercial Sector Half-Year ACV by Type (€B)

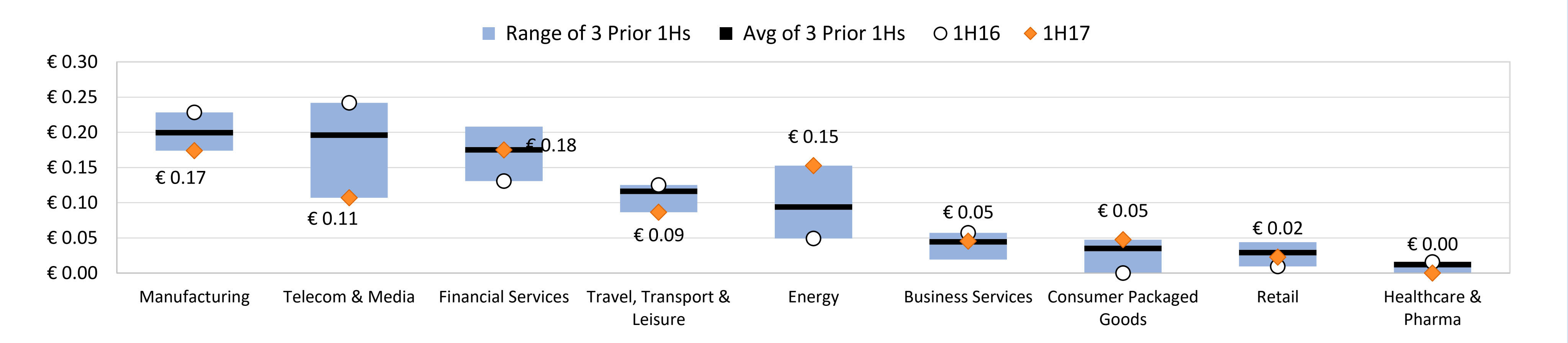


Asia Pacific Commercial Sector Industry Award Trends

Strong ITO and IaaS drive growth in the larger verticals of Financial Services and Energy;
drop in Traditional Sourcing impacts Telecom and Manufacturing.

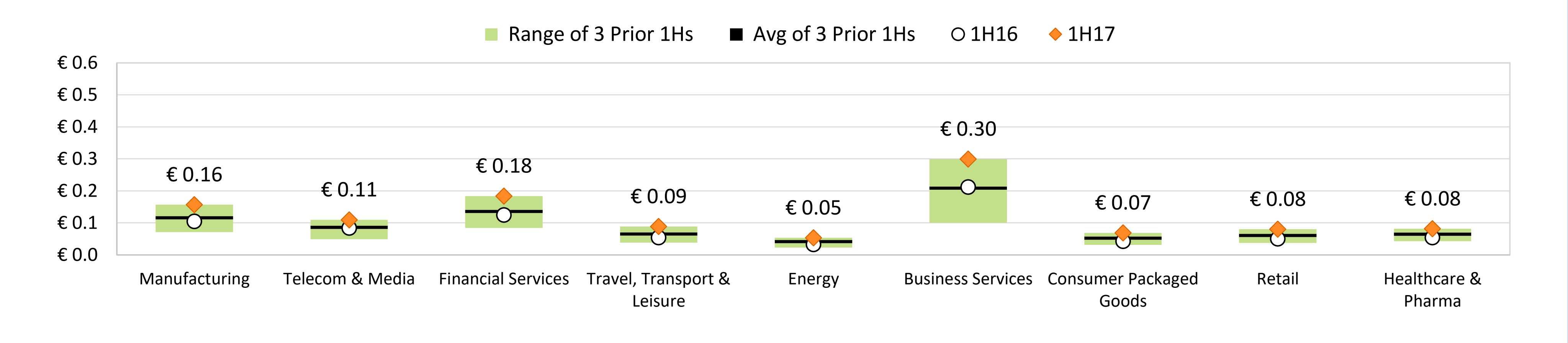
Traditional Sourcing TTM ACV (€B)

Asia Pacific Commercial Industries



As-a-Service TTM ACV (€B)

Asia Pacific Commercial Industries



2Q17 Index Inside Track from

ISG Insights™

The Next Wave of Digitization and Automation

Stanton Jones
Research Director and Principal Analyst

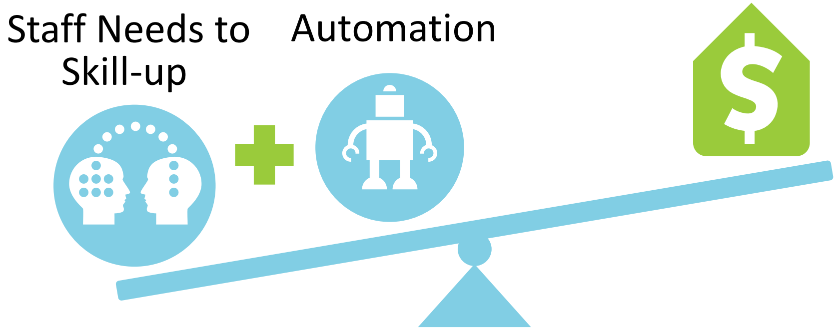
ISG Index™ EMEA 2Q17

Automation Effect is Kicking In

1 Digitization Impacts Providers

- Revenue growth slowing
- Average revenue per employee down
- Net income percentage declining

2 Provider are Employing Big Levers

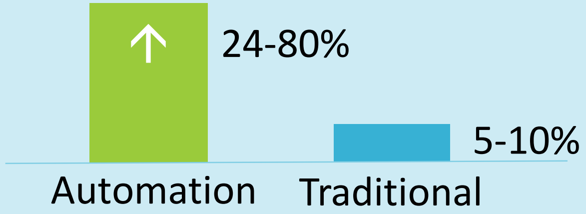


3 Buyers Demand Increased Productivity and Cost Avoidance

2X Double investments in Automation and AI over next 2 years on mission-critical business processes[1]

May reduce demand for outsourcing/offshoring

With an Automation Solution, Productivity Soars Over 2 Years[2]



[1]ISG surveyed 500+ global business and IT leaders
[2]Click here for ISG Automation Index

ISG Insights

Build or Partner?

Services providers need automation capabilities.

Do they build it, find a partner or do both?

Business Process Automation Capability

- Replicate every human action
- RPA Technology Partnerships with vendors like Blue Prism, Automation Anywhere and UI Path

IT Ops Automation Capability

- Replicate service desk agents, DBAs and systems administrators.
- Autonomics Technology Partnerships with vendors like IPSoft, Arago, and Ayehu.

Cognitive Automation Capability

- Natural Language Processing vendors like Artificial Solutions and Celaton
- Cognitive agents like Nuance and Cognicor
- Image Recognition vendors like Abbyy and Anyline.

A wholistic automation competency is critical to the long-term success of every provider.

Move from operating model where people follow a tech supported process, to one where technology follows a process supported by people.

2Q and 1H 2017 ISG Index - Global Summary and Outlook

Summary

- Y/Y, 2Q Commercial EMEA and Asia Pacific growth in double-digits, with marginal Americas growth
- YTD, IaaS grows by mid-double digits across all regions, while ITO had moderate gains in both EMEA and Asia Pacific.
- Several industries are driving YTD growth including Financial Services and smaller verticals of Transportation and CPG; Energy produces positive results after several soft years.

Outlook

- Looking ahead, we continue to see double-digit growth in As-a-Service in the Americas and Asia Pacific. We expect Infrastructure-as-a-Service will continue to outpace Software-as-a-Service. We forecast growth of 24% and 12%, respectively, in those markets. Firms such as AWS and Microsoft will continue to invest in new economies. We expect Traditional Sourcing will remain flat through the end of the year.
- In EMEA, we forecast Infrastructure-as-a-Service and Software-as-a-Service to remain fairly flat. And we expect to see mid-single-digit growth in Traditional Outsourcing for the year, based on current deal flow in the market that should support a strong second half in Europe.

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Appendix: Score Card for TCV

SECOND QUARTER AND HALF YEAR 2017

2Q and 1H 2017 TCV Scorecard

The ISG Index has moved to ACV 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		2Q17 TCV (€B)*	2Q Y/Y Change	1H17 TCV (€B)*	Y/Y Change
Global Commercial Combined Market		€ 18.6	-10%	€ 41.0	1%
By Type	Outsourcing	€ 13.8	-18%	€ 31.3	-3%
	As-a-Service	€ 4.7	24%	€ 9.7	17%
	ITO	€ 11.2	-14%	€ 23.7	6%
	BPO	€ 2.7	-31%	€ 7.6	-24%
	IaaS	€ 2.2	43%	€ 4.8	62%
	SaaS	€ 2.5	10%	€ 4.9	-9%
By Region	Americas Commercial	€ 7.6	-22%	€ 16.8	-6%
	EMEA Commercial	€ 8.1	-7%	€ 19.7	11%
	Asia Pacific Commercial	€ 2.9	31%	€ 4.5	-10%

*Contracts with TCV ≥ €20M from the ISG Contracts Knowledgebase™

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