



## Chairman's Message

"I am confident the best lies ahead for our firm and our clients as we power through the challenges of a rapidly changing world—and realize new levels of operational excellence and growth, together."

**Michael P. Connors**

Chairman and Chief Executive Officer



## **Power Through**

To My Fellow Shareholders:

ISG delivered its best year ever in 2021.

Riding a wave of rising client demand and powered by our ISG NEXT operating model, we achieved:

- Record revenues of \$278 million, up 12 percent
- Record operating income of \$25.3 million, up 173 percent
- Record net income of \$15.5 million, and record earnings per share of \$0.30
- Record adjusted EBITDA of \$39 million, up 37 percent
- Record adjusted EBITDA margin of 14 percent, up 250 basis points

Our success is reflected in our share price, as investors continue to take note of our performance. During 2021, our share price rose 133 percent (among the top 4 percent of Nasdaq gainers). For the year, we increased shareholder value by more than \$214 million and returned \$21 million of capital to our shareholders in the form of dividends and share repurchases.

Beyond our financials, our health as a firm is reflected in our growing client base. In 2021, we served a record 853 clients, up 13 percent over the prior year. That figure included a record 270 clients new to ISG, up 20 percent. Our revenue from existing clients—a measure of account expansion—grew by 16 percent. Incredibly, nearly all of this was accomplished in a work-from-home environment.

In 2022, we see our market momentum continuing. Enterprises are powering through the headwinds of the ongoing pandemic, inflation, geopolitical tensions and supply chain disruptions and accelerating their investments in all things digital. Yet the journey to digital transformation remains a complex endeavor. Clients need a trusted partner like ISG to determine a future vision, lead rapid change, find the right ecosystem partners and realize value at scale.

### **The Power of ISG NEXT**

Our ISG NEXT operating model, introduced in the third quarter of 2020, proved to be a game-changer in 2021. Our solution-centric approach is resonating with clients and allowing us to expand our relationships by offering more end-to-end solutions, supported by our ISG Research and ISG Platform businesses. We also have sharpened our focus on key industry segments, marshalling our vertical expertise with targeted industry solutions to capture more business in several sectors. And we are realizing the service and productivity benefits of our virtual ISG iFlex™ global delivery network, which allows us to support our clients as one firm, across borders and time zones, leveraging the tools and information found in our cloud-based ISG Workbench.

Our ISG Platform business, anchored by our ISG GovernX® supplier management solution, continues to grow—in the breadth of its offerings, in the number of clients we serve, and in revenues. In 2021, we added new third-party risk management capabilities to GovernX, and continued to expand our other platform offerings, such as ISG ProBenchmark®, which added ISG Mobile Map™ to allow clients to track the rollout of 5G and its impact on operations.

Our ISG Research business delivered double-digit revenue growth, fueled, in particular, by the expansion of our ISG Provider Lens™ provider evaluation research business, which doubled in size in 2021. Our ISG Events business, meanwhile, emerged stronger despite a global slowdown in conferences, thanks to our ability to pivot successfully to virtual events, and to stage our first in-person event since the start of the pandemic: the 2021 ISG Executive Provider Summit (EPS),

held this past September in Chicago. Our 2022 EPS event in Orlando this January marks our intended return to many in-person events for 2022.

Within ISG Network and Software Advisory Services, our ISG Network Select™ offering picked up momentum during the year, positioning us for further acceleration in 2022 as enterprises upgrade and modernize their networks to be digitally connected and take advantage of computing at the edge.

### **Moving Forward**

During 2021, we took steps toward building our capabilities in several areas that show great promise for the firm, including ISG Digital Engineering, ISG Cybersecurity, and ISG Enterprise Cloud, a new approach to the market aimed at partnering with hyperscalers to support client transitions to the public cloud.

In yet another new opportunity, the ISG Enterprise team leveraged our Organizational Change Management (OCM) capabilities to create a new offering, Training-as-a-Service (TaaS), in support of a major U.S. banking client. ISG will pursue additional client opportunities for TaaS in 2022. We believe this new, recurring-revenue learning and development service can scale with the growing need of all enterprises to prepare their people for ongoing changes in their technology landscapes.

More recently, in February of this year, we launched the latest addition to our ISG Platform: ISG Executive Insights™, a market intelligence and analytics solution powered by our market-leading data to help enterprise leaders address the challenges of managing increasingly complex supplier ecosystems. This is the first in a series of new platform services planned for 2022 that will help us expand our recurring revenues.

