ISG Index™

Technology Industry Update: Services & Software

January 15, 2026

Fourth Quarter & Full Year 2025

HOSTED BY

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Market Level Set

1. Cloud and software remain the primary growth engines of the market.
2. Regional performance remains highly divergent heading into 2026.
3. Managed Services growth remains constrained and uneven.
4. Market activity remains concentrated in larger, strategic transactions.
5. AI is reshaping enterprise investment priorities and delivery models.

Global Broader Market

4Q25 Results

Combined Market surpassed **$34B** for first time ever

Managed Services **declined Y/Y** for second consecutive quarter

XaaS best quarter ever, **up 26% Y/Y**

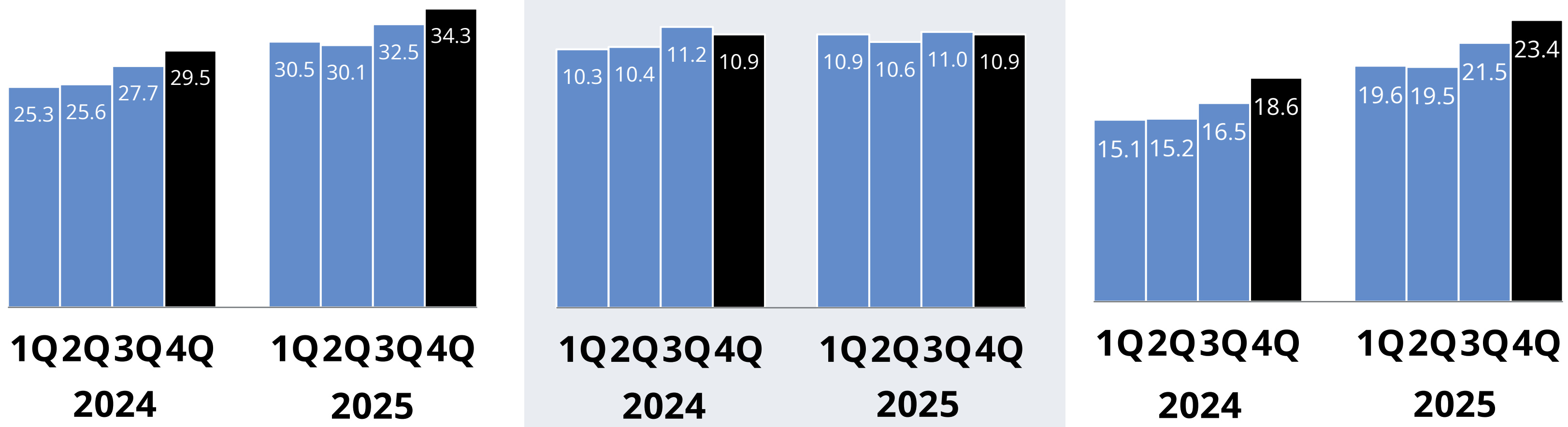
2025 Results

Combined Market ACV **up $19B** versus 2024

Managed Services growth rate of **1.3%**; slowest since 2020

XaaS ACV **growth of 29%,** up versus **16%** growth in 2024

ACV $B



18% Full Year

Combined Market

1.3% Full Year

Managed Services

29% Full Year

As-a-Service

Source: ISG, 2025; ACV = Annual Contract Value

Managed Services
Deal Duration and TCV Trends

Deal Durations

↑12%

vs 2024

Total Contract Value

↑8%

vs 2024

All deal sizes except for mega awards

Managed Services ITO Results

4Q25 Results

ACV **down 6%** Y/Y

Second quarter of **Y/Y declines**

