



Chairman's Message

"ISG continues to evolve and innovate to meet changing client needs and reinforce our position as the partner of choice for the world's largest and most successful enterprises. We are always pushing beyond boundaries, anticipating the future and illuminating the path forward."

Michael P. Connors
Chairman and Chief Executive Officer



Illuminating Paths

To My Fellow Shareholders:

ISG delivered another record performance in 2022.

Coming off our best year ever, we elevated our results to new heights:

- Record revenues of \$286 million, up 8 percent in constant currency
- Record net income of \$20 million, up 27 percent
- Record earnings per share of \$0.39, up 30 percent
- Record adjusted EBITDA of \$43 million, up 11 percent on a reported basis and up 17 percent in constant currency

Our 2022 success was built on our strong portfolio of services and solutions, our proven ISG NEXT operating model and our growing client base. We exceeded 900 clients for the first time, continuing a trend that has seen our client base grow significantly over the past few years. Our new and welcome-back clients alone generated nearly \$40 million in revenue last year.

The world right now is an uncertain place. Global inflation, recession in some markets, higher interest rates, energy shortages, geopolitical strife, a banking crisis and the lingering effects of the pandemic are all having an impact.

In this environment, clients continue to turn to ISG to illuminate the path forward.

Whatever challenges they face, clients trust ISG for our unmatched combination of data, insights, expertise, tools and solutions to help them optimize their technology and operating environments, reinvest in continuous transformation and get the most out of the collaboration between people and technology.

Powering Performance

The drive to go digital continues to power our performance. Digital solutions now account for approximately 55 percent of our total revenue, and that percentage continues to climb.

Nearly every one of our clients today is a digital business. Each is using digital technology to redefine how they operate, how they engage with customers, employees and business partners, and how they create new revenue streams through connected products and services.

Even in uncertain times, our clients remain committed to continuous digital transformation. Markets and technology are changing fast. There's no time to hit pause. Every business needs to keep moving forward – or be left behind.

It is in times like these that ISG's leadership in sourcing advisory really shines.

With intense market pressure to continue investing in cloud, analytics, customer experience and AI, clients are seeking our support to develop and implement cost optimization strategies – not only to get lean, but to free up resources to fund their digital ambitions.

Recognizing this opportunity, we have established a broad-reaching Cost Transformation practice that builds upon our longstanding expertise in this area. Our offering focuses on the four key levers to optimize cost – the supplier ecosystem, technology investments, software asset management and business operations. Through dynamic tools and methodologies, ISG will help clients achieve ongoing efficiencies and reduce the peaks and valleys of traditional linear spend models. This approach will yield continuous savings that can be reinvested in ongoing digital

transformation.

A Year of Progress

2022 was a year of solid progress for our firm.

We delivered record revenue and profitability thanks to the operating efficiencies we derive from our ISG NEXT operating model, as well as our more profitable mix of products and services. Our iFlex delivery model, part of ISG NEXT, is generating strong utilization across the firm, allowing us to effectively manage our resources across borders and time zones and deliver greater value to our clients, mostly on a virtual basis.

Our business units performed well, including our sourcing advisory business. We saw especially good growth in our recurring-revenue ISG Research and ISG GovernX® businesses. Surpassing our previously communicated goal of \$100 million, our recurring revenues reached \$108 million for the year, up by double digits and representing nearly 40 percent of our firm's overall revenue.

ISG Research grew by double digits, fueled by strong growth from ISG Provider Lens™, our market-leading provider evaluation research; ISG Provider Services, our suite of market research and pursuit optimization services for providers, and ISG Events, our growing conference platform, which rebounded in 2022 with a return to in-person events.

Our subscription-based ISG SaaS Platform business also performed well, especially GovernX, our vendor compliance and risk management solution for enterprises, which delivered double-digit revenue growth and saw a 25 percent increase in the number of clients served, while achieving a “sticky” renewal rate of 100 percent. Our other platform businesses also delivered strong results, including ISG ProBenchmark®, our price benchmarking solution for enterprises and providers; ISG Inform™, our IT benchmarking service that evaluates IT costs, performance and productivity for enterprises, and ISG Executive Insights, our data analytics platform for executive decision-making. We see momentum continuing for our SaaS-based offerings in 2023.

Among our other business units, Network and Software Advisory also delivered double-digit revenue growth for the year. Client demand for high-speed, reliable, software-defined networks based on 5G has never been greater; indeed, modern networks are the very backbone of digital transformations involving cloud, IoT and other technologies. Clients are also embracing our new SoftwareFlex™ model, which allows them to customize a package of software transactions and benchmarks, creating a new recurring revenue stream for ISG.

Our strong financial position and operating results allowed us to return \$24 million of capital to our shareholders in the form of dividends and share repurchases in 2022. It also allowed us to amend our existing \$140-million credit agreement in early 2023, converting it to an all-revolver facility, with more favorable terms and an extended maturity date.

Preparing for the Future

Looking ahead, we remain confident about our overall prospects for 2023 and beyond. We are investing now for when the overall market rebounds and demand surges forward again during the next big wave of digitalization.

During 2022, we added more than 250 new professionals to the firm to support our future growth. We also added new and important capabilities with our acquisitions of Change 4 Growth, an award-winning company specializing in transformational change for enterprises, and Agreemint, an automated contracting solution.

Change 4 Growth is a perfect complement to our existing ISG Enterprise Change business and makes ISG a global leader in change management. This market is expected to grow significantly in the coming years as enterprises and their employees continuously evolve to embrace new technologies and ways of doing business.

Agreemint, likewise, complements our market-leading GovernX vendor compliance and risk management solution. Already making an impact with our GovernX clients, this AI-powered contract authoring tool allows clients to negotiate better contracts and accelerate time to completion.

Continuous Innovation

ISG is continuously innovating and making smart investments in the future of our firm as we anticipate shifts in market demand. Over the last two years, we invested in the development of four key growth businesses: Cybersecurity, Enterprise Cloud, Digital Engineering and Training as a Service—and I'm pleased to say those investments are paying off.

Cybersecurity had an outstanding year in 2022, with double-digit revenue growth. In addition to expanding the team over the last two years, we also expanded our capabilities, including forming a partnership last year with cyberconIQ, a SaaS platform that helps employees understand their risk profile and trains them to recognize and avoid phishing, the number-one cause of cyber breaches, and other types of attacks.

Enterprise Cloud, our business that focuses on helping clients transition to public and hybrid cloud environments and successfully adopt SaaS platforms, doubled its revenue in 2022. This business is also creating other avenues for growth by establishing partnerships with leading hyperscalers who lack the advisory capabilities we offer to help clients adopt their public clouds.

Our Digital Engineering business has grown from essentially a start-up to a multimillion-dollar business in its first full year. We are attacking a largely unadvised market, whose Engineering, Research and Development services are the crucial glue for digital transformation through connected systems, processes and products—essentially bringing the worlds of IT, OT (Operational Technology) and ET (Engineering Technology) together.

Finally, in addition to investing in change management through our acquisition of Change 4 Growth, we are also building a new and innovative business called Training as a Service (TaaS). This recurring-revenue-stream offering allows clients to outsource their training development to ISG. The TaaS business is anchored by a large flagship banking client in the U.S. and is set to go from a start-up to an emerging business in 2023.

Client Success

Clients are the lifeblood of our firm. Our success requires our shared commitment to delivering value to them every day. And by all measures, we are doing a very good job of that.

We served more than 900 clients during 2022, including more than 200 new and welcome-back clients. We continue to attract new clients to ISG because of the value we deliver as a global team. Beyond financial ROI, that value is also measured in client experience—how well we do on a basket of metrics ranging from collaboration and the quality of our deliverables to the skill and expertise of our people.

I am pleased to say our overall client satisfaction score, as measured by the Chairman's Client Experience (CCX) Survey, has reached an all-time high of 98 percent, equaling the percentage of clients (98 percent) saying they would recommend ISG.

ISG Cares

ESG (Environmental, Social and Governance) has become firmly entrenched in the culture of ISG. I am delighted our people are helping to lead the charge for better communities, a better environment and better opportunities for all.

From our ISG Sleeves Up Global Blood Drive, to the money our people donated, and the firm matched, to provide assistance to Ukrainian refugees through Save the Children and UNHCR, to

our donations of laptops in France and Germany, and food for those in need through our third-annual Food for the Holidays program in the U.S., our people continue to show tremendous heart.

Our ESG focus also extends to the environment, supported by initiatives of our ISG Go Green team; to creating more opportunities for women, both within and outside our firm, through the ISG Women in Digital program; and to building a stronger firm and a better world with programs led by our global ISG Inclusion, Diversity, Equity and Awareness (IDEA) team.

You can read about these and other efforts in the ESG section of this report.

Living Digital

For our clients, “Living Digital” is a continuous journey and a mindset of perpetual innovation. Only those that are constantly, intently and purposefully moving forward at all times will succeed.

It’s easy to stray off the path during uncertain times. The inclination of some is to slow their investments and conserve cash in response to current macro conditions. The smartest ones, however, know they will gain a competitive edge if they find ways to continuously optimize their technology and operating environments, reinvest in ongoing digital transformation and prepare for the next wave of the digital economy to come.

We have an obligation to our clients, employees and investors to continue to lead our industry in value and innovation, and to illuminate the path forward.

Throughout the pandemic years, we reinvented ISG and invested in our future. That has resulted in two back-to-back years of record-breaking financial results and a continuously growing client base. It also has created a solid foundation for the future.

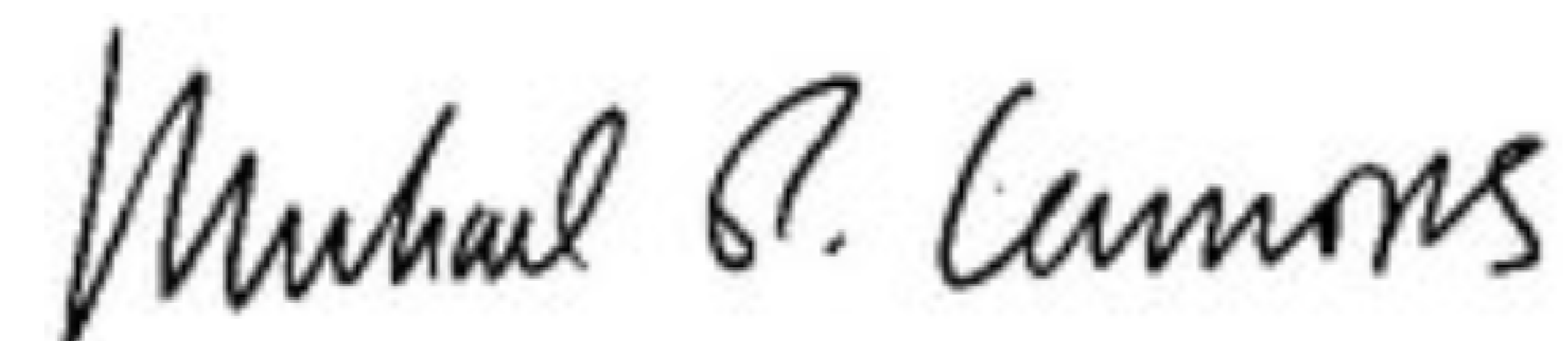
base it also has created a solid foundation for the future.
With our ISG NEXT operating model and unmatched portfolio of solutions, advice, research and support, we are ready to take on all challenges and build on our momentum as a stronger, more valuable firm.

In closing, I want to thank our 1,600 employees worldwide for the energy, passion and teamwork they bring to every client engagement. I also want to thank our leadership team, our Board of Directors and our loyal clients for making 2022 another record year for ISG. Finally, I want to thank you, our shareholders, for your continued support and confidence in our firm.

ISG continues to evolve and innovate to meet changing client needs and reinforce our position as the partner of choice for the world's largest and most successful enterprises. We are always pushing beyond boundaries, anticipating the future and illuminating the path forward.

That restless spirit and commitment to excellence bodes well for the future of our firm – in 2023 and beyond.

Sincerely,

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

Michael P. Connors
Chairman and Chief Executive Officer
March 16, 2023