



## Chairman's Message

"We have the data, talent and capabilities to help our clients and our firm win in the global marketplace of today, and the determination and vision to keep evolving to meet the demands and challenges of tomorrow."

**Michael P. Connors**  
Chairman and Chief Executive Officer



## **Always Advancing**

To My Fellow Shareholders:

ISG continues to be at the forefront of change for most of the world's largest enterprises.

As a trusted advisor to the Global 2000, we delivered one of our strongest growth periods ever over the last three years, as we rode the unprecedented wave of digital transformation that swept through our clients' organizations.

Today, the need for continuous digital transformation remains, but we are being challenged to accelerate our growth at a time when client decision-making has slowed, and spending has been stretched out due to economic uncertainty and geopolitical tensions. We expect spending to pick up as the year progresses, with inflation continuing to cool and central banks responding with possible interest rate cuts. The advent of Generative AI will also provide an impetus for new investment, as our clients grow more comfortable with this game-changing technology.

No matter the demand environment, ISG is a firm that is **Always Advancing**. We continue to strengthen our portfolio of services and solutions—unmatched in our industry for its breadth, depth and value. Putting together all the pieces, we are ready to meet all client needs—from cost optimization that yields savings now for future investment, to planning for a digital economy powered by artificial intelligence and other emerging technology.

Clients continue to turn to ISG because we have the people, tools, research and data to help them make informed decisions that lead to highly predictable outcomes. That combination stands up in any environment.

### **The Year in Review**

2023 was a largely successful year for ISG.

We delivered another year of record revenues, at \$291 million. A strong first nine months of the year was followed by a soft fourth quarter, due to lingering macro concerns that impacted demand for advisory services in the short term. Given that the overall IT and business services industry was down 6 percent for the year, we consider our topline growth of 2 percent to be a solid performance.

Our investments in our recurring-revenue businesses continue to pay off. For the year, we generated record recurring revenues of \$125 million, up 16 percent, driven by our research and platform businesses. Recurring revenue now represents 43 percent of our overall revenue, up 500 basis points from the prior year. This puts us on track to reach our previously announced target of \$150 million in recurring revenues by the end of 2025.

Among our businesses, our ISG platform-enabled solutions and services continued to perform well, with a particularly strong showing from our ISG ProBenchmark® pricing intelligence solution for enterprises and providers, up double digits. We also continue to gain traction with our ISG GovernX® vendor compliance and risk management solution, with seven key clients exceeding \$1 million in annual revenue and our solution saving clients more than \$100 million annually.

Our Network and Software Advisory business also delivered a solid performance. Modern networks and software are the underpinnings of the digital enterprise, and we will be able to drive additional growth as clients look to upgrade to software-defined networks at the same time as they look to better manage their network costs. Our ISG Automation business, meanwhile, delivered double-digit revenue growth, driven by continuing demand for intelligent automation solutions.

Our profitability, as measured by adjusted EBITDA, was \$38 million, down from the prior year. Even as discretionary spending on advisory services slowed toward the end of the year, we decided to retain much of our advisory team globally in anticipation of a rebound in 2024, while investing in training more than 1,200 of our employees in AI technology during the fourth quarter. We remain focused on targeting a 17 percent adjusted EBITDA margin by the end of 2025. The following section explains how.

### **Building for the Future**

ISG is always advancing, looking ahead to the next stage of our development and growth.

Anticipating our clients' need for cost control in a tougher economic environment, ISG acted quickly last year to launch and expand our Holistic Cost Optimization business. This is a critical area of focus for our clients, as they seek to optimize their previous cloud and other technology investments before embarking on new, discretionary projects.

Beyond cost optimization, we continue to expand our business for current and future growth—organically in areas like Cybersecurity, Training-as-a-Service (TaaS), and most recently Enterprise AI Advisory—and through acquisition, with our October purchase of Ventana Research.

A leading technology research business covering the \$800 billion global software industry, Ventana Research gives us unmatched analyst coverage of software vendors—adding an

important new pillar to our ISG Research portfolio and a strong complement to our Software Advisory business.

With this addition, the thirteenth acquisition in the history of our firm, ISG is increasing its recurring revenue streams, while gaining more than 40 unique new clients (among them ADP, Salesforce, SAP, ServiceNow and Workday) and adding nearly two dozen talented research professionals to our roster of world-class technology analysts.

Our acquisition of Ventana Research came one year to the day after we acquired Change 4 Growth, a leading change management firm, in 2022. C4G has proven to be an excellent complement to our existing Enterprise Change business, delivering double-digit growth in 2023. We're excited, too, about the prospects of our developing TaaS business. After securing an extension with our initial client, a large U.S.-based bank, we signed several new clients, including a new multi-million dollar contract this year with a major U.S. automaker, with more potential agreements in the pipeline.

ISG remains at the forefront of change. Our status as a trusted, independent advisor to the Global 2000 gives us a unique vantage point on the trends and technologies that continue to transform global business. That perspective, combined with our leadership position in the sourcing and governance of enterprise technology spend and our industry-leading data, gives us enormous market influence and permission to shape how the world buys and implements technology at scale.

### **The Next Big Thing: GenAI**

ISG influences more than \$200 billion in enterprise technology spending annually. We are using this market influence to lay the groundwork for the next big thing in technology: Artificial Intelligence, especially the most-talked-about technology development of our time—Generative AI.

The advent of GenAI is taking global business by storm, marking a pivotal moment in the evolution of artificial intelligence. This new ability to generate content and ideas based on large stores of enterprise data has quickly risen to the top of the agenda for G2000 firms.

Our clients, always on the lookout for cutting-edge technologies to maintain their competitive edge, are now keenly exploring the myriad applications of GenAI. From automating creative processes to enhancing decision-making with predictive analytics, Gen AI will offer unprecedented opportunities for innovation and efficiency.

ISG is leveraging its market influence and permission as a leading sourcing and governance advisor to help clients navigate the complexities and implications of adopting GenAI. Through our new Enterprise AI Advisory business, we are identifying use cases for this exciting new technology and demonstrating where the greatest opportunities lie for ROI. That includes advising clients on performance improvements in their IT operations and business processes and how to design for, buy, build, run and govern AI products, infrastructure and services.

To establish our leadership position, ISG was the first sourcing advisory firm to announce a reference architecture for applied Generative AI. Our September 2023 report, which described dozens of enterprise use cases, was well received in the marketplace.

ISG is forecasting global spending on AI-related services will reach \$175 billion by 2030, so the long-term market opportunity is enormous.

Beyond AI, we are leveraging our global leadership in sourcing advisory to launch a platform solution called ISG Tango™.

ISG Tango™, which debuted this month, puts our sourcing playbooks and intellectual property, contract exhibits, provider intelligence and other tools at the fingertips of our enterprise and provider clients and our advisors, to make the overall sourcing process more efficient and interactive. It leverages ISG's robust transaction database to make sure our IP is always up-to-date and relevant, and AI and machine learning to help our advisors compare provider responses and make even better and more customized recommendations based on project parameters and client needs.

ISG Tango™, we believe, will enable us to capture more unadvised transaction activity among the world's largest enterprises (the G2000), and **penetrate the underserved middle market, which spends an estimated \$130 billion annually on technology and business services**. An advisor-led, platform-based offering like ISG Tango™ provides a level of sourcing advisory support that would be attractive and affordable to this market segment, thereby expanding our revenue opportunities.

Overall, the steps we are taking now to expand our sourcing advisory services, platform offerings and recurring revenue streams will move us forward on the path to achieving our target adjusted EBITDA margin of 17 percent by the end of 2025.

### **Client Success**

**Clients are the lifeblood of our firm.** Our success is built on our commitment to delivering value to them every day.

During 2023, the number of clients we served remained steady at just above 900—an accomplishment in an environment where many advisory firms are seeing declines in their client counts. Included in that total were 70 \$1-million-plus clients—the most ever for ISG, demonstrating the success of our account growth strategy.

Importantly, in these challenging times, our client satisfaction, as measured by the Chairman's Client Experience (CCX) Survey, remains high, at 96 percent, with 98 percent of our clients saying they would recommend ISG. These scores show our continuing commitment to all facets of client experience—from our collaboration and the quality of our deliverables, to our fact-based, data-driven recommendations, to the skill and expertise of our people—is making an impact.

### **ISG Cares**

Our commitment to ESG is intrinsic to our ISG culture and continues to grow with the contributions of hundreds of ISG employees worldwide. I am delighted our people are helping to lead the way for better communities, a better environment and better opportunities for all.

Through our ISG Cares program, our people, among many other examples, last year supported Ronald McDonald House; participated in a wellness challenge in Australia to raise funds for cerebral palsy research, treatment and services, and raised funds for the Little Sisters of the Poor in Bangalore. And for the fourth year in a row, ISG contributed food and monetary donations to food banks across the U.S. as part of our annual "Food for the Holidays" program.

In addition, our ISG Go Green team brought fresh ideas to all things environmental in 2023. There are now nearly 7,000 trees donated by ISG employees in the ISG Forest at Tree-Nation. For additional growth, ISG will plant a tree in the ISG Forest for each employee who completes internal ESG training. In another step forward, our new offices in Frankfurt and Paris are both certified as "green" facilities.

We're also proud of our ISG Women in Digital program, which advocates for women pursuing careers in technology. In 2023, ISG received more than 300 nominations for the ISG Women in Digital Awards, and an online book celebrating these accomplished women was downloaded nearly 15,000 times.



## A New Era

We stand at the cusp of a new era in enterprise technology. Although we are living through a transition period in client demand, we are actually **living in a time of immense opportunity and change.**

Our clients right now are focused on getting the most out of their previous investments in technology, particularly cloud, and are slowing their spending on everything but the most essential projects. But they also have their eyes set on the future, **looking for advice and support as they consider the implications of AI and other emerging technologies** to transform their businesses and usher in a new age of digital prosperity and growth.

This quest for current savings, IT and business optimization, and future planning plays right into the **sweet spot of ISG.**

As the global leader in sourcing advisory and governance, we have the history and experience to help our clients leverage technology to optimize their cost base and drive new efficiencies into every value chain. We also have the independent and informed vantage point and vision to help our clients see the future and prepare for it now.

Our clients are not standing still—and neither are we. Perhaps it's the nature of what we do—always staying ahead of the curve on continuous technological change. More than that, though, it is the nature of who we are. **ISG has always been made up of curious and innovative people who are restlessly and relentlessly seeking "the next."** We are not content with the status quo, always probing and thinking of ways to make an impact with our clients and help them realize their ambitions.

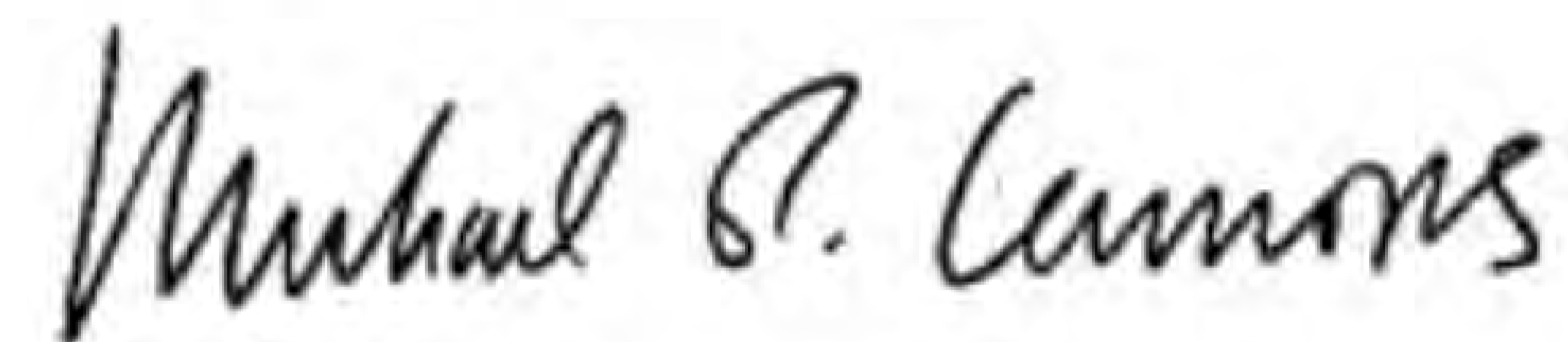
We have assembled a set of services, tools, solutions and market-leading data that is the envy of our industry—and a global team of professionals that is unmatched for its experience, innovative thinking and commitment to clients.

In closing, I want to thank our 1,600 professionals 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—including Don Waite, who is retiring from our board next month after 16 years of valued service—and our loyal clients for our ongoing success. And, finally, I want to thank you, our shareholders, for your continued support and confidence in our firm.

We have the data, talent and capabilities to help our clients and our firm win in the global marketplace of today, and the determination and vision to keep evolving and refining our offerings to meet the demands and challenges of tomorrow.

We are, now and in the future, “Always Advancing.”

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 14, 2024