## **ISG Cares**

I am proud of our efforts to advance our Corporate Social Responsibility (CSR) agenda in areas including Inclusion, Diversity, Equity and Awareness (the IDEA team), Environmental Practices, Women in Digital and ISG Cares. Each of these have fostered greater awareness of social issues and enhanced our ability to make a positive impact in our firm and on the world around us.

In support of our communities, ISG employees continue to contribute their time and money to grass-roots charitable programs under the ISG Cares banner. You can read about these efforts in the CSR section of this report.

ESG (Environmental, Social and Governance) initiatives are not just good for our communities, they are good for business. During 2021, ISG launched a new advisory and risk management service to help enterprises ensure their businesses and supply chains are in compliance with modern slavery laws.

## **A Foundation for the Future**

As we look ahead to even greater success in 2022, we can look back on 2021 as a year of enormous accomplishment and success.

It was a year when we began to emerge from the worst of the pandemic, streamlined our operations and positioned ourselves for greater efficiency and growth. Under the umbrella of ISG NEXT, we simplified what we do, how we go to market and concentrated on the essence of how our clients benefit from ISG. As a result, we achieved record financial results and our investors rewarded us with a growing share price. Most importantly, we now have a solid foundation upon which to deliver robust growth in 2022 and in the years ahead.

ISG continues to have momentum in the marketplace and with our clients. Market demand for all

things digital is at record highs, and there is no doubt we have the right people, the right solutions and the right approach to help every client navigate the still-challenging passage to becoming a fully digital enterprise. As the cloud infrastructure and software markets mature, we see even more opportunity for ISG. Our clients are changing their operating models, enhancing customer and employee experience, adopting newer technologies and embracing continuous transformation. This will create ongoing, sustainable demand for our advice, support and services.

As all years do, 2022 has begun with some challenges, most notably the conflict in Ukraine. We stand with the Ukrainian people in their struggle to remain a free and sovereign state. Ukraine has become a major hub for technology services, particularly software engineering and development. Those activities, for the most part, are being moved elsewhere.

Although ISG has no operations or people in Ukraine, a number of our enterprise clients rely on providers either located in—or obtaining services from—Ukraine. As we did with the pandemic, we are committed to helping them adjust their plans and overcome any potential challenges.

The crisis in Ukraine, coupled with the persistence of the pandemic, continuing supply chain disruptions, global inflation, the growing threat of cyber-attacks and the need to de-carbonize all have the potential to affect clients in the short term. Yet, they also offer tremendous potential for us to help our clients leverage technology to solve these problems and grow over the long-term.

### **15 Years of Excellence**

On December 8th, ISG had the honor of [ringing the Nasdaq opening bell](#). Before pressing the button to begin the day's trading (and unleash a shower of confetti), I looked around at those gathered there, and two thoughts came to mind: how proud I was of our team and how I wished all 1,300 ISG employees, along with our investors, could be there with us to celebrate our success.

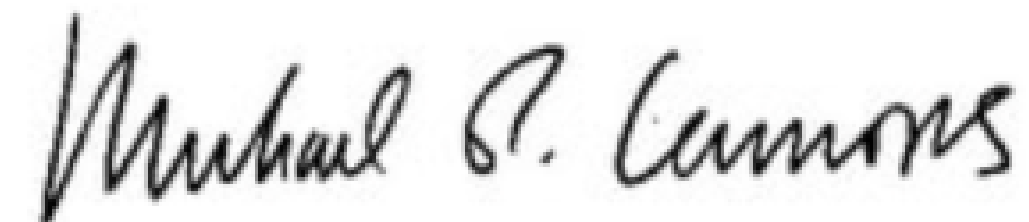
It was the crowning moment in a year marked by record growth—and a fitting close to our 15th anniversary year as a firm.

Over the last 15 years, ISG has grown—through 10 acquisitions, the addition of world-class talent, and continuous innovation—to become a leading global technology research and advisory firm, trusted for its insights, advice and unwavering commitment to client success. As we have always done, ISG continues to evolve, staying one step ahead of change, so we can guide our clients into a new future.

In closing, I want to thank our employees for their energy, teamwork and passion for excellence—hallmarks of the ISG experience that they bring to every client engagement. I also want to thank our leadership team, our Board of Directors and our loyal clients for making 2021 our best year ever. Finally, I want to thank you, our shareholders, for your continued support and confidence in our firm.

ISG continues to give our clients the power to succeed in any environment. I am confident the best lies ahead for our firm and our clients as we power through the challenges of a rapidly changing world—and realize new levels of operational excellence and growth, together.

Sincerely,

A handwritten signature in black ink that reads "Michael P. Connors". The signature is written in a cursive, slightly slanted style.

Michael P. Connors  
Chairman and Chief Executive Officer  
March 17, 2022