



Chairman's Message

"As a firm, we always 'AIM Higher.' Powered by AI, we can reach even greater heights of success."

Michael P. Connors

Chairman and Chief Executive Officer



AIM Higher

To My Fellow Shareholders:

Our firm is entering into a new era of growth, powered by Artificial Intelligence, a technology that promises to revolutionize business—and life—as we know it.

AI will transform *every* industry sector, business process and technology stack—from hyper-personalized customer experience, supply chains and software development to data analytics, edge computing and data models—igniting more opportunities for ISG and opening new avenues to growth for our clients.

ISG has been investing in AI for more than two years now—empowering our people, platforms and products with new AI-driven capabilities—to better serve our clients and help them harness the power of AI to achieve operational excellence and faster growth.

In short, our mission is to help our clients AIM Higher.

We adopted this call-to-action in February when we announced a strategic repositioning of our firm, reflecting the expanding role ISG has been playing in helping our clients adopt AI at scale. We are now positioned as a “global *AI-centered* technology research and advisory firm.”

AI is at the heart of everything we do—from the technology strategies we develop and the partners we recommend to our clients, to the impact of AI on the future of work. We have truly become an AI-centered firm.

ISG has worked with more than 100 clients this past year (a number we expect to double in 2025) to set AI strategy, create AI-ready infrastructure and data, build AI provider ecosystems, and establish AI governance frameworks. Our ISG Research business, meanwhile, has produced detailed AI market surveys and analysis covering both the service and software provider ecosystems.

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Our clients are still experimenting with AI, particularly generative AI, although more and more are benefiting from Artificial Intelligence for IT Operations (AIOps) to automate IT processes, detect and respond to issues, and make IT systems generally run more efficiently. AIOps can reduce IT operating costs an average of 30 to 60 percent, so we are ensuring this capability is embedded in every new sourcing agreement our clients sign.

Even though it's still early days for AI, market momentum is building, and we are getting nearer to a tipping point when AI will be scaled up and adopted broadly across organizations.

ISG is ready—AI ready—to capitalize on the AI-driven wave of growth that will accelerate all technology investment in the months and years ahead.

The Year in Review

2024 was a challenging year for our industry and our firm. Enterprises were cautious in the face of difficult global economic and geopolitical conditions, pulling back on discretionary technology spending. This impacted the entire technology services industry. But the clouds of client caution are beginning to lift, and we are starting to see bright signs that client spending is on the rise, beginning in the U.S., as we move through the early months of 2025.

We are seeing a resurgence in IT infrastructure transformations, as clients push even more infrastructure and applications to the cloud and invest in edge data centers to realize their AI ambitions. This plays right into an ISG sweet spot, with clients turning to ISG to help find the best public, private and hybrid cloud infrastructure partners to meet their needs.

At the same time, market hesitation is starting to wane. There is a greater degree of certainty that U.S. tax cuts will be extended, that geopolitical conflicts are directionally moving toward positive conclusions, and that inflation and labor costs are becoming more manageable. As I write this, the real impacts of U.S. tariffs are still largely unknown. However, we are seeing clients sourcing larger and longer duration IT and business services contracts to optimize costs, thereby freeing

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and longer duration IT and business services contracts to optimize costs, thereby freeing discretionary funds to make more investments in AI-driven transformation. This is right in our power alley.

ISG has the AI expertise and industry-leading sourcing capabilities, along with unmatched software and services research, to guide our clients through the next technology and business transformation wave, powered by AI.

To sharpen our focus on these core strengths, in early October we sold our automation unit to UST for more than \$20 million in cash, a move that significantly improved our balance sheet. We decided to sell the business because its growing reliance on software license sales for robotic process automation was at odds with our position as an independent, third-party advisory firm.

With our stronger cash position, we reduced our debt by \$7 million in the fourth quarter, and by \$20 million, or 25 percent, for the year. Combined with dividends of \$9.4 million and share repurchases of \$7.7 million, we created more than \$37 million dollars of shareholder value in 2024.

On an operating basis, ISG delivered revenues of \$248 million, down 13 percent, excluding the divested automation unit, due to a sluggish first half of the year. We saw an uptick in client demand in the back half of the year, most notably in the fourth quarter, when our largest region, the Americas, delivered 6 percent revenue growth, excluding automation.

Our more predictable recurring revenue streams, meanwhile, continue to grow as a percentage of our total revenues. For the full year, excluding automation, recurring revenues were \$108 million dollars, or 47 percent of firm revenues. Our recurring revenues were powered by growth in our ISG Research business, with its expanded portfolio of software and technology research; in our ISG GovernX® vendor compliance and risk management business, as we added new capabilities and clients, and in our U.S. Public Sector business, as more state and local government entities turn to us to support their technology modernization initiatives through long-term contracts.

Adjusted EBITDA, though down from the prior year on lower revenues, also began to rebound in the fourth quarter, up 11 percent, with our adjusted EBITDA margin up 200 basis points. This was due to

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our disciplined operating approach, our higher utilization in the fourth quarter—up more than 700 basis points year over year—and our improved business mix.

Always Innovating

ISG is a firm that is always innovating. You could call it our own form of AI, and it's been a part of our DNA since our inception in 2006.

During 2024, our two biggest innovations were the launch of our Enterprise AI Advisory business in January and the introduction of our AI-enabled sourcing platform, ISG Tango™, in March.

Enterprise AI was born out of our first-mover research on the state of the AI services market in 2023, which identified key client needs and the providers capable of supporting them. (This report was updated in 2024.) This new business is really an extension of our existing capabilities, leveraging our market influence and permission as the world's leading sourcing and governance advisor to help clients navigate the complexities and implications of adopting this game-changing technology at scale.

We expect the AI services market to reach \$175 billion a year by 2030. Cost optimization remains a crucial goal, but AI is more than a cost-reduction tool. AI increasingly is seen as a strategic ally—with the power to streamline operations, reallocate resources, improve decision-making, reinvent customer experience and deliver new avenues for growth.

The market for AI software, AI cloud infrastructure and SaaS solutions is giving rise to entirely new provider capabilities and ecosystems—creating a golden opportunity for ISG to shape these categories and steer buying behaviors.

AI is also playing a role in modernizing our approach to sourcing advisory, through our groundbreaking ISG Tango sourcing platform. With ISG Tango, we have digitized all elements of our market-leading sourcing transactions business to better serve clients and improve transaction speed and efficiency. The platform draws on our unmatched data assets, intellectual property and

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and efficiency. The platform draws on our unmatched data assets, intellectual property and proprietary tools, powered by AI to automate contracting and provide real-time predictive insights that streamline the entire transaction process and accelerate time to agreement.

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ISG Tango also gives us the platform capabilities we need to expand into the underserved mid-market, a segment whose interest in technology sourcing is expanding in the era of AI. Combining ISG Tango with our technology expertise, we believe, will enable us to provide a level of support that is attractive and affordable to mid-market clients. We are already at work expanding into this market segment in the U.S. and driving even deeper penetration in Europe.

We are also integrating AI into our operations for greater speed and efficiency. In 2024, we were awarded a second U.S. patent for our proprietary AI-powered contracting technology, and we have a third patent pending for a next-level solution. Our patented capabilities are offered as part of our GovernX vendor compliance and risk management platform.

Client Success

Clients are the lifeblood of our firm. Our success requires a shared commitment by our people to deliver value to them every day.

Despite market headwinds, we served more than 920 blue-chip clients in 2024, up 2 percent, a testament to our market strength and value. We also attracted more than 250 brand-new clients to the firm, up 25 percent from the prior year.

Our clients, who regard us as a trusted advisor, remained loyal to the firm, with more than 80 percent of our revenues coming from ongoing relationships (what we call reoccurring revenues). In addition, client satisfaction, at 96 percent, remains near an all-time high, with 96 percent of our clients saying they would recommend ISG. This shows we remain intently focused on all facets of

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ISG Cares

Our commitment to ESG is embedded in our culture and continues to grow in importance, as ISG people work toward better communities, a better environment and better opportunities for all.

Through our ISG Cares program, our people stepped up to support their communities in a variety of ways during 2024. This included helping prepare meals at a food bank in Texas; joining the STEPtember Challenge to raise money for cerebral palsy research; honoring the memory of an ISG colleague in the 2024 Great Cycle Challenge USA to benefit cancer research; volunteering as an exam scribe for visually impaired students; mentoring a young entrepreneur through the National Minority Supplier Development Council; fulfilling holiday wish lists for children through the Salvation Army Angel Tree program, and marking a successful fifth year of ISG Food for the Holidays donations in four U.S. cities.

Our ISG Go Green team continued to build awareness and energy around environmental issues, hosting another Grow Green plant-growing contest; participating in a volunteer cleanup day at the Bartlett Arboretum and Gardens in our headquarters city of Stamford, Connecticut; picking up litter around Sydney, Australia, and restoring land to its native habitat in Tennessee. There are now nearly 16,000 trees in the ISG Forest at Tree-Nation, offsetting more than 6,300 tons of CO2.

The 2024 ISG Women in Digital Awards, now firmly established as a prestigious global program, named a record 458 finalists in the Americas, EMEA, Asia Pacific and India and recognized their achievements in an online ISG Women in Digital Awards eBook and live, virtual regional awards ceremonies.

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All in on AI

ISG is all in on AI. This technology is the biggest inflection point in a generation. Used wisely, it has the power to advance and accelerate human achievement beyond our imagination.

In our industry, AI is the technology that lifts all boats. It is being embedded in nearly every technology solution and service, and as AI gets smarter, it will be used to develop future solutions. The possibilities are enormous and just beginning.

And ISG is in the center of it all. As a long-time leader in technology and business services sourcing, we are at the forefront of helping clients leverage the power of AI at scale. We're not just riding the AI wave; we're steering it. As sourcing and managed services evolve under AI's influence, we're leading the charge on how the world buys and adopts AI services.

We expect our AI-related activities to become an increasingly important component of our business over the next few years. Growth will accelerate as our clients move beyond the planning and experimentation phases and begin to adopt AI more broadly across their organizations.

Our job, as always, is to help our clients see their future environment and leverage the right technology, software and provider ecosystems to achieve operational excellence and faster growth. In short, we are working every day to help our clients **AIM Higher**.

In closing, I want to thank our 1,600 professionals worldwide for their expertise, ingenuity and commitment to client success. Working as a global team, our people are the real engines of our growth. I also want to thank our leadership team and our Board of Directors—including Neil Budnick, who just retired from our board after 14 years of valued service—for their guidance and support, and welcome Sam Molinaro to our board. Finally, I want to thank our clients and our shareholders for your continued trust and confidence in our firm.

I know we have the drive, determination, data and capabilities that will carry us to new levels of growth in the years ahead. As a firm, we always "**AIM Higher**." Powered by AI, we can reach even

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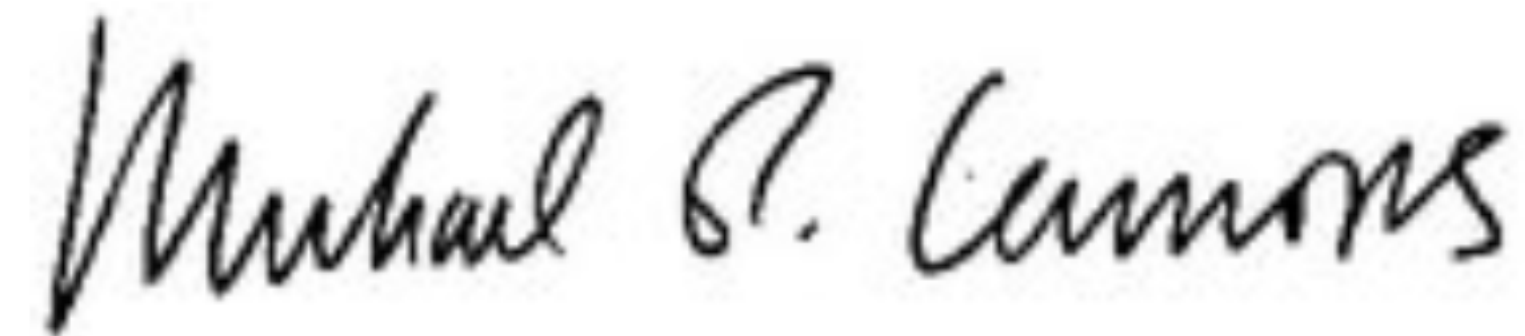
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Sincerely,

A handwritten signature in black ink that reads "Michael P. Connors". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Michael P. Connors

Chairman and
Chief Executive Officer

March 14, 2025

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