



MARKET UPDATE · Q4 2026 EARNINGS CYCLE

The TSIA T&S 50 Index

Fifty large-cap technology, hardware, software and services companies.

This is TSIA's founding index, and the benchmark that the AI-20 and the Cloud 40 are measured against. Here's what the most recent reported quarter says about whether scale and discipline still buy a GAAP profit, and what that means for your services P&L.

10.0%

MEDIAN REVENUE
GROWTH

58.5%

MEDIAN GAAP GROSS
MARGIN

16.8%

MEDIAN OPERATING
MARGIN

39 of 49

GAAP OPERATING
PROFIT

A GAAP scorecard for the companies your customers buy from.

The TSIA T&S 50 Index tracks fifty large-cap technology and services companies using the numbers each one reports to regulators, not the numbers in its press release. Each refresh compares the most recent reported quarter against the same quarter a year earlier.

This is TSIA's founding index, and it's the baseline the [AI-20](#) and the Cloud 40 are measured against.

A FEW THINGS WORTH KNOWING ABOUT THE DATA

- **Quarters don't line up on the calendar.** Companies close their fiscal years at different times, so "this quarter" means each company's own most recent quarter, not the same three months for everyone.
- **Not every company shares its gross margin.** Only 26 of the 49 companies publish that figure, so the gross-margin exhibit in this book covers those 26, not the full fifty.
- **Nine companies report under different accounting rules.** ABB, Ericsson, SAP, Capgemini, CGI, Fujitsu and NEC report under IFRS; Infosys, Wipro, HCL and TCS report under Ind AS. Their numbers are shown as filed, not converted.

Every figure in this book is a median, not an average.

One or two extreme companies can skew an average badly. A median gives you the typical company in the index.

Fifty companies, tracked by ticker.

The T&S 50 is a mix of enterprise software, networking and hardware, semiconductors and EDA, data-centre infrastructure, and the global IT-services majors. Three cohorts have meaningful n: Hardware (20), Software (14) and Services (15).

ABB	ABB	FI	Fiserv	ORCL	Oracle
ACN	Accenture	FTNT	Fortinet	PTC	PTC
ADBE	Adobe	FJTSY	Fujitsu	QCOM	Qualcomm
A	Agilent	G	Genpact	SAP	SAP
ANET	Arista Networks	HCLTECH	HCL Technologies	SAIC	Science Applications Intl
ADSK	Autodesk	HPE	HPE	SSNC	SS&C Technologies
CDNS	Cadence	IBM	IBM	MSTR	Strategy Inc excl.
CAPMF	Capgemini	ILMN	Illumina	SNPS	Synopsys
GIB	CGI	INFY	Infosys	TCS	TCS
CSCO	Cisco Systems	INTU	Intuit	TDC	Teradata
CTSH	Cognizant	IRM	Iron Mountain	TOST	Toast
DELL	Dell Technologies	RAMP	LiveRamp	TRMB	Trimble
DBD	Diebold Nixdorf	MSFT	Microsoft	UIS	Unisys
EQIX	Equinix	MSI	Motorola Solutions	WIT	Wipro Technologies
ERIC	Ericsson	VYX	NCR Voyix	XRX	Xerox
FFIV	F5	NIPNF	NEC		
FICO	Fair Isaac	NTCT	Netscout Systems		
		OTEX	OpenText		

No reliable US ticker: HCL, NEC, TCS

HCL and TCS trade only on Indian exchanges; NEC's primary listing is in Tokyo. Their figures come from their home-market filings and are included.

LiveRamp's last standalone quarter

LiveRamp has agreed to be acquired by Publicis Groupe at \$38.50 per share in cash. How they're treated in the next refresh depends on deal timing.

Why Strategy Inc is excluded

Its legacy software business is now a rounding error next to its Bitcoin holdings, so it's left out of every calculation in this book.

The profit is on the income statement. The cost of AI is on the cash flow statement.

A 16.8% median operating margin says this cohort is healthy, and on the income statement it is. But if you follow the same companies down to cash, a different quarter appears: the most profitable constituents in the index are the ones funding AI infrastructure out of their own balance sheets.

Oracle

Q1 FY2027

+34.8%

GAAP operating margin — 4th highest of the 49

-\$5.0B

Free cash flow for the quarter

\$28.5B

AI-datacenter capex in one quarter

Microsoft

Q4 FY2026

+45.1%

GAAP operating margin — 3rd highest of the 49

~\$175B

FY2027 capex guidance

Guided down

Management expects FY27 operating margin to decline

Dell

Q2 FY2027

+58.0%

Revenue growth — fastest in the index; ISG +89%

-13%

Operating cash flow, YoY, despite the net-income surge

20.9%

Gross margin — lowest of the 26 disclosed

For the AI-native companies in the AI-20, AI cost shows up in cost of revenue. For the T&S 50 incumbents, it shows up in capex and working capital instead — below the operating line, and invisible to the margin.