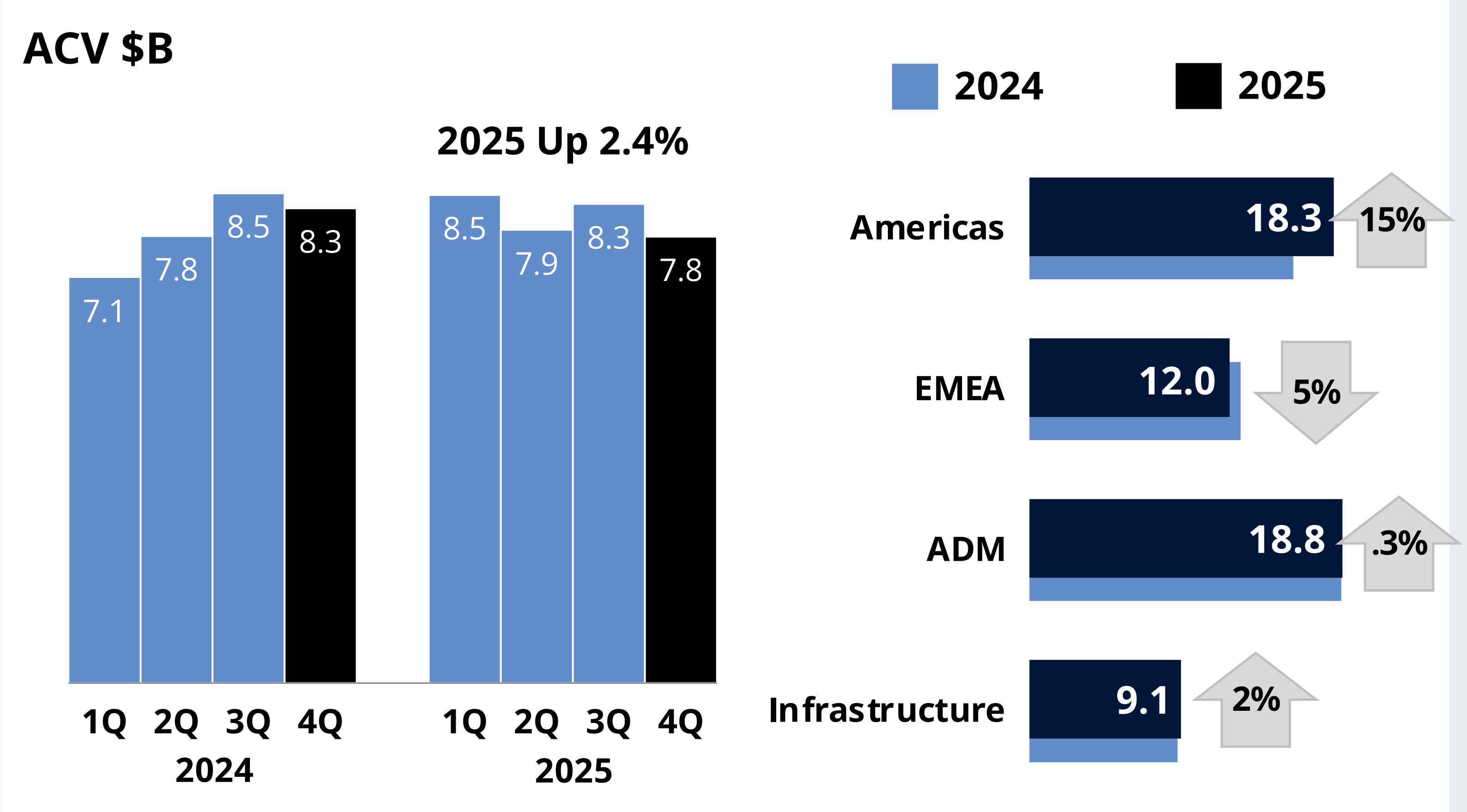
2025 Results

ACV **up 2.4%;** No. of awards **up 1%**

24 mega-deals awarded, **down 14%**

Americas **up 15%**; accounted for all growth; EMEA **down 5%**

Slight gains in ADM; Broad-based growth in Infrastructure



ACV = Annual Contract Value

Managed Services Engineering Results

4Q25 Results

ACV **up 28%** Y/Y; number of awards **up 21%** Y/Y

Fourth consecutive quarter where ACV **surpassed $800M**

2025 Results

ACV **up 35%**

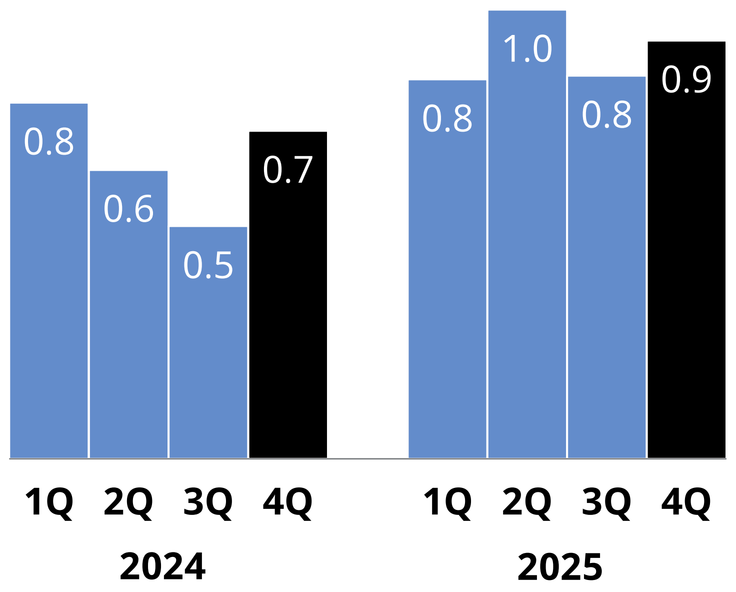
Large MNC's have won **51% of ACV**

Average ACV of ER&D awards **up 21%**

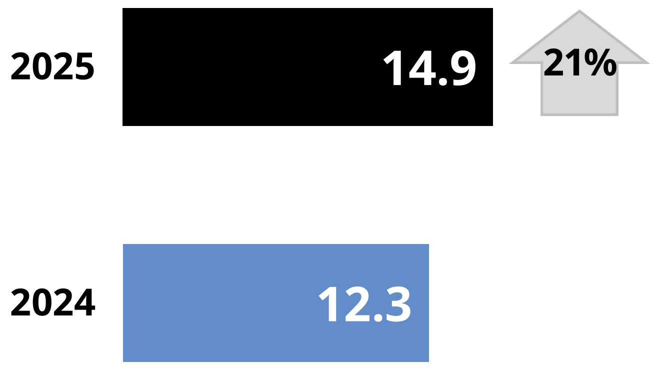
ER&D awards starting to scale; **17.5%** of awards have **ACV > $20M**

ACV $B

2025 up 35%



Average Deal ACV ($M)



ACV = Annual Contract Value

Managed Services BPO Results

4Q25 Results

ACV **up 13%** Y/Y

First $2B+ ACV quarter of 2025; **best quarter since 1Q24**

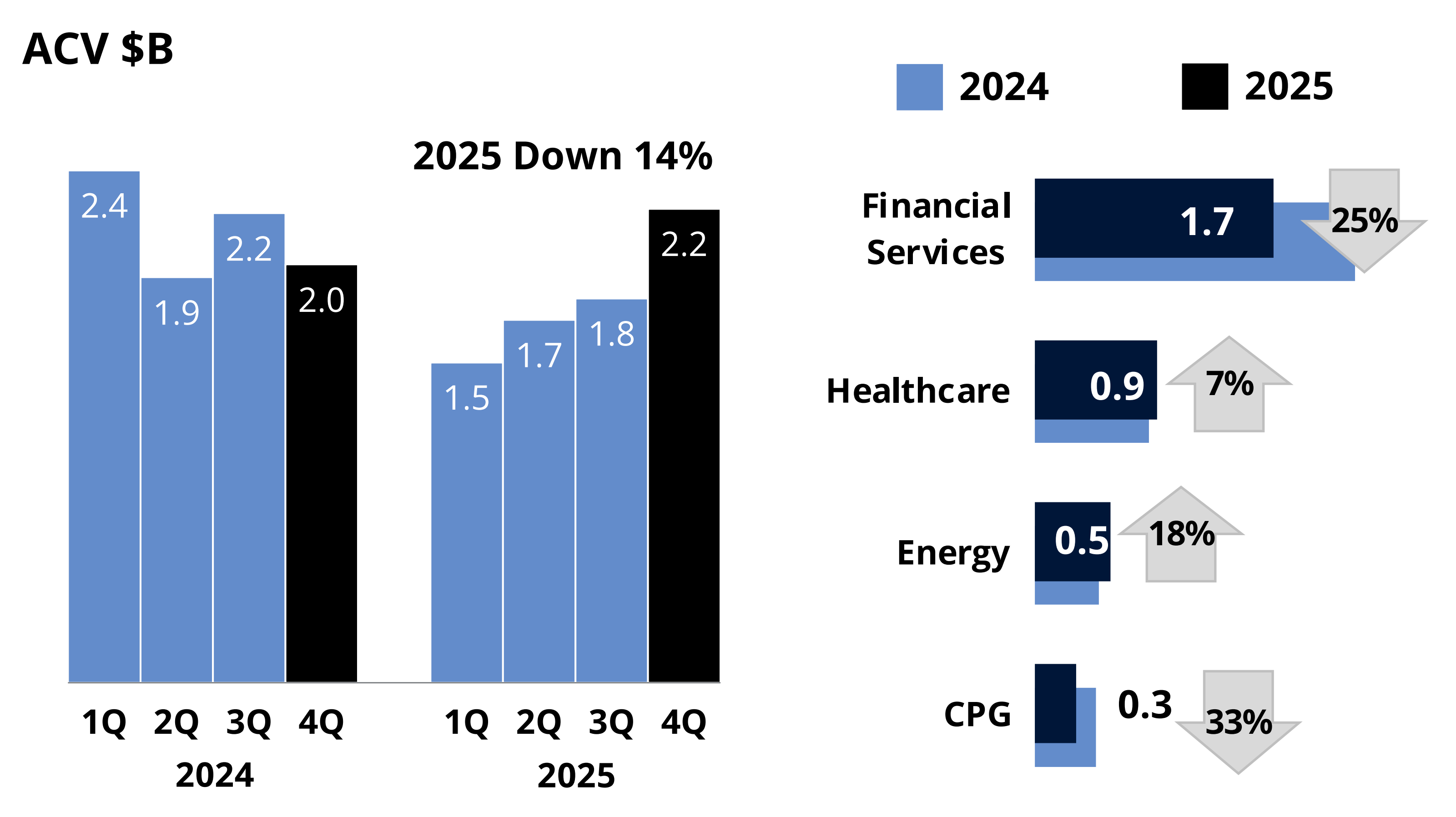
2025 Results

ACV **down 14%**; Number of contracts **down 6%**

Smaller discretionary deals **down 9%**

All three regions were down; EMEA **declined 9%**; **Americas down 13%**

Weakness across verticals except for Energy and Healthcare



ACV = Annual Contract Value

Managed Services Regional Results

Americas

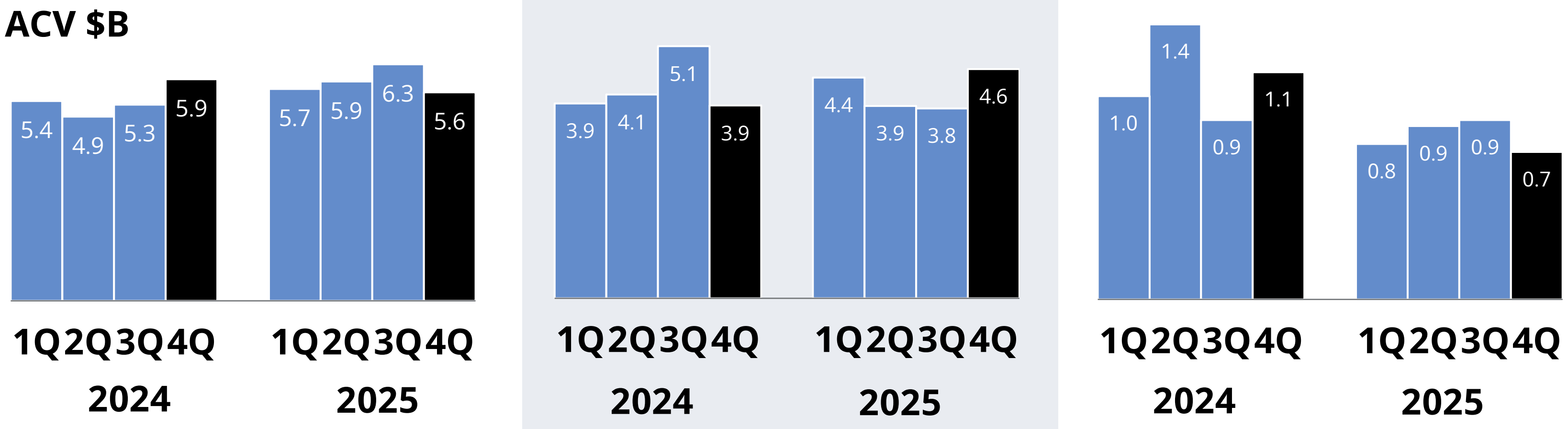
4Q: ACV down 6% Y/Y
2025: ACV up 9%; BFSI sector up 18% with $1B in ACV upside

EMEA

4Q: ACV up 19%
2025: ACV down 1.4%; mega-deals down 15% and BFSI down 5%

Asia Pacific

4Q: ACV down 36%
2025: ACV down 27%; Broad geographic weakness except for India



Americas **EMEA** **Asia Pacific**

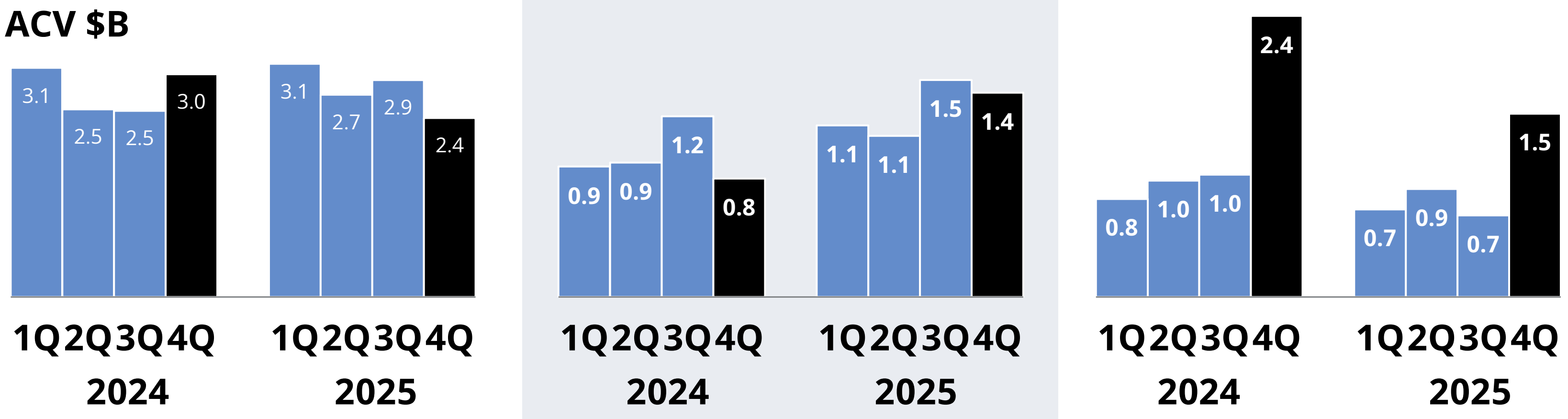
Source: ISG, 2025; ACV = Annual Contract Value

Managed Services Selected Industry Results

BFSI
4Q: ACV down 20%
YTD: ACV up 1%; Americas up 18%; EMEA down 11%

Energy
4Q: ACV up 72%
YTD: ACV up 34%; Americas up 50%; EMEA up 31%

Manufacturing
4Q: ACV down 35%
YTD: ACV down 4%; Americas down 1%; EMEA down 3%



1%
Full Year
BFSI

34%
Full Year
Energy

-4%
Full Year
Manufacturing

All Industry Results in Appendix
Source: ISG, 2025; ACV = Annual Contract Value

SaaS Results

4Q25 Results

ACV **up 6%** Y/Y

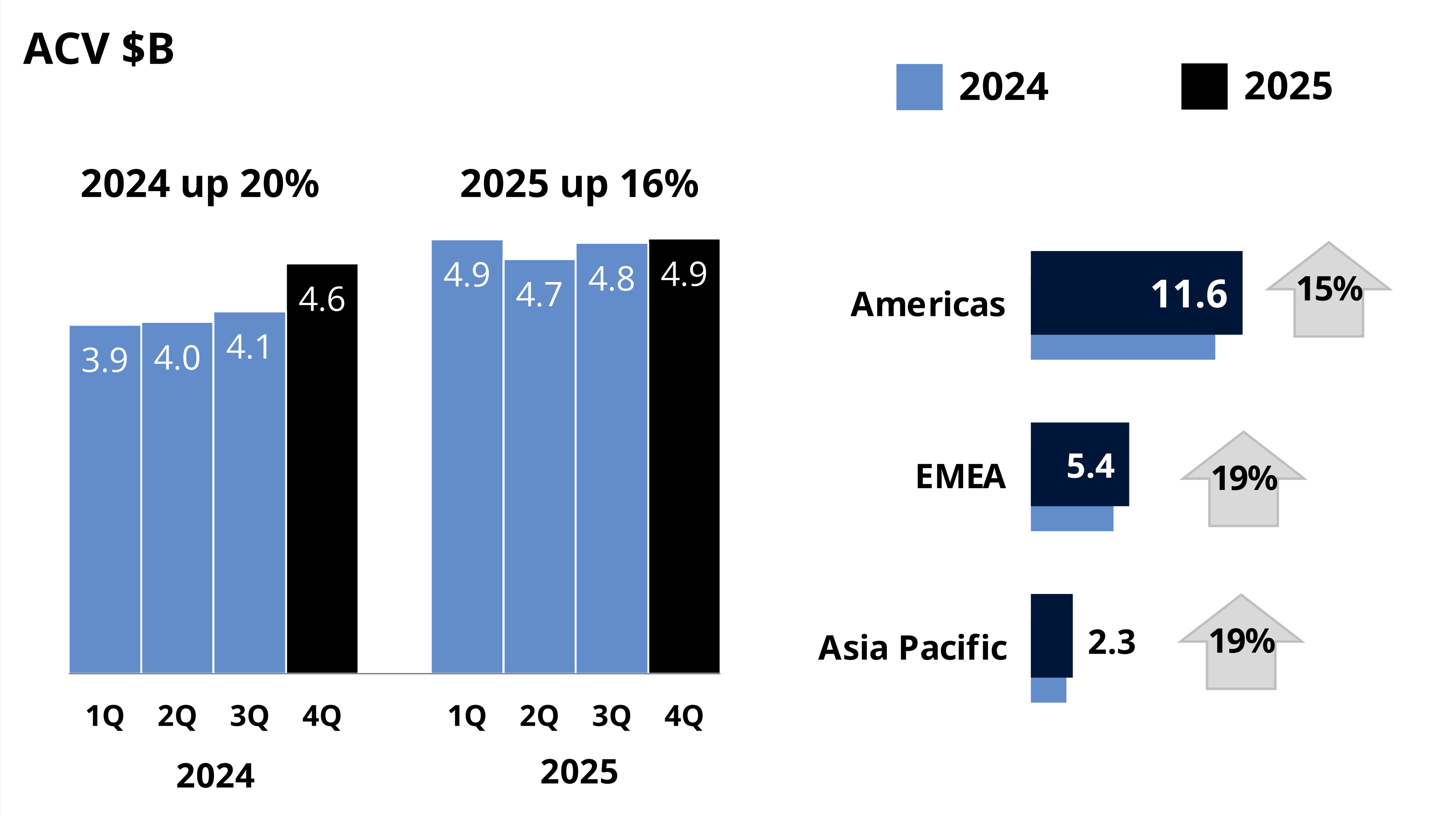
Y/Y growth rate **decelerated** from double-digit growth throughout 2025

2025 Results

ACV **up 16%**

Growth was broad based across all three regions; Americas highest growth **since 2021**

Top 10 SaaS providers outperformed the Broader Index **by 1.18x**



Key Trends in Software Industry (SaaS)

1. AI had 24% ACV growth in 2025, IBM acquiring Confluent for $11B, Salesforce Informatica complete and Databricks last $4B investment.
2. Applications had 11% ACV growth fueled by AI agents on agentic platforms for autonomous intelligence like shown in Oracle AI Agents.
3. Collaboration had 55% ACV growth fueled by AI expansion into agentic operations workflows like Salesforce Slack and Zoom AI Companion.
4. Back-office apps had 6% ACV growth, industrial AI growing with robotics like IFS & Boston Dynamics, showing innovation and opportunity.
5. IT had 44% ACV growth fueled by M&A activity like PE firm Vista Equity & LogicMonitor, and ServiceNow $12B+ (Armis, Moveworks, Veza).

IaaS Results

4Q25 Results

ACV **up 32%** Y/Y; surpassed **$18B** for first time ever

Fifth consecutive quarter of **30%+** Y/Y growth

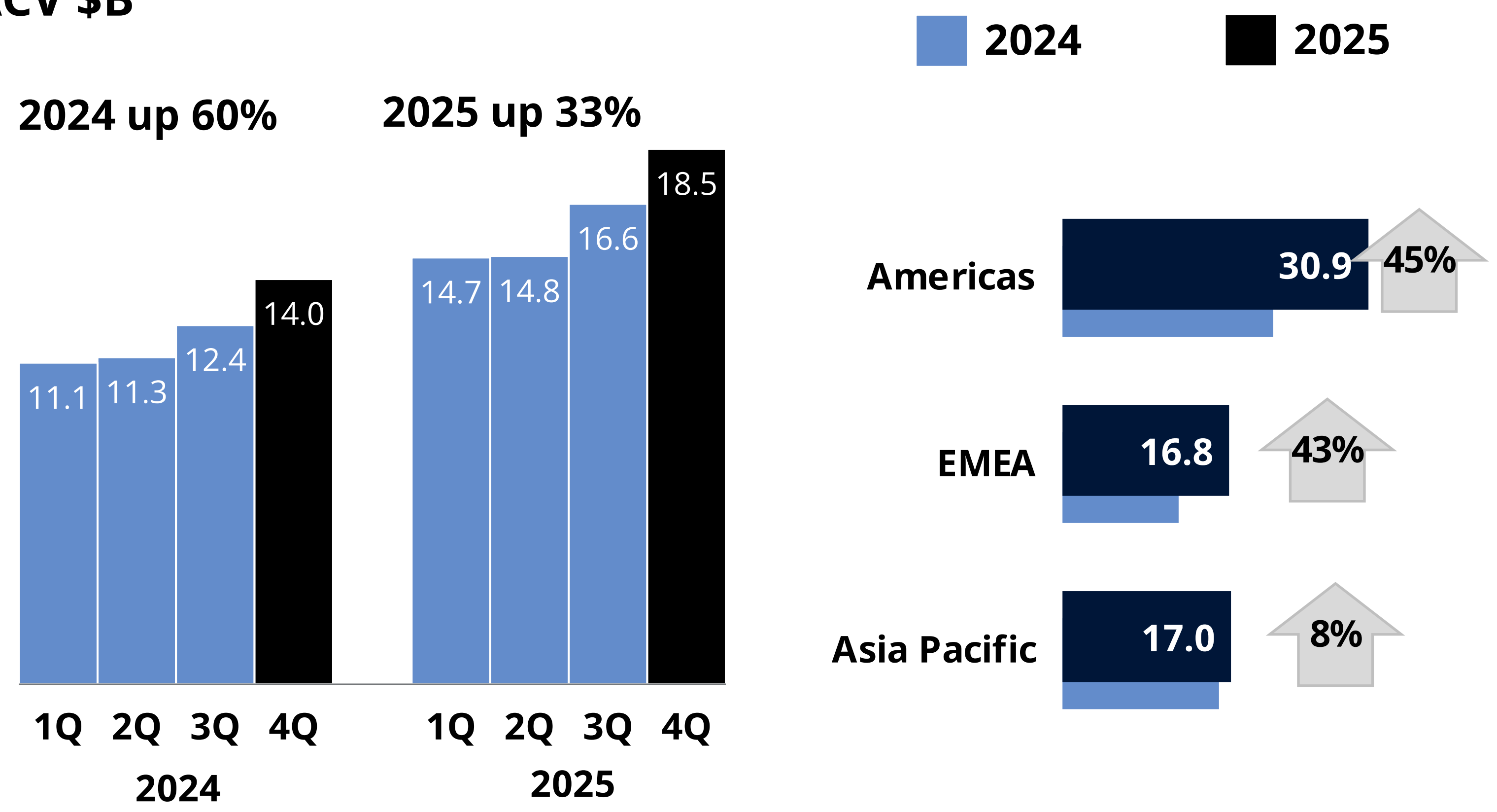
2025 Results

ACV **up 33%**

Americas and EMEA each **up 40%+**

Big 3 Hyperscalers providers (AWS, Azure, GCP) outperformed the Broader Index by **1.25x**

ACV $B



Key Trends in Software Industry
(IaaS)

1. IaaS ACV growth was 33% in 2025, expanded cloud innovation continued fueling the market war for public, private, hybrid & sovereign cloud stacks.
2. AWS at Re:Invent expanded its portfolio with AWS Interconnect, AI workloads observability with AWS CloudWatch and AI Agents like Kira.
3. Microsoft's Ignite event introduced innovation in AI Agents with Fabric IQ and Foundry IQ and advancements in Agent Factory and Azure CoPilot.
4. Oracle AI World brought more focus on interoperability like Agent Hub for model operations to Dedicated Region and Distributed Cloud offerings.
5. Expanded investments for cloud sovereignty by AWS and Microsoft now support expanded AI and data workloads for agents and conversations.

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 15

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

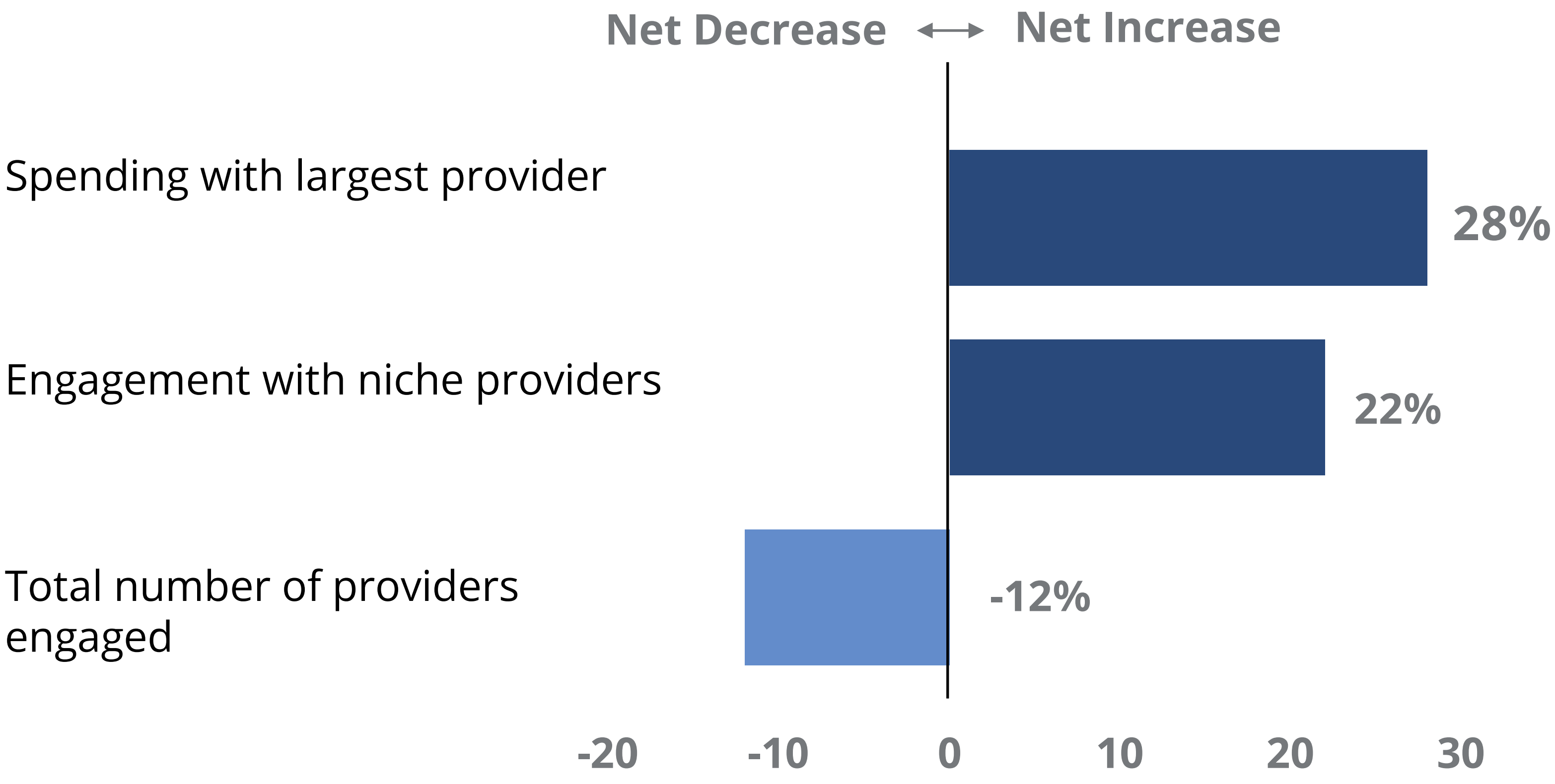
	The Big 15	The Building 15	The Breakthrough 15	The Booming 15
	Revenues > $10B	**Revenues $3B-$10B**	**Revenues $1B-$3B**	**Revenues <$1B**
Managed Services Market	Accenture Capgemini Cognizant Deloitte DXC Technology HCLTech IBM Consulting Infosys NTT Data TCS Wipro	Concentrix Foundever Genpact LTIMindtree Sopra Steria Tech Mahindra	AFRY Coforge EXL Hexaware L&T Technology Mphasis Neusoft* Persistent Systems TTEC	Birlasoft Eltel Networks Ensono Firstsource Solutions KPIT Technologies Mastek Softtek Sonata Software TATA Elxsi Transcom Worldwide*
As-a-Service Market	Amazon Web Services Google Cloud Microsoft Oracle	Applovin* Atlassian Autodesk* CrowdStrike Equinix Iron Mountain Palo Alto Networks Snowflake Workday	21Vianet* CloudFlare Databricks Hubspot Palantir Shopify	Cyberark* DigitalOcean Kingsoft Cloud Nemetschek Vantage Data Centers

* New or returning to leaderboard in quarter

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

How Enterprises Will Change Their Provider Ecosystems in 2026

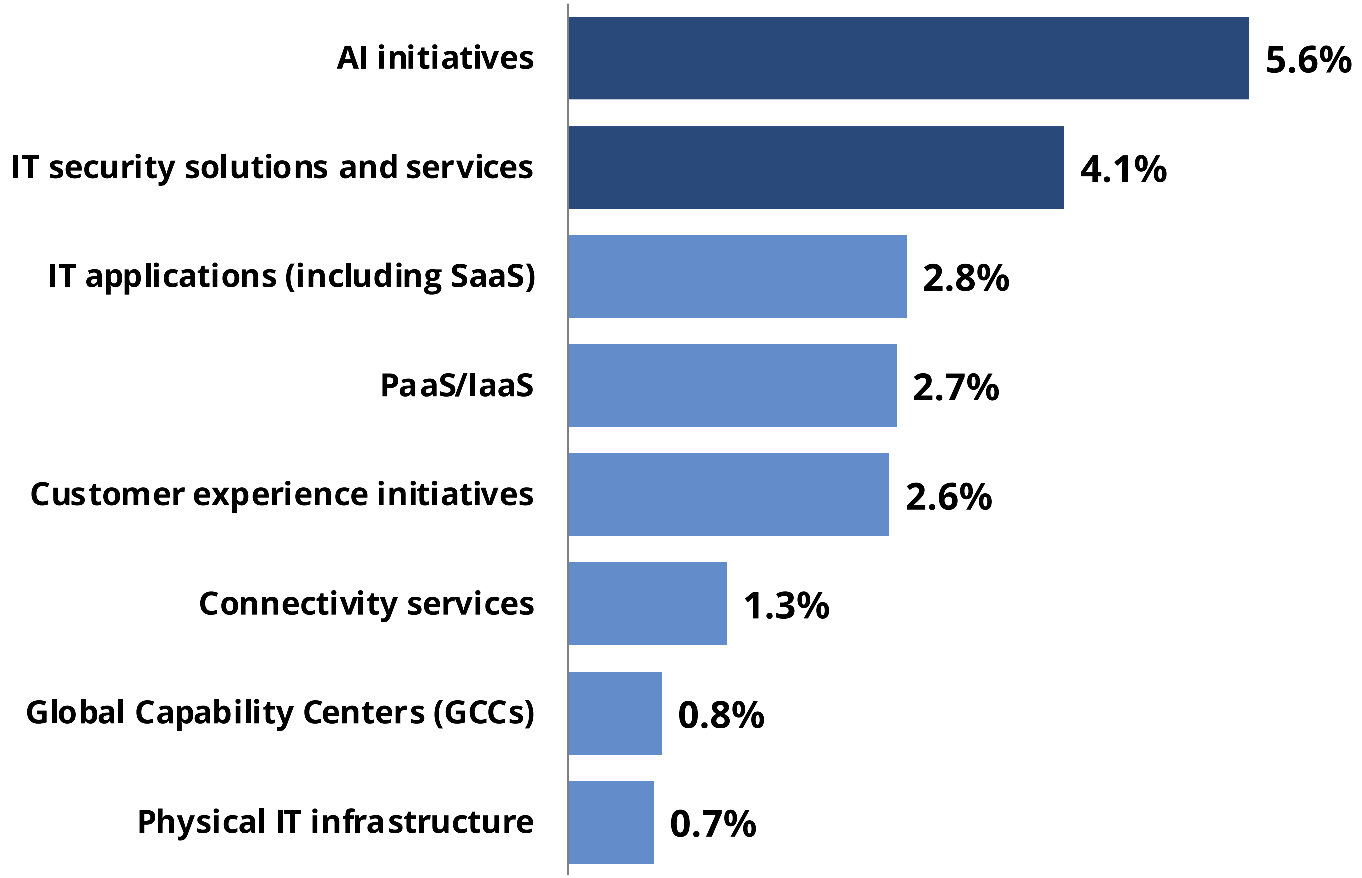
- Enterprises **expect more spend with their largest providers**.
- **Niche specialists** will continue to drive agility and access to specialized, differentiated skills.
- **Expect stable provider portfolios**, with only a slight decrease in the total number of providers.



Source: ISG Market Lens, Budgets & Spending Survey, n=200; Net Shift (% Increase - % Decrease)

AI Continues to Dominate IT Spending Change for 2026

- **Overall IT budgets** for 2026 are expected to be mostly flat and will include a mix of new spend and cost reallocation.
- **Like 2025, IT departments expect AI** to be the largest increase in their spending over last year's budget.

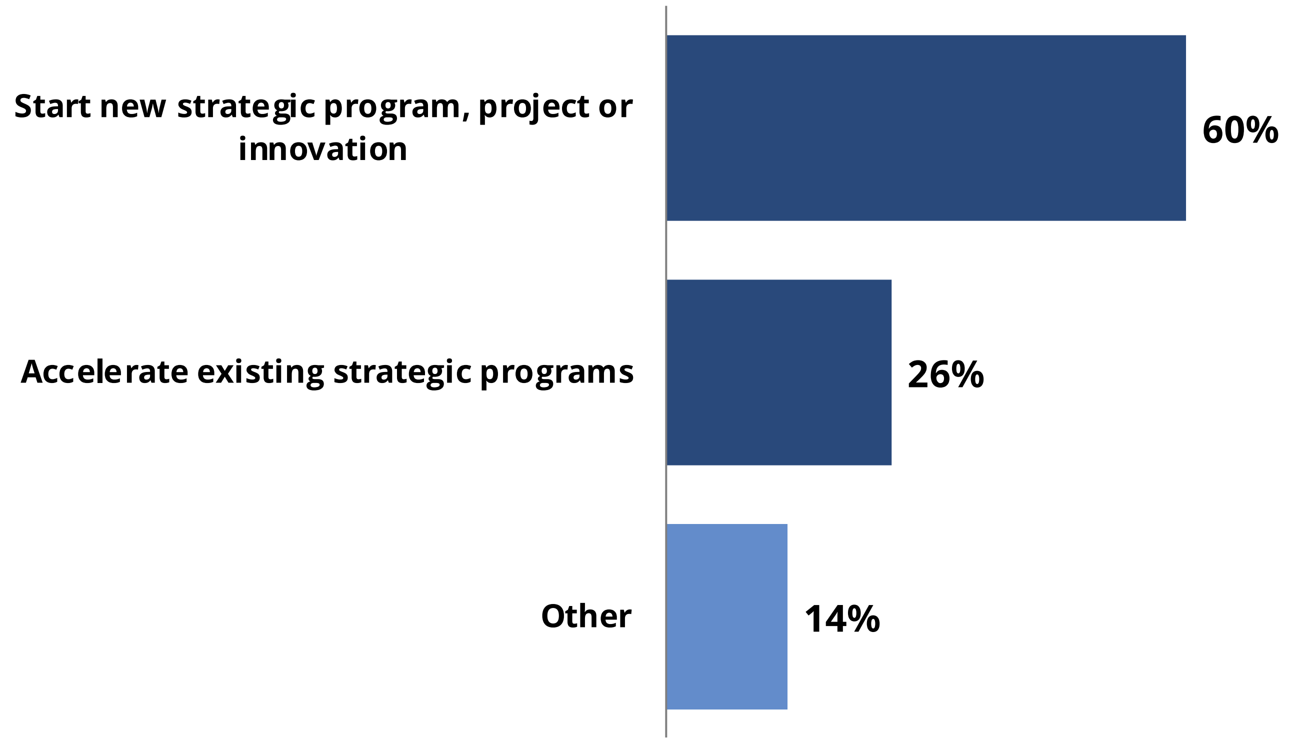


Source: ISG Market Lens, Budgets & Spending Survey, n=200 – Budget Growth Categories (top 8 shown)

AI Continues to Dominate IT Spending Change for 2026

- **77% of companies say they will grow AI spend**
- **Majority of AI spend goes to starting new projects,** which indicates continued opportunity and headroom in the market.
- **Pilot projects are increasingly moving toward production,** and incremental budget to accelerate those programs indicates a path toward production and ROI.

What is the main cause of your AI budget increase?



Source: ISG Market Lens, Budgets & Spending Survey, n=200

Summary & Outlook

Summary

Managed Services

- Managed Services declined Y/Y but met the forecasted growth of 1.3% for the full year
- IT market declined in 4Q, but finished 2025 up 2.5%; BPO up 13% in 4Q, but fell 14% in 2025
- Americas pulled back 6% in Q4 yet grew 9% annually
- EMEA surged 19% in Q4 but was flat for the year

XaaS

- XaaS segments delivered record-breaking fourth quarters, driving double-digit growth and all-time highs for the year
- IaaS hyperscaler growth continues to accelerate, with surging cloud RPO backlogs fueled by AI demand
- SaaS faced business model-related competitive pressures from AI even as bookings, backlog, revenues, and margins all grew

Market Outlook

Macro Recap

- Uncertainty around policy and regulation is causing companies to delay long-term commitments
- AI is changing buying behavior faster than providers and pricing models are adjusting
- Growth is becoming more uneven across regions, with strength concentrated in the Americas market

Revenue Forecast

Market Segment	2026 Forecast
Managed Servies	2.1%
As-a-Service	20%

- 2026 IT budgets should accelerate to support AI adoption, cloud migration, cybersecurity and GenAI features becoming mainstream
- Enterprises prioritizing high-impact outcomes over broad cost-cutting

The 93rd Quarterly ISG Index™

Thank you!

Appendix

Global Software Market: Q4 & 2025

4Q25 Results

XaaS: Over $23B for first time ever in Q4 and large growth quarter, up 26% Y/Y

SaaS: ACV up 6% Y/Y, seven consecutive quarters of Y/Y but slowed growth.

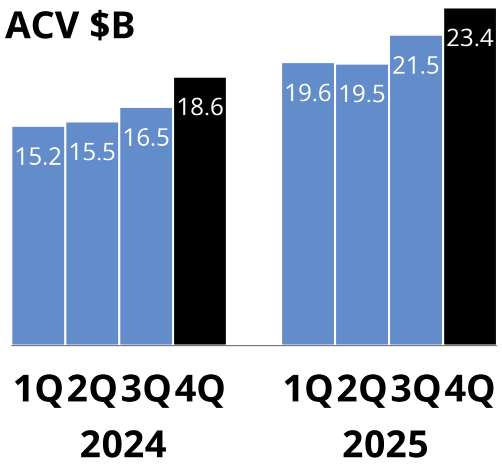
IaaS: ACV up 32% Y/Y; over $18B for first time ever, fifth consecutive quarter of 30%+ Y/Y growth

2025 Results

XaaS ACV growth of 29%, up versus 49% growth in 2024

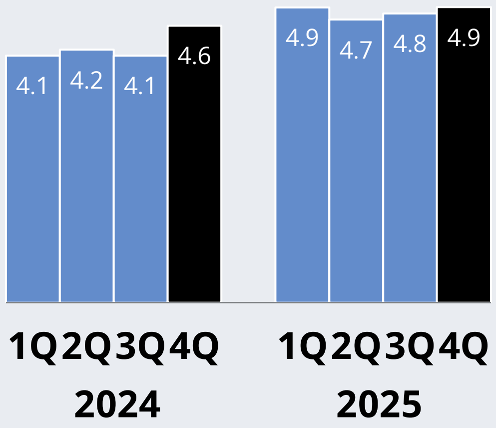
SaaS ACV up 16% YTD, growth across all three regions

IaaS ACV up 33% YTD, growth across all three regions



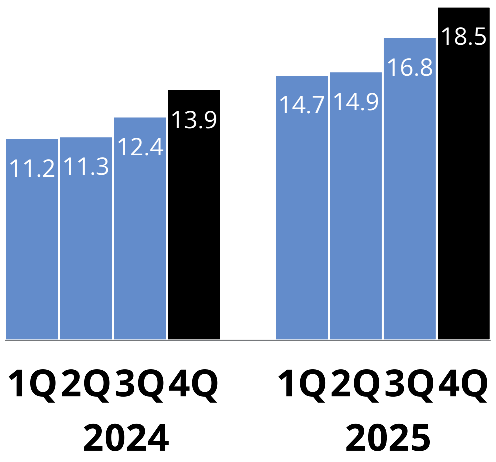
29%
Full Year

Overall Software--as-a-Service (XaaS)



16%
Full Year

Software -as-a-Service (SaaS)



33%
Full Year

Infrastructure-as-a-Service (IaaS)

Source: ISG, 2025; ACV = Annual Contract Value

Industry Verticals

2025 Trends	Business Services	Consumer Packaged Goods & Retail	Energy	Financial Services	Healthcare & Pharma	Manufacturing	Telecom & Media	Travel, Transport Leisure
Combined Market	22%	20%	28%	15%	30%	10%	11%	19%
Managed Services	-19%	-12%	34%	1%	27%	-4%	-12%	7%
As-a-Service	37%	31%	24%	27%	32%	20%	27%	29%

Americas Broader Market Results

4Q25 Results

Combined Market up 21% Y/Y; remained above $17B level

Managed Services down 6% Y/Y; first decline since 3Q24

XaaS ACV up 39% Y/Y; seventh consecutive quarter of Y/Y growth

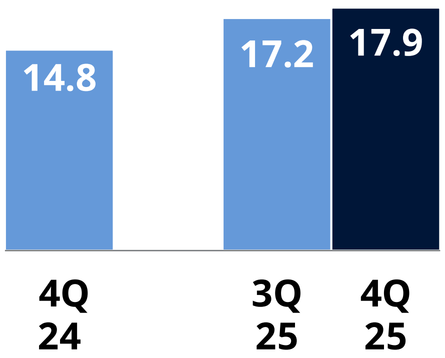
2025 Results

Combined Market ACV up $13B versus 2024

Managed Services ACV up 9%; Number of Contracts up 12%

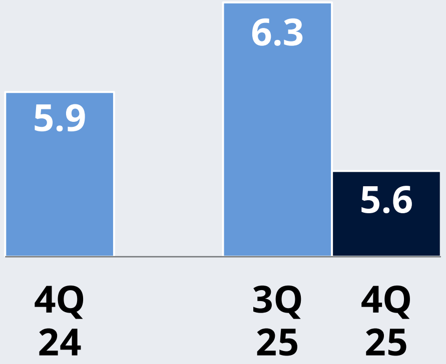
XaaS ACV growth of 35%, up versus 18% growth in 2024

ACV $B



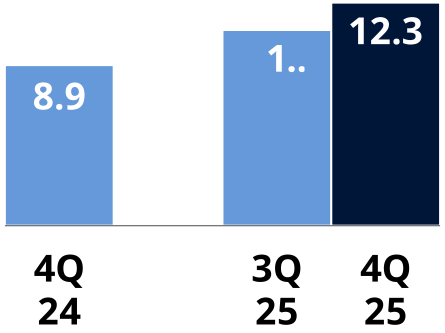
24.7% Full Year

Combined Market



9.3% Full Year

Managed Services



35.2% Full Year

As-a-Service

Source: ISG, 2025; 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, Capgemini, Cognizant, Deloitte, HCLTech, IBM Consulting, Infosys, Kyndryl, NTT Data, TCS, Wipro	ABM Industries, Concentrix, EPAM Systems, Foundever, Genpact, LTIMindtree, Snowflake, Tech Mahindra	Coforge, EXL, Globant, Innova Solutions, L&T Technology Services, Mphasis, Persistent Systems, TTEC, Unisys	Birlasoft, Ensono, Firstsource Solutions, HGS, HTC, Mastek, Pomeroy, Softtek, Sonata Software
As-a-Service Market	Amazon Web Services, Google Cloud, Microsoft, Oracle	Atlassian, CrowdStrike, Datadog, Equinix, Iron Mountain, Palo Alto Networks, Workday	CloudFlare, Databricks, HubSpot, Palantir, Rubrik, Shopify	Compass Datacenters, Cyberark, Guidewire, Kio Networks, ServiceTitan, Vantage Data Centers

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

EMEA Broader Market Results

4Q25 Results

Combined Market up 27% Y/Y; surpassed $10B for first time ever

Managed Services up 19% Y/Y; best quarter of 2025 for ACV

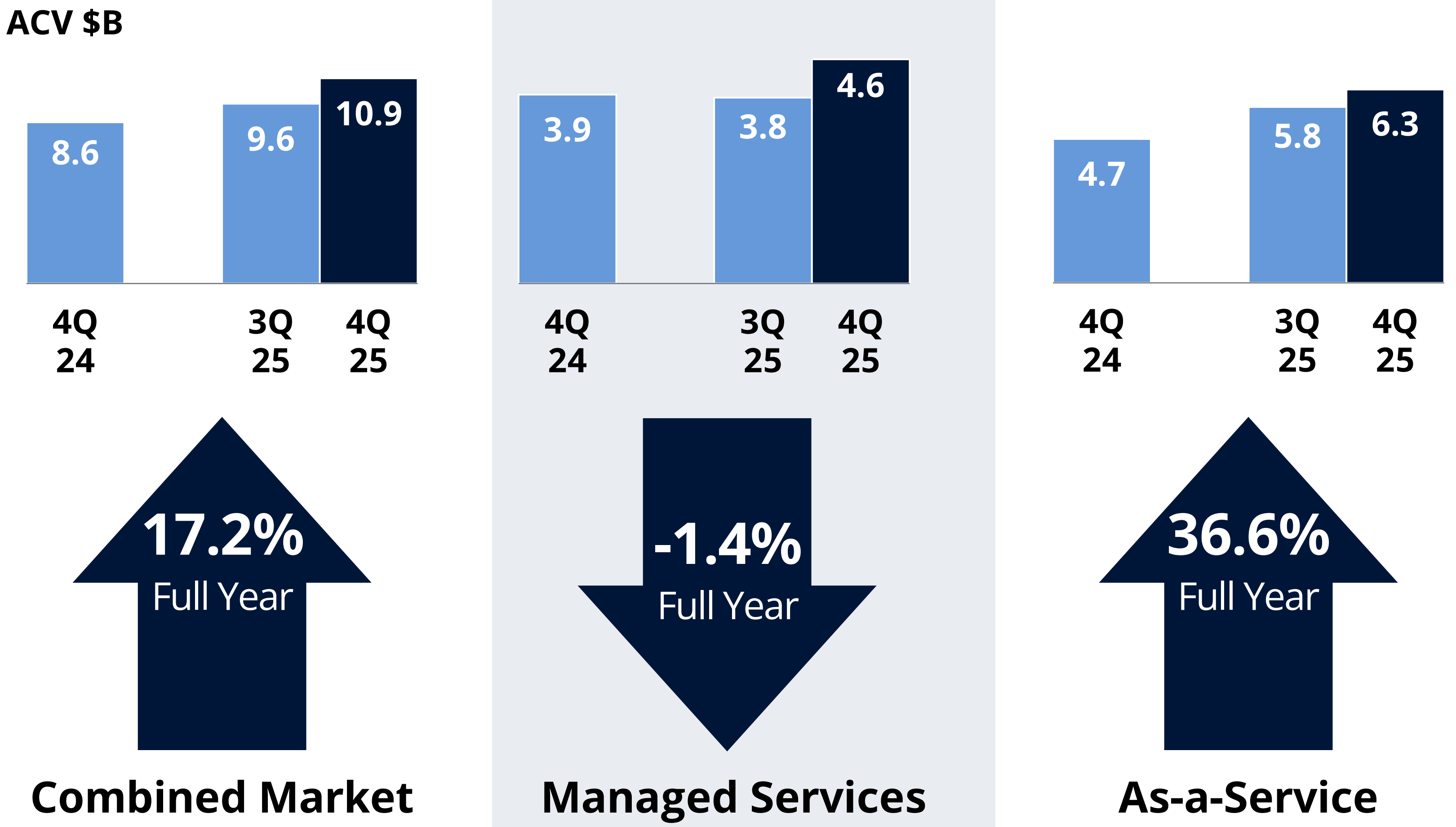
XaaS ACV up 34% Y/Y; first time surpassing $6B level

2025 Results

Combined Market ACV up $15.5B versus 2024

Managed Services ACV down 1.4%; Number of contracts down 10%

XaaS ACV growth of 37%, up versus 21.5% growth in 2024



Source: ISG, 2025; ACV = Annual Contract Value

Service & Technology Provider Standouts – EMEA

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 BT Capgemini Cognizant DXC Technology HCLTech	IBM Consulting Infosys NTT Data TCS Wipro	Bechtle Capita Computacenter Concentrix Foundever Genpact	LTIMindtree Orange SoftwareONE Sopra Steria Tech Mahindra Tietoevry T-Systems	adesso AFRY Atea ASA Coforge Hexaware Konecta	L&T Technology Services Persistent Systems Reply SpA Telefonica Tech	EDAG Eltel Networks Firstsource Solutions KPIT Technologies Mastek NNIT A/S	Prodata Systems QuEST Global Tata Elxsi Tata Technologies Transcom Worldwide
As-a-Service Market	Amazon Web Services Google Cloud	Microsoft Oracle	Autodesk Equinix	Iron Mountain	Databricks Fortinet OVH	Sage Visma	Cyberark DigitalOcean	Nermetschek Vantage Data Centers

* New or returning to leaderboard in quarter

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

Asia-Pacific Broader Market Results

4Q25 Results

Combined Market down 11% Y/Y; lowest growth rate since 1Q23

Managed Services down 36% Y/Y; no $1B+ quarters in 2024

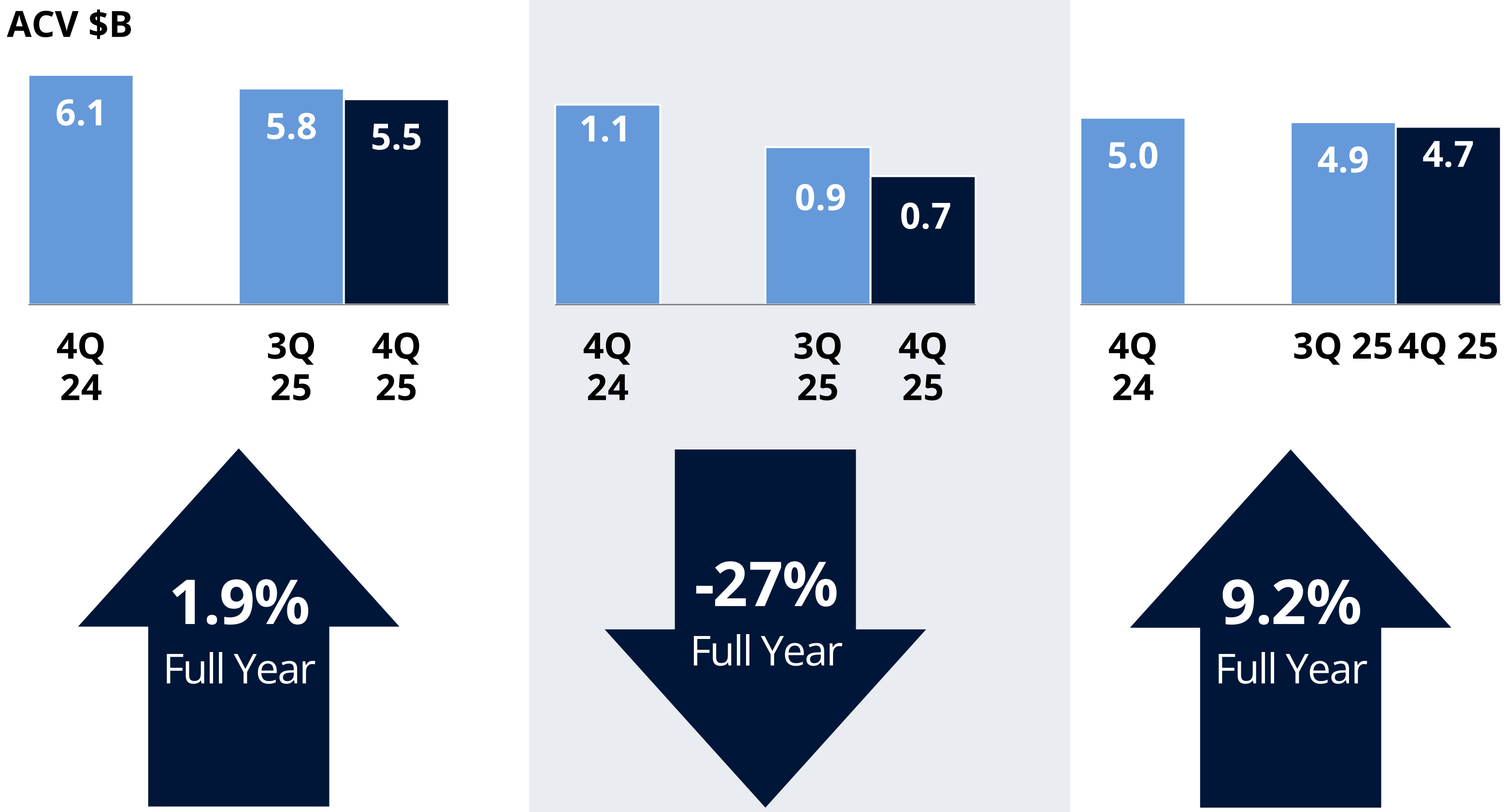
XaaS ACV down 5% Y/Y; first decline since 2Q24

2025 Results

Combined Market ACV up $2%; decelerated from 11% growth rate in 2024

Managed Services ACV down 27%; number of contracts down 12%

XaaS ACV growth of 9%, accelerating slightly from 7% growth in 2024



Combined Market | Managed Services | As-a-Service

Source: ISG, 2025; 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 Revenues > $10B	The Building 15 Revenues $3B-$10B	The Breakthrough 15 Revenues $1B-$3B	The Booming 15 Revenues <$1B
Managed Services Market	Accenture Cognizant Google HCLTech Hitachi IBM Consulting Infosys NTT Data TCS Wipro	Amdocs Genpact ITOCHU Techno-Solutions LG CNS LTI Mindtree Nomura Research Sumitomo SCSK Sodexo Tech Mahindra Transcosmos	Biprogy Coforge FPT Software NCS Neusoft NS Solutions Persistent Systems SK C&C Taskus	BayCurrent Consulting Birlasoft Cyient ITCenEntec KPIT Technologies Shinsegae I&C Tata Elxsi Transcom
As-a-Service Market	Alibaba Amazon Web Services Baidu Microsoft Oracle	Applovin Atlassian Autodesk Equinix Iron Mountain	21Vianet CloudFlare Fortinet MongoDB Veeva Systems Xero	CtrlS Datacenters Global Switch Keppel DC Kingdee Kingsoft Cloud NextDC Vantage Data Centers

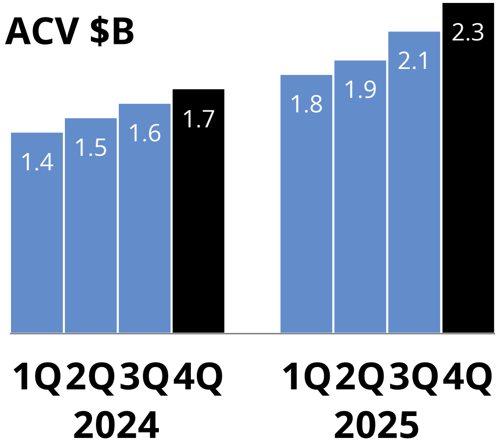
*New or returning to leaderboard in quarter
Providers in alphabetical order; no rankings implied. Revenues sourced from D&B and individual company financial fillings.

As-a-Service Selected Industry Results

Healthcare
4Q: ACV up 38% Y/Y
2025: ACV up 32%; with IaaS up 37%, along with expanded SaaS offerings

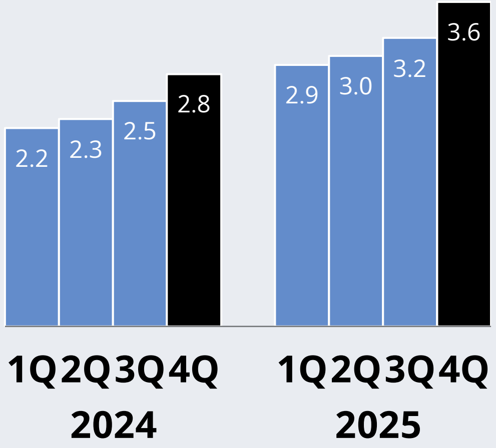
Retail & CPG
4Q: ACV up 28% Y/Y
2025: ACV up 31%; with SaaS up 16% and new industry application offerings

Business Services
4Q: ACV up 39% Y/Y
2025: ACV up 37%; with IaaS up 43%, more use of cloud and compute



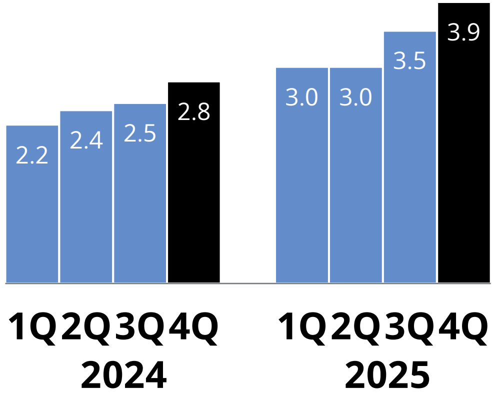
32% Full Year

Healthcare



31% Full Year

Retail & CPG



37% Full Year

Business Services

All Industry Results in Appendix
Source: ISG, 2025; ACV = Annual Contract Value

ISG (Nasdaq: III) is a global AI-centered technology research and advisory firm. A trusted partner to more than 900 clients, including 75 of the world's top 100 enterprises, ISG is a long-time leader in technology and business services that is now at the forefront of leveraging AI to help organizations achieve operational excellence and faster growth. The firm, founded in 2006, is known for its proprietary market data, in-depth knowledge of provider ecosystems, and the expertise of its 1,600 professionals worldwide working together to help clients maximize the value of their technology investments.