

Technology Industry Update: Services & Software

July 10, 2025

HOSTED BY:



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***ISG** Index™
2Q 2025

Market Level Set



- 1 Managed services growth remains steady: up 3% YTD, flat Q/Q.
- 2 First half BFSI up in U.S., down in EMEA; down Q/Q in both regions.
- 3 Large deal activity remains robust; “discretionary” deals under pressure.
- 4 Cloud growth continues to accelerate on strong demand for AI.
- 5 Forecasting high end of managed services outlook; raising cloud outlook.



Global Broader Market

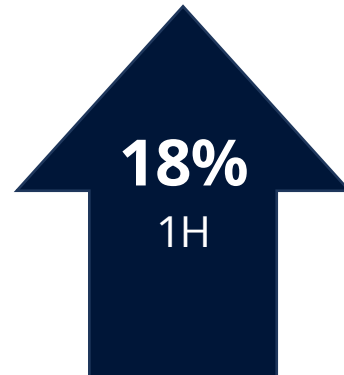
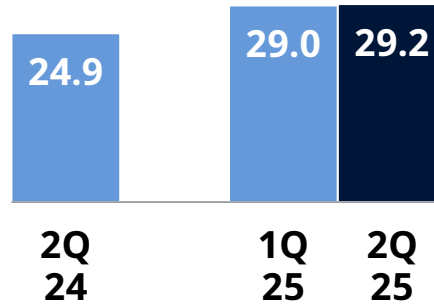
Q/Q Results

Market largely flat indicating softness and delayed decision-making due to macroeconomic conditions

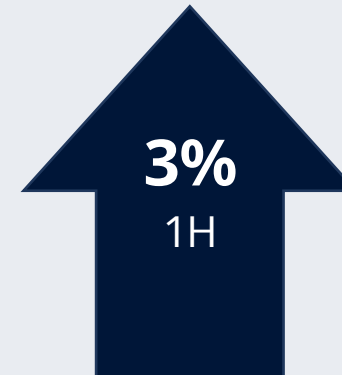
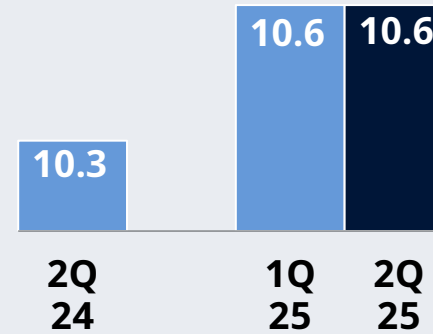
Q2 and 1H Results

Broad-based growth across all three market segments; continue to see strong demand for AI-driven transformation and cost optimization

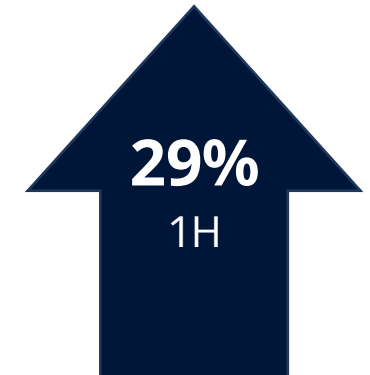
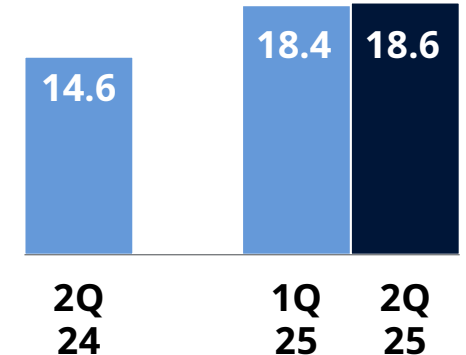
ACV \$B



Combined Market



Managed Services

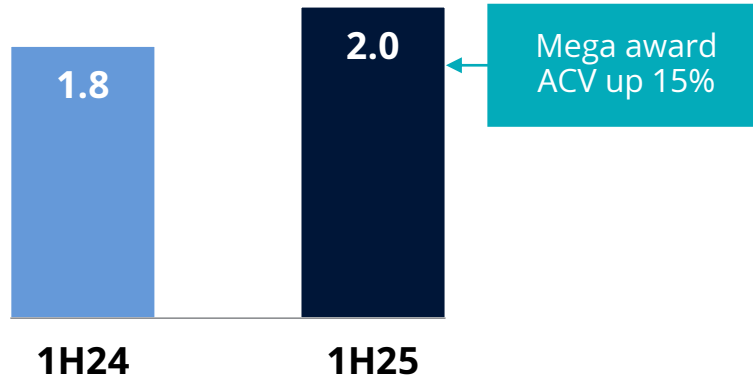


As-a-Service

ACV = Annual Contract Value

Large Deal Activity Strong, While Discretionary Remains Weak

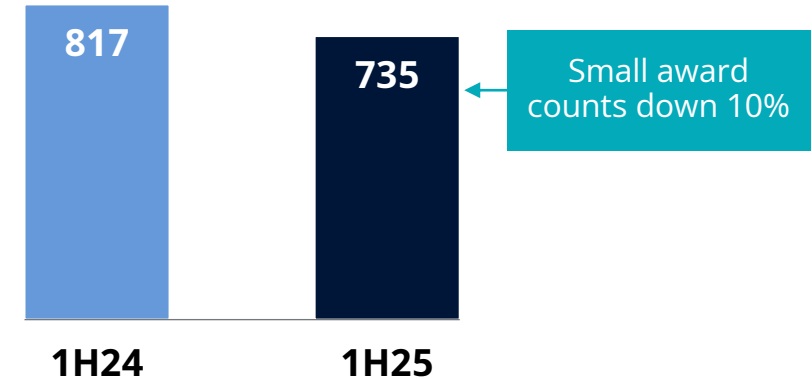
Mega Award ACV, 1H24 vs. 1H25



Mega relationships remain robust; indicator that **cost optimization remains a priority.**

Mega Award = ACV > \$100M

Number Small Awards, 1H24 vs. 1H25



Pullback in smaller deals across all segments; indicator that **discretionary spending remains under pressure.**

Small Award = ACV \$5M - \$9M





Managed Services ITO Results

2Q25 Results

ITO ACV of \$7.8B down 0.4%

1H25 Results

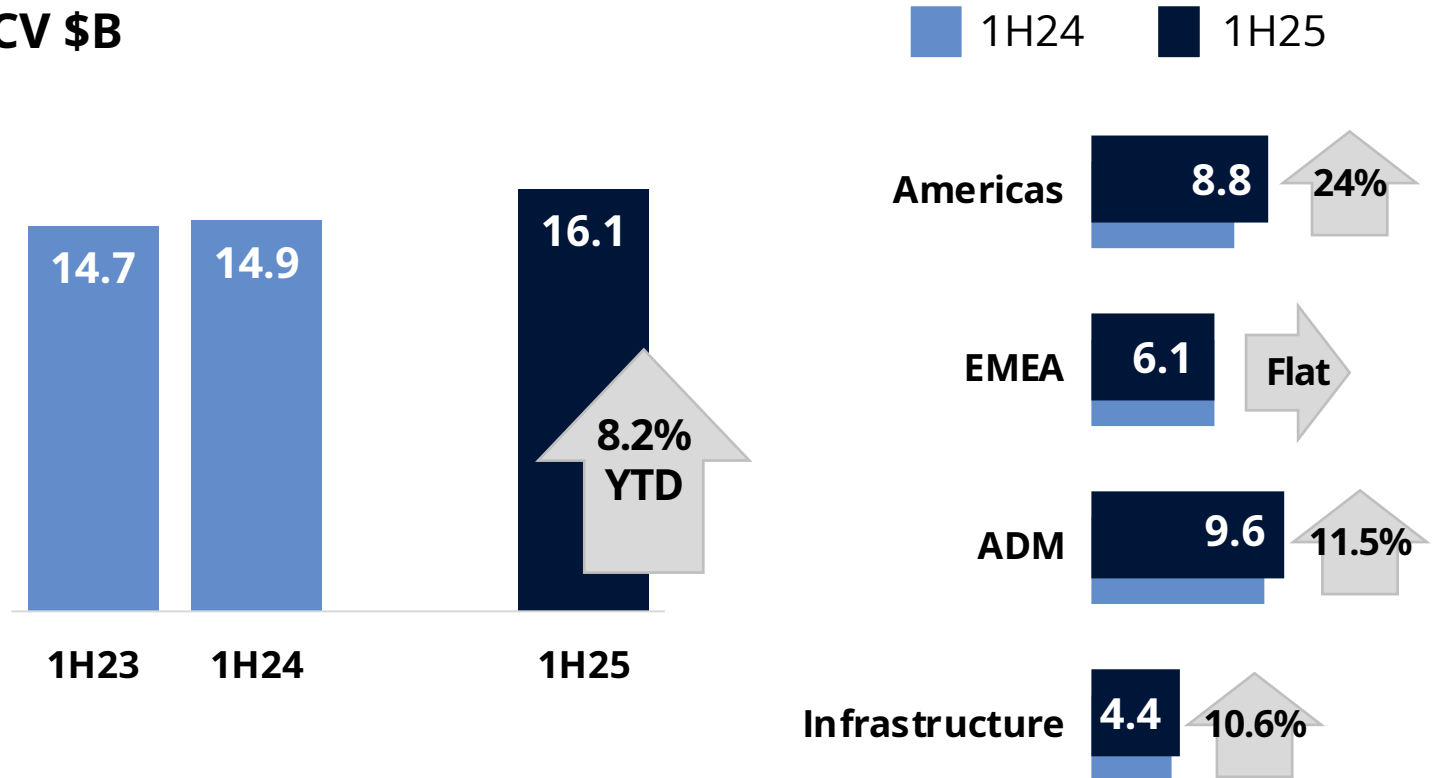
ITO ACV up 8.2% while number of awards up 1.7%

Americas up 24%, EMEA flat

ADM up 11.5% and remains almost 60% of the ITO ACV

Infrastructure up 10.6% led by data center and multi-function awards

ACV \$B





Managed Services Engineering Results

2Q25 Results

ER&D ACV of \$1.1B up 72%

ER&D responsible for most of the industry's growth in Q2

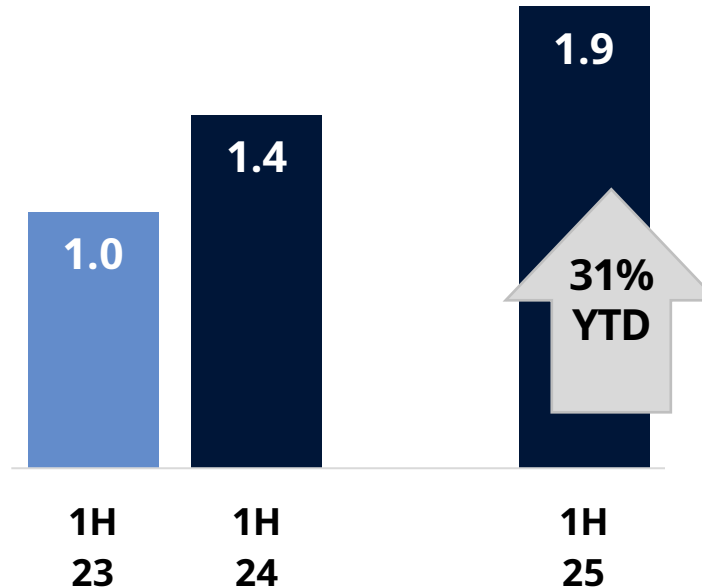
1H25 Results

ER&D ACV of \$1.9B up 31%

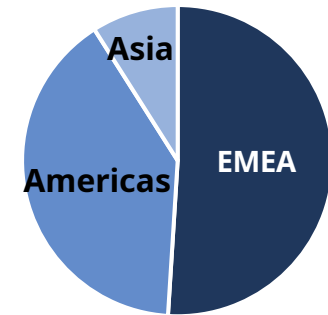
Americas and EMEA regions both up significantly

Gains in telco/media and transportation; manufacturing buoyant with gains in aerospace, hi-tech and semiconductors

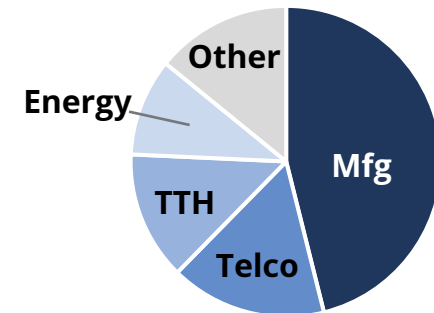
ACV \$B



Engineering ACV by Region

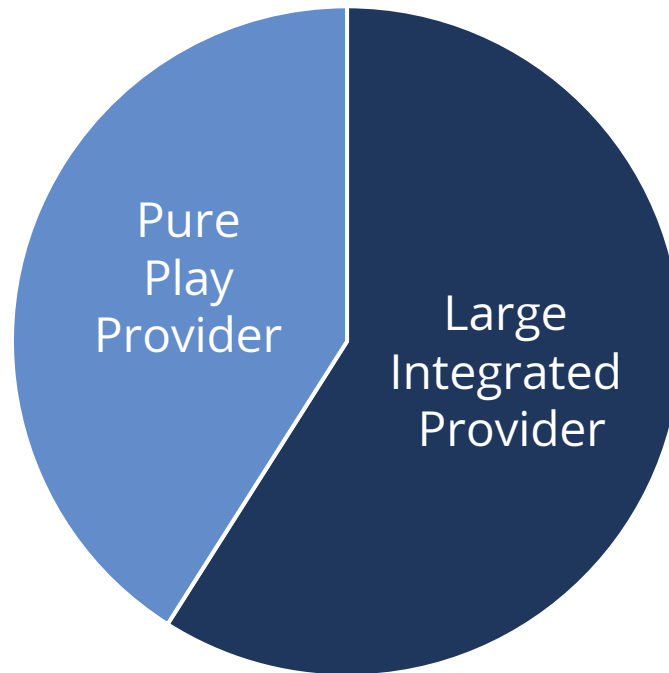


Engineering ACV by Industry



Large Providers Are Driving Engineering Growth

1H25 Engineering ACV by Provider Type



Large integrated providers account for nearly 60% of 1H25 ACV; pure plays account for just over 40%.

Larger firms are benefitting from:

- Diversified business mix
- Strong digital engineering capabilities
- Limited reliance on automotive sector

ACV = Annual Contract Value; Large Integrated providers include: Accenture, Capgemini, Cognizant, DXC, HCLTech, Hitachi, Infosys, Wipro



Managed Services BPO Results

2Q25 Results

BPO ACV of \$1.7B down 9%

EMEA up 23%; Americas down 20%

Back office (HR, F&A, procurement) up 28% Y/Y

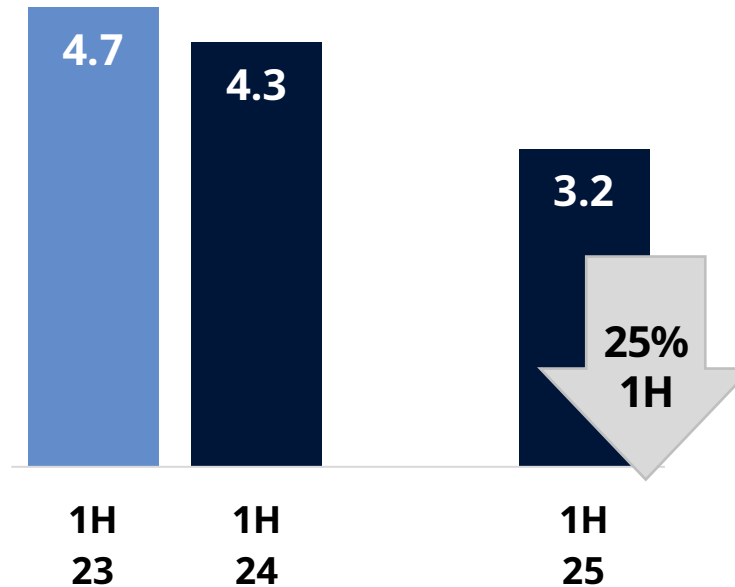
1H25 Results

BPO down 25%, primarily due to steep decline in 1Q25

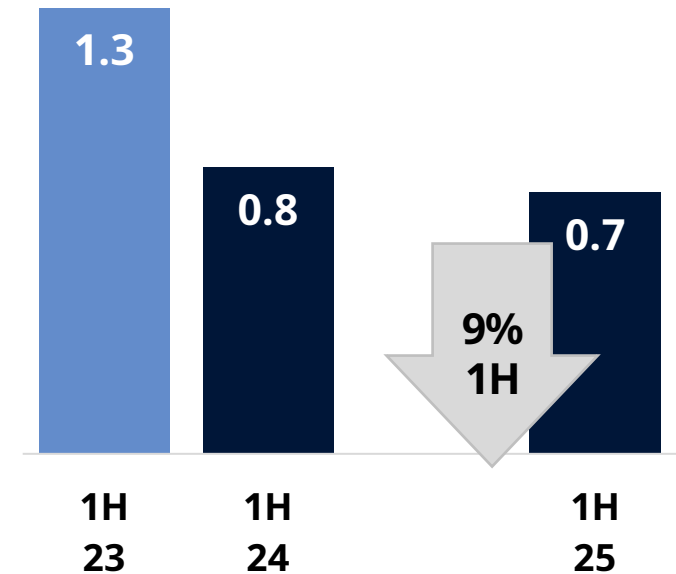
CX down 9% but number of awards up, indicating industry shift to agent + tech arbitrage

ACV \$B

BPO 1H Results



Customer Experience 1H Results



What's Happening in Customer Experience?



- 1** Generative AI fueling interest in CX; expectations are increasing.
- 2** Platforms and reusable assets disrupting traditional agent services.
- 3** Limited agent hiring; most new skills focus on data and analytics.
- 4** Providers using M&A to build scale & capabilities; driving inorganic growth.
- 5** Generative AI will present opportunities and will be a differentiator.



Managed Services Regional Results

Americas

2Q: ACV up 20%; 5 mega deals

1H: ACV up 11%; BFSI up 20%

EMEA

2Q: ACV down 5%; 3 mega deals

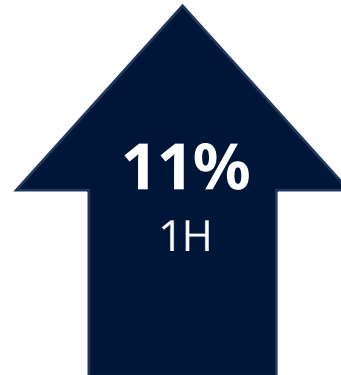
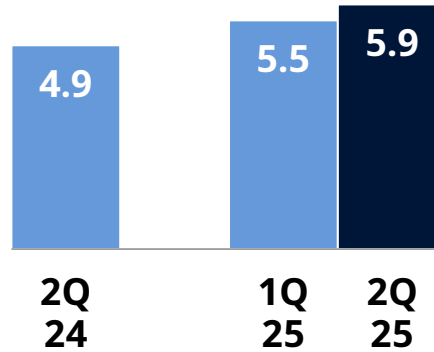
1H: ACV up 3%; France, Nordics and DACH up; UK down more than 20%

Asia Pacific

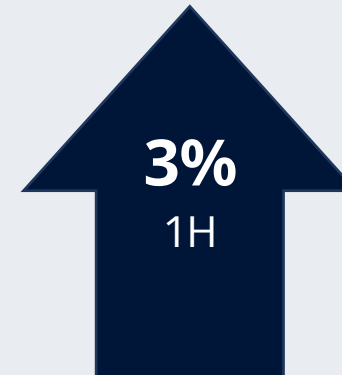
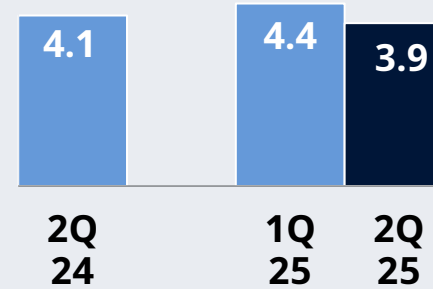
2Q: ACV down 40%; difficult compare

1H: ACV down 34%; India up slightly; weakness in ANZ & Japan

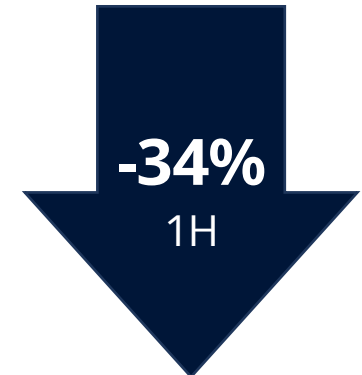
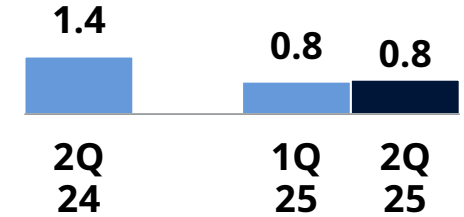
ACV \$B



Americas

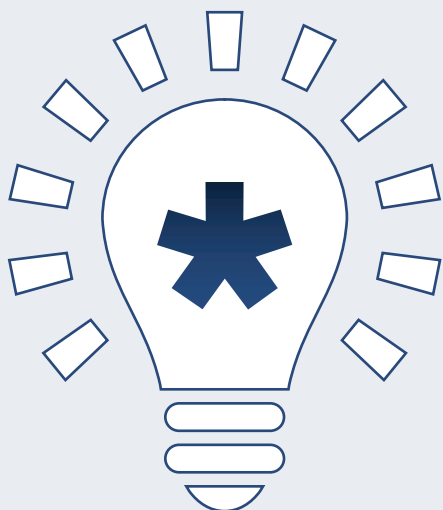


EMEA



Asia Pacific

Sovereign Cloud: Future Growth Segment



- 1** Demand from **public sector** and **industrial AI workloads** is driving sovereign cloud interest across Europe for IaaS and SaaS.
- 2** **EMEA IaaS up 41% Y/Y and 13% Q/Q**, the fastest regional growth rate globally; highlights ongoing enterprise shift to private and public cloud.
- 3** European enterprises are embracing a **three-tier hybrid cloud architecture** to balance sovereignty, scalability and innovation.
- 4** **EU regulations are influencing sovereign cloud interest** by CIO and procurement for investments across service and software providers.
- 5** EU-based providers OVHcloud, T-Systems and Orange Business with 6%+ Y/Y '24 growth vs Big 3 hyperscalers with **25% Y/Y '24 growth**.



Managed Services Selected Industry Results

BFSI

2Q: ACV of \$2.7B up 8%

1H: ACV up 5% on strength in Americas;
demand for integrated tech + ops

Energy

2Q: ACV of \$1.1B up 20%

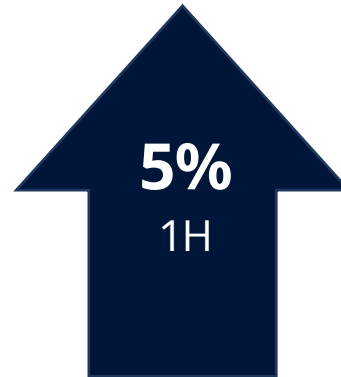
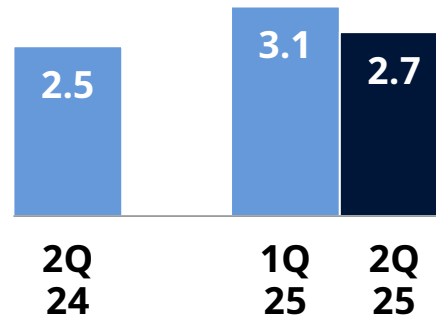
1H: ACV up 24% on strength in ER&D;
demand for SAP modernization

CPG & Retail

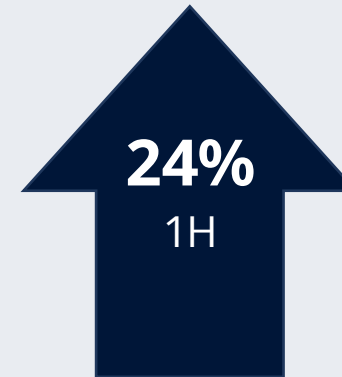
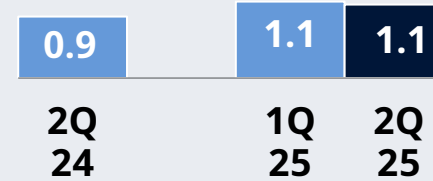
2Q: ACV of \$900M down 8%

1H: ACV down 9% on weakness in
EMEA; demand for hybrid GCC models

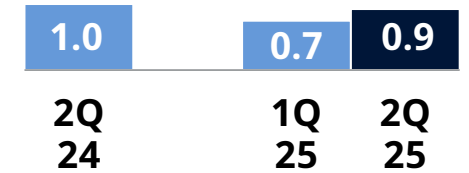
ACV \$B



BFSI



Energy



Retail & CPG

Full Industry Results in Appendix

ACV = Annual Contract Value



SaaS Results

1H Results

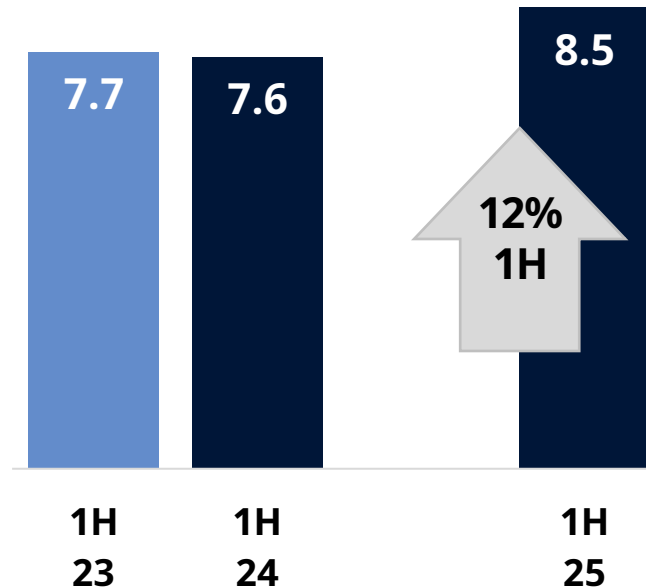
SaaS market ACV advanced 12% in first half to \$8.5B

Strong 1H growth, narrowly outpacing 1H24

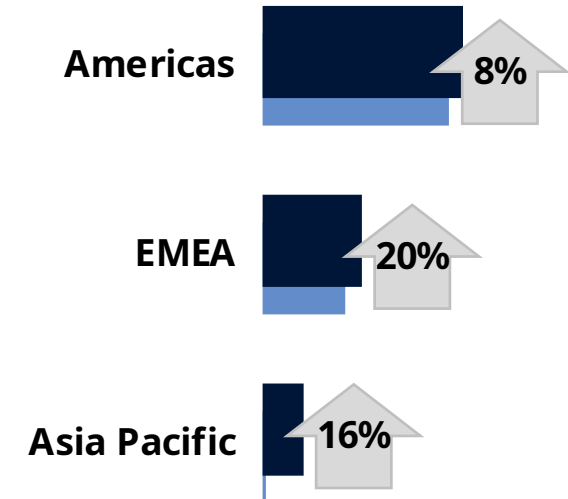
Each of the regional markets contributed to the ACV growth with EMEA leading at 20%

Energy & Telecom had over 20%+ ACV growth with BFSI lowest at 3%

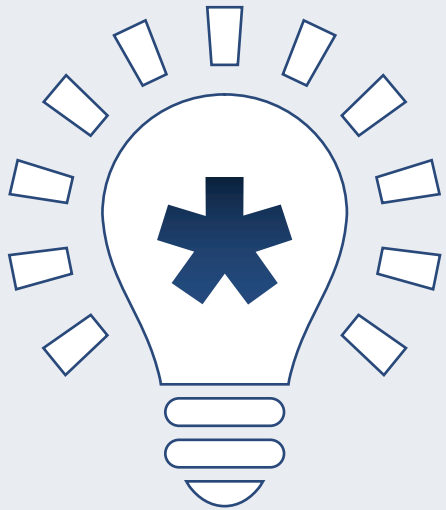
Global SaaS Market ACV



Regional SaaS Markets Growth



Key Trends in Applications (SaaS)



- 1 Applications (i.e., Oracle, Salesforce) had 9% Y/Y ACV growth with continued AI investments, M&A news of **Salesforce to buy Informatica**.
- 2 Front-office application & suites in CRM (i.e., Salesforce) with -8% Y/Y ACV decline as enterprises **re-evaluate strategy for AI modernization**.
- 3 Back-office ERP SAP S/4 migrations **require significant modernization** with 8% ACV Y/Y for financials vs -2% Y/Y ACV growth for ops & services.
- 4 IT platforms (i.e., BMC, ServiceNow) with 61% Y/Y ACV growth for assets, operations and services expanding with **AI & GenAI self-service support**.
- 5 Collaborative suites (i.e., Google, Microsoft) with 40% Y/Y ACV growth driven by **conversational AI and generative AI capabilities**.



IaaS Results

1H Results

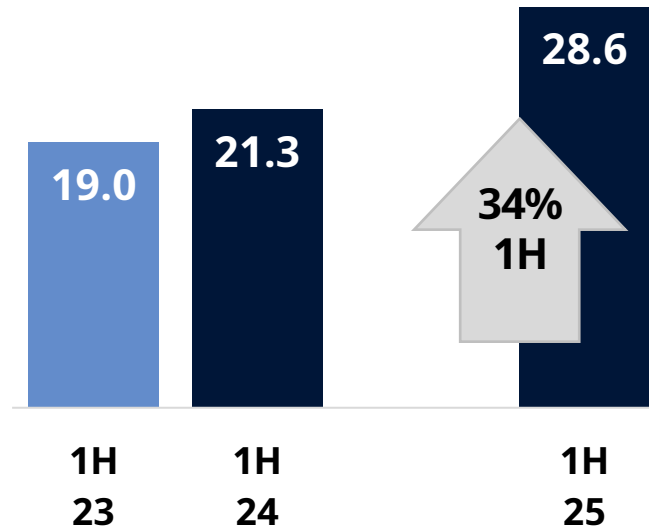
1H25 ACV of \$28.6B continued annual growth since '23

Americas and EMEA led growth with both up 40%+ ACV YTD

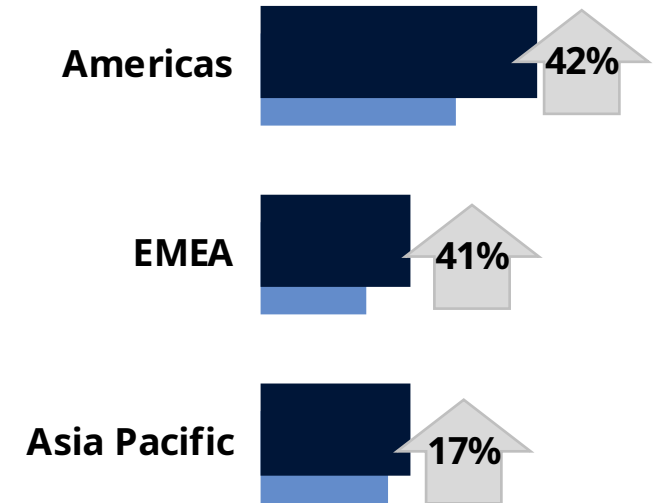
Asia Pacific has solid 17%+ ACV growth

Retail & BFSI generated 48%+ ACV growth; Energy lowest at 22%

Global IaaS Market ACV



Regional IaaS Markets Growth



Key Trends in Infrastructure (IaaS)



- 1** Growth of IaaS with 34% ACV Y/Y led by cloud hyperscalers (i.e., AWS, Azure) with native AI and data platforms, and **agentic AI advancements**.
- 2** Big 3 hyperscalers (i.e., AWS, Azure, GCP) **significant 40% ACV Y/Y growth** with growth from Agentic and GenAI enterprise investments.
- 3** Enterprise control of data for **digital sovereignty** requires new software provider investments (i.e., AWS, Azure, GCP, Oracle) to support needs.
- 4** AI investments **require expanded cloud infrastructure** (i.e., Microsoft, Oracle) with advancement in their data platforms to meet workload needs.
- 5** Cybersecurity providers (i.e., CrowdStrike, Palo Alto) growing as threats and defensive enterprise investments **continue to adapt with AI**.

Global Service & Software Provider Standouts

Our ISG Contracts Database 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 & Software Provider Standouts – Global



The ISG Contracts Database is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months.

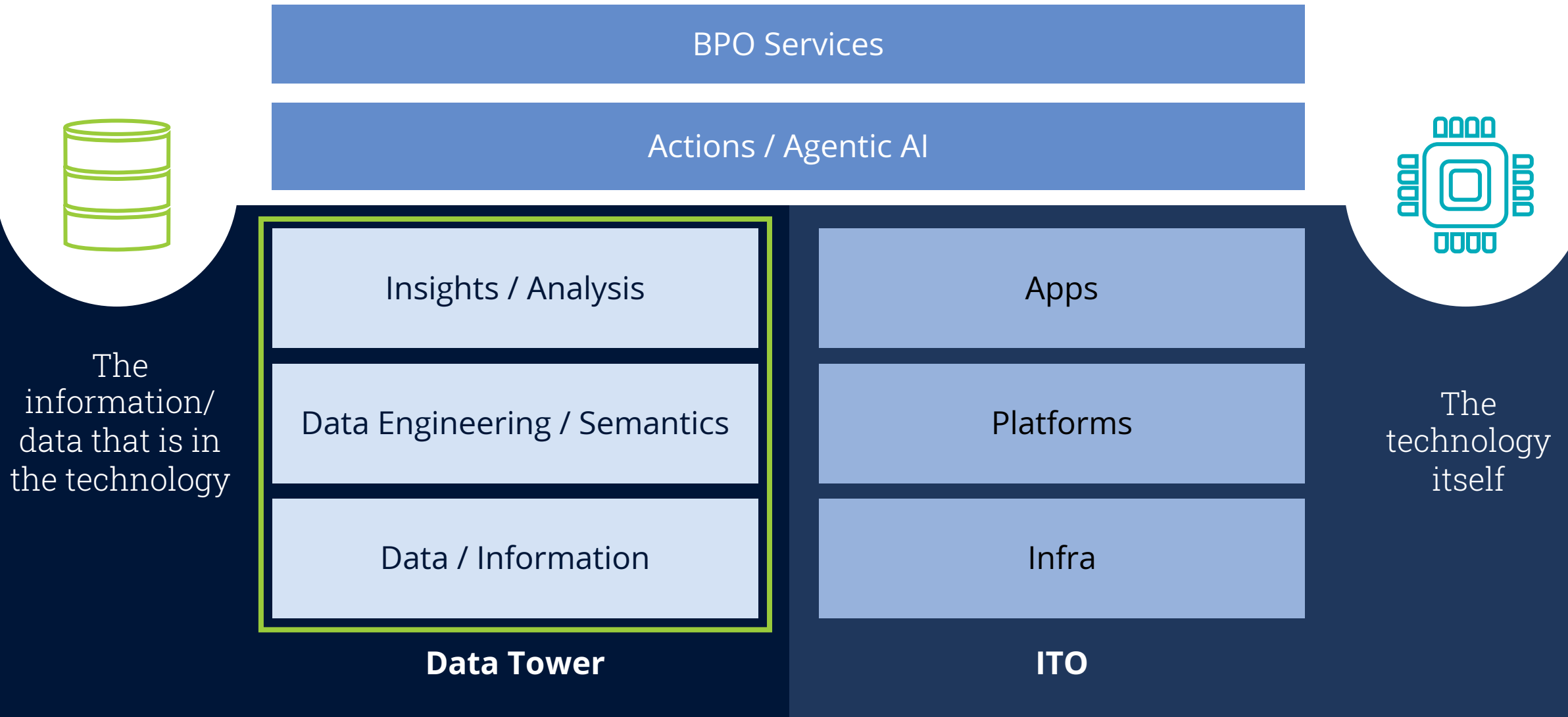
**Managed
Services
Market**

The Big 15		The Building 15		The Breakthrough 15		The Booming 15	
Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
Accenture Capgemini Deloitte DXC Technology HCLTech IBM Consulting	Infosys Kyndryl NTT Data* TCS Wipro	Computacenter Concentrix Foundever Genpact JLL	LTIMindtree Sopra Steria Tech Mahindra T-Systems	Coforge EXL Globant* Innova Solutions L&T Technology	Mphasis Persistent Systems Stefanini Telus Digital TTEC WNS	Birlasoft Eltel Networks Ensono Firstsource Solutions KPIT Technologies	Mastek Softtek Sonata Software TATA Elxsi Zensar
Amazon Web Services Google Cloud	Microsoft Oracle	Atlassian CrowdStrike Equinix	Palo Alto Networks Snowflake* Workday	Datadog Hubspot	Veeva Systems Visma	21Vianet DigitalOcean Guidewire*	OVH Xero

* New or returning to leaderboard in quarter

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

Information & Technology





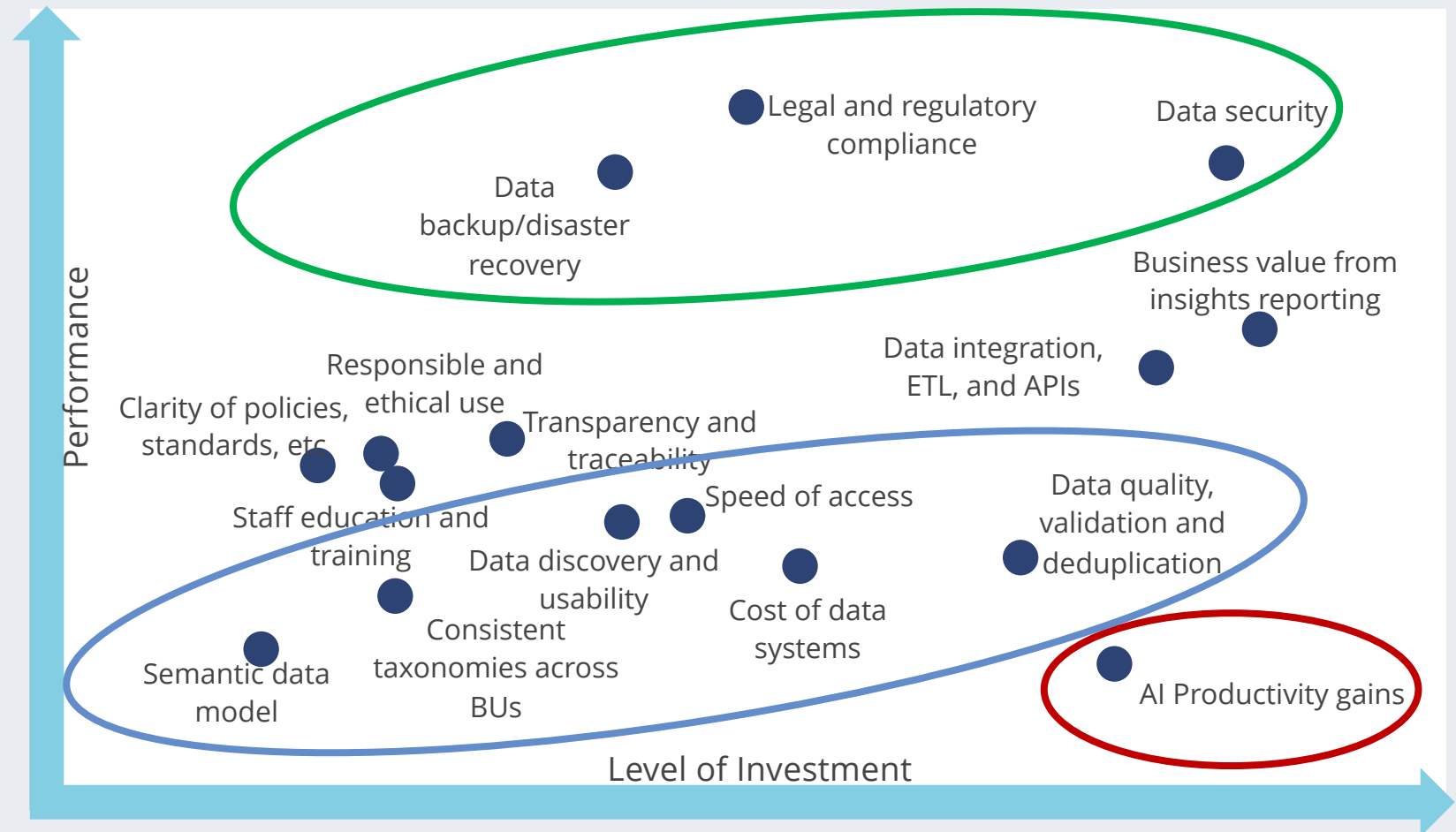
Productivity Has Prerequisites

Key Trends

Performance is best in areas where there are known best practices and criteria.

Core-enabling activities still nascent, with a broad spectrum of funding allocation.

AI productivity is lagging but is likely held back by the immaturity and low performance in the core data tower.



Source: ISG Market Lens 2025 Data Programs Study

Industry Challenges – Variety Abounds

	BFSI	Chemicals/ Energy	Healthcare	Manufacturing	Retail/ Consumer	Travel, Tour, Hospitality
1 st	Data usability for AI applications	Measuring ROI on data investments	Data usability for AI applications	Data usability for AI applications	Data usability for AI applications	Data usability for AI applications
2 nd	Measuring ROI on data investments	Real-time data access	Measuring ROI on data investments	System complexity/scalability	Data integration and visibility	System complexity/scalability
3 rd	Data silos/fragmented ownership	Understanding meaning to the business	Data integration and visibility	Security and access controls	Data silos/fragmented ownership	Security and access controls
4 th	System complexity/scalability	Security and access controls	Compliance	Data silos/fragmented ownership	Measuring ROI on data investments	Data integration and visibility
5 th	Security and access controls	System complexity/scalability	System complexity/scalability	Measuring ROI on data investments	Data duplication/redundancy	Measuring ROI on data investments

Source: ISG Market Lens 2025 Data Programs Study



Top Talent Challenges

AI Skills

33%

Talent Acquisitions

30%

Upskilling

21%

60% plan to add service providers to support data initiatives.

Source: ISG Market Lens 2025 Data Programs Study

Summary and Outlook

Summary

Managed Services

- ACV up nearly 3%, led by growth in Americas and EMEA.
- ITO up 8% as deals remain cost-takeout driven with savings re-allocated to AI. The ITO market was down 6% Q/Q, so caution remains.
- ER&D up significantly as large integrated providers scale into larger transactions; BPO remains weak.
- BFSI vertical up 5%, reversing 10% decline from last year.
- Smaller, discretionary deals down 10% YTD.

XaaS

- Four consecutive quarters with both IaaS and SaaS up.
- Hyperscalers continue to ramp up CapEx to support the ongoing buildout of AI infrastructure.
- SaaS poised growth as the industry shifts to developing platforms and applications.

Market Outlook

Macro Recap

- Improving macro from 90 days ago, but uncertainty persists with concerns around trade/geopolitics.
- AI has emerged as a dominant market theme, surpassing concerns like tariffs and geopolitical tension.
- Inflation fears have eased, and interest rate cuts are anticipated.

Revenue Forecast

Managed services sees larger transactions coming to market; BFSI has improved although small, discretionary deals remain weak

XaaS grows as organizations continue to invest in mission-critical initiatives — often centered around AI

Market Segment	Forecast	Change from Q1
Managed Services	1.3%	High end of range
As-a-Service	21%	Raised 300 bps

Thank you!

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Index Insider Weekly Briefing



Stanton Jones



Alex Bakker

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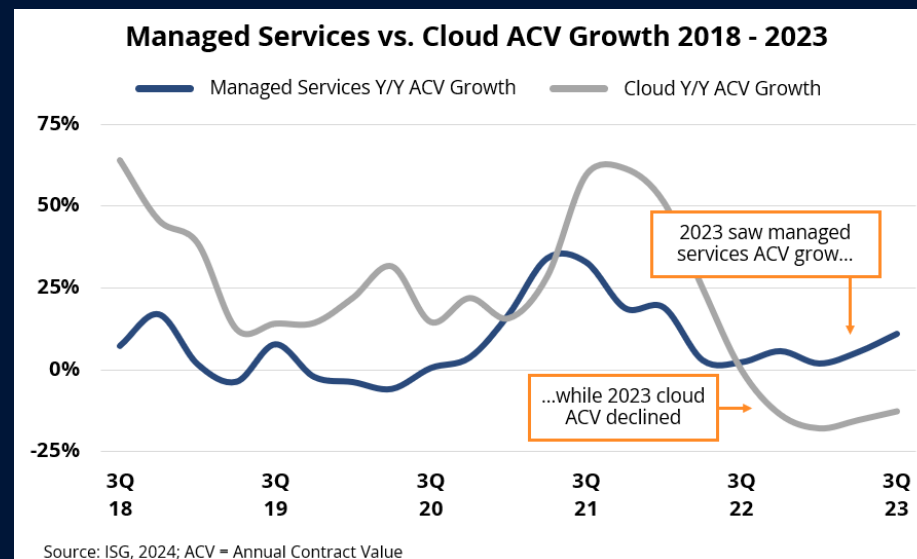


Michael Dornan



Sunder Sarangan

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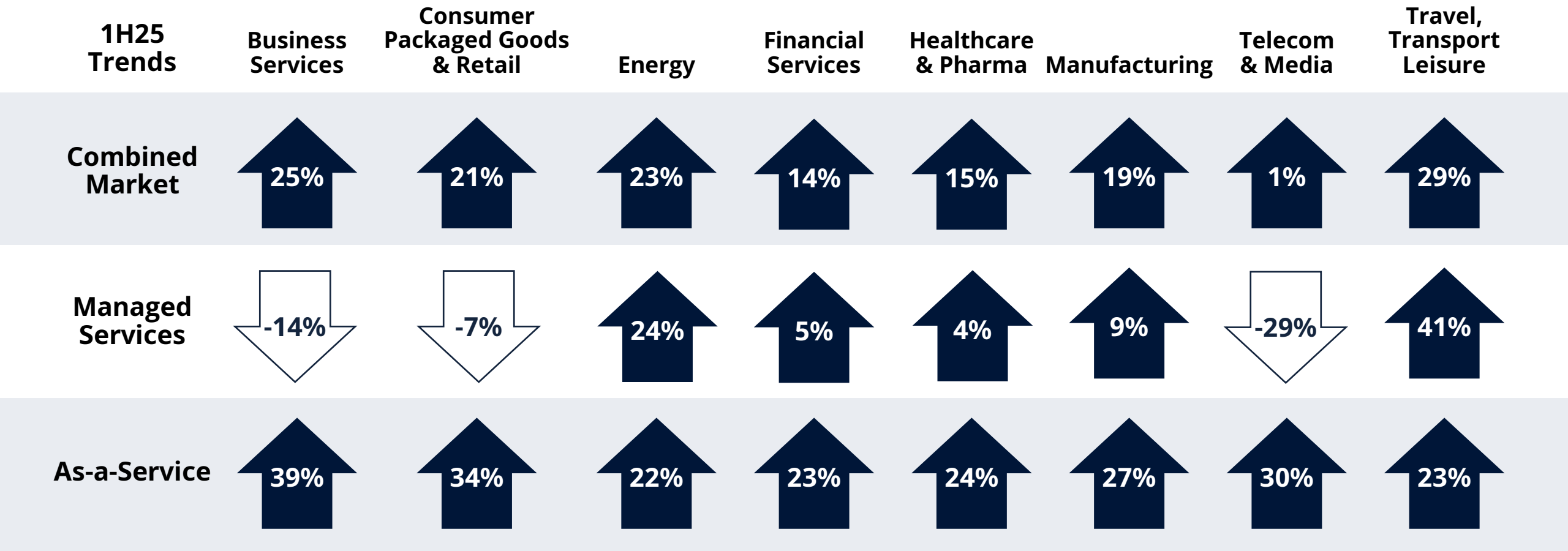
<https://isg-one.com/research/isg-index-insider/isg-index-insider>

Appendix





Industry Verticals





Americas Broader Market Results

1H25 Trends

Combined market ACV surpassed \$15B for the first time ever

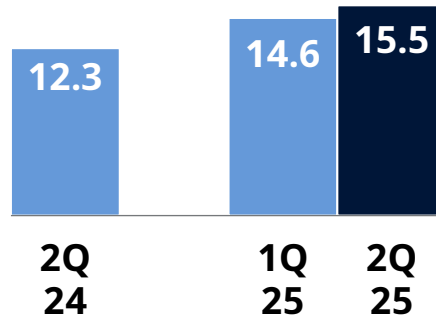
Managed services ACV up 20%; highest growth rate since 3Q23

Five mega-deals awarded, up 25% Y/Y

Smaller, discretionary awards down 2% Y/Y

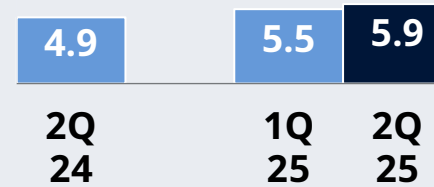
XaaS ACV up 29% Y/Y; fifth consecutive quarterly double-digit gain

ACV \$B



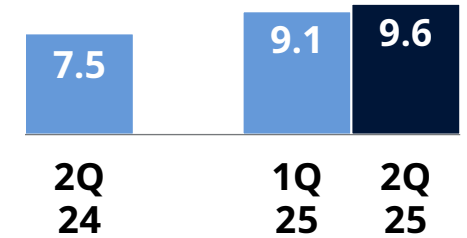
22.5%
YTD

Combined Market



11%
YTD

Managed Services



30.6%
YTD

As-a-Service

ACV = Annual Contract Value



Service & Technology Provider Standouts – Americas



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	Amdocs	Foundever	Coforge	Persistent Systems	Birlasoft	Mastek
	Capgemini	Kyndryl	Concentrix	Genpact	EXL	Stefanini	Ensono	Pomeroy
As-a-Service Market	Cognizant	NTT Data	Conduent	LTIMindtree	Innova Solutions	TELUS Digital	Firstsource Solutions	Softtek
	Deloitte	TCS	EPAM Systems	Tech Mahindra	L&T Technology Services	TTEC	HGS	Sonata Software
	DXC Technology	Wipro			Mphasis	WNS		Tata Elxsi
	HCLTech							Zensar
	Amazon Web Services	Microsoft	Atlassian	Palo Alto Networks	CloudFlare	Okta	Appfolio	Guidewire
	Google Cloud	Oracle	CrowdStrike	Snowflake	Datadog	Veeva Systems	DigitalOcean	Workiva
			Digital Realty	Workday	HubSpot			
			Equinix					

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



EMEA Broader Market Results

Quarterly Trends

Combined Market ACV pulled back slightly Q/Q

Managed Services ACV fell below \$4B for second time in last five quarters

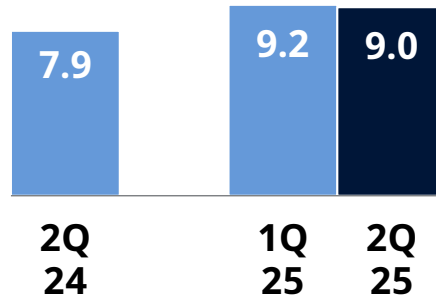
Six of the past eleven quarters have seen Y/Y declines

Growth led by France, Nordics and DACH

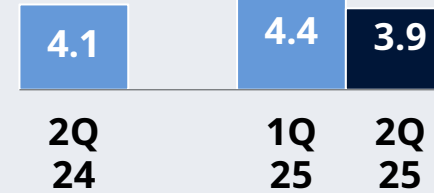
Pullback in smaller “discretionary” deals, down 31% Y/Y

XaaS ACV record high ACV of \$5.1B; fifth straight quarter of double-digit Y/Y growth

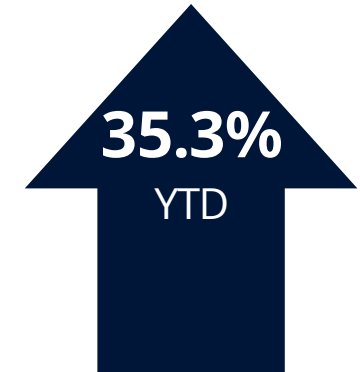
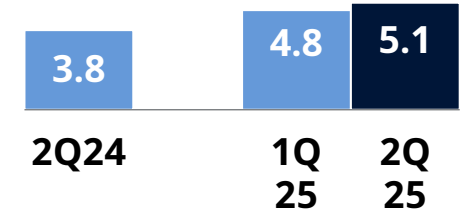
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value



Service & Technology Provider Standouts – EMEA

Managed Services Market	The Big 15		The Building 15		The Breakthrough 15		The Booming 15	
	Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
	Accenture BT Capgemini DXC Technology HCLTech	IBM Consulting Infosys Kyndryl TCS Wipro	Capita Computacenter Concentrix Foundever Genpact Hays Indra Sistemas	LTIMindtree Serco Sopra Steria Tech Mahindra Tietoevry T-Systems	AFRY Alten Cancom Coforge EXL	L&T Technology Services Persistent Systems Reply SpA Softcat Limited Sweco	Atea ASA Eltel Networks ENDAVA Hexaware KPIT Technologies	Mastek Netcompany Tata Elxsi Zensar
As-a-Service Market	Amazon Web Services Google Cloud	Microsoft Oracle SAP	Autodesk		CloudFlare Dynatrace Nice Ltd.	Veeva Systems Visma	DigitalOcean IFS AB iomart	Nermetschek OVH TechnologyOne

* New or returning to leaderboard in quarter

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Asia Pacific Broader Market Results

Quarterly Trends

Combined market ACV dipped below \$5B level for first time in a year

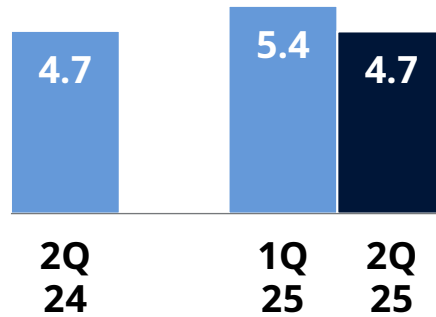
Managed services ACV of \$823M, down 40% against a record high 2Q24

Pullback in smaller “discretionary” deals, down 7% Y/Y

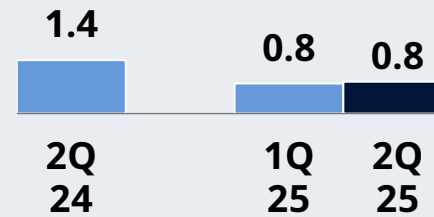
Broad-based declines across largest geographic markets

XaaS ACV down 15% Q/Q while falling below \$4B level

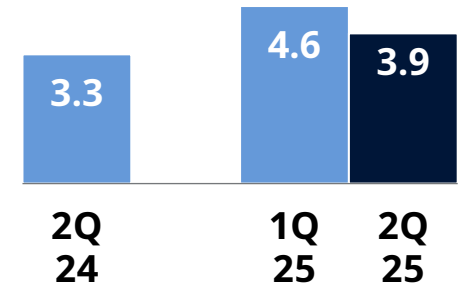
ACV \$B



Combined Market



Managed Services



As-a-Service

ACV = Annual Contract Value



Service & Technology Provider Standouts – Asia Pacific



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	Hitachi	Foundever	Sumitomo SCSK	Biprogy	Neusoft	BayCurrent	KPIT Technologies
	Capgemini	Infosys	Genpact	Sodexo	Coforge	NS Solutions	Consulting	Sonata Software
	DXC Technology	TCS	IT Holdings (TIS)	SS&C	&T Technology	Persistent Systems	Birlasoft	Tata Elxsi
	Fujitsu	Wipro	ITOCHU Techno-Solutions	Technologies	Services	SK C&C	Firstsource	Transcom
	HCLTech		LG CNS	Tech Mahindra	NCS	Unisys	Solutions	
			Nomura Research	Transcosmos	Net One Systems	WNS	ITCenEntec	
As-a-Service Market	Amazon Web Services	China Unicom	Atlassian	CrowdStrike	CloudFlare	MongoDB	21Vianet	Kingdee
	China Mobile	Google Cloud	Autodesk	Dassault Systèmes	Datadog	Vevea Systems	Digital Ocean	Kingsoft Cloud
	China Telecom	Microsoft					Keppel DC	Xero

*New or returning to leaderboard in quarter

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



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