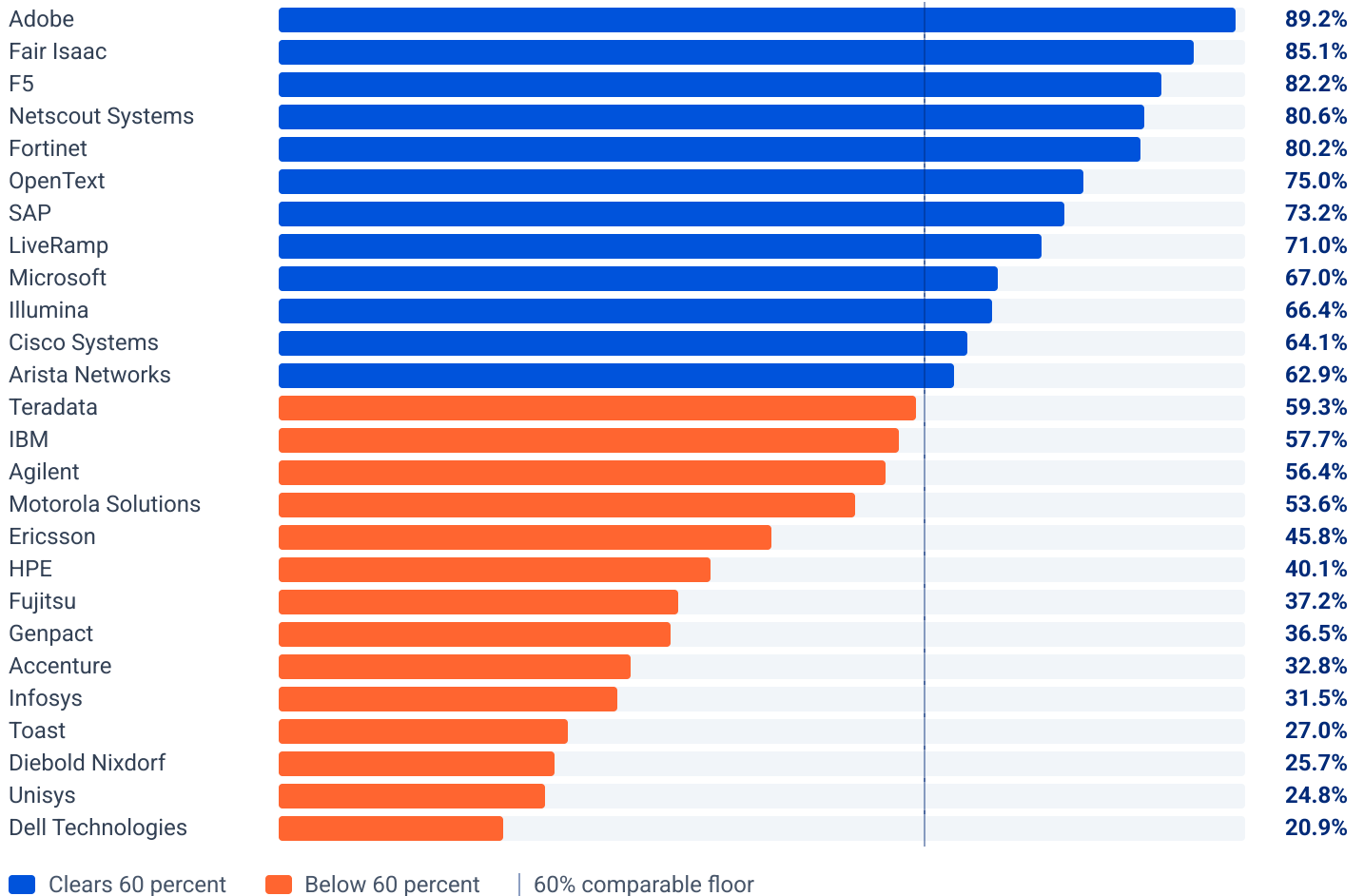
Oracle's RPO grew \$26B this quarter, much of it through prepay and bring-your-own-hardware structures that require no incremental Oracle capital. That is the shape of the answer: the companies solving this are moving the capital requirement onto the customer's balance sheet, not absorbing it.

Index median operating margin **+16.8%** · 39 of 49 GAAP-profitable

AI-20 Comparable 15 median **-19.8%** · 2 of 20 GAAP-profitable

GAAP gross margin against a 60% floor.

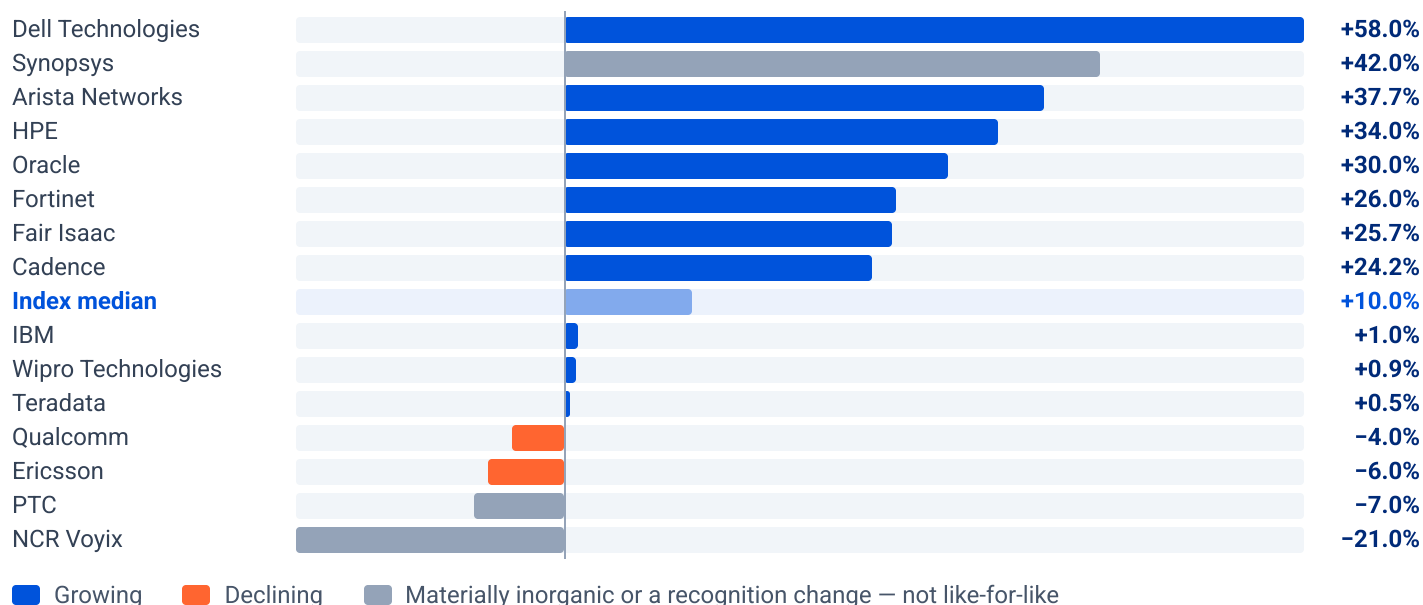
Fourteen of the twenty-six constituents that disclose gross margin sit below 60%. That is the structural difference between a software P&L and a services or hardware one – and it is where your own cost of revenue lives.



Covers the 26 of 49 companies that publish gross margin; the rest report only operating or net margin.
Source: TSIA T&S 50 Index, September 2026; company filings.

The growth is slower. It is also paid for.

Median revenue growth of 10%, ranging from +58% to -21%. Where the AI-20 buys growth with margin, T&S 50 companies mostly do not. The fifteen rows below are the extremes of the 49 companies in the index.



MEDIANS BY COMPANY TYPE

COHORT	REV GROWTH	GROSS MARGIN	OP MARGIN	NET MARGIN
Hardware n = 20	12.0%	53.6%	16.2%	10.0%
Software n = 14	12.8%	73.2%	27.2%	20.9%
Services n = 15	6.0%	34.6%	16.0%	13.6%

Each company is grouped by its main business, not by its actual revenue mix. Services gross margin is based on only 6 of the 15 companies in that group, so treat it as a directional read.

Every IT-services major is feeling the same squeeze.

The Services cohort grew at 6%, the slowest in the index. Demand hasn't collapsed. Three factors are all squeezing margin simultaneously: the annual wage-hike cycle, AI investment running ahead of AI revenue, and discretionary spend that customers are still holding back. Six majors disclosed this pattern in the same refresh.

COMPANY	MARGIN SIGNAL	WHAT THE COMPANY SAID DROVE IT
TCS	-130bps	Sequential compression driven by the annual wage-hike cycle. Operating margin still 24.0% — the highest of the majors
Wipro	-120bps	Wage hikes, large-deal ramp costs and AI investment together. Management targets a return to 17–17.5%
Capgemini	-230bps	France segment margin to 7.7% on underutilization — a bench problem rather than a pipeline problem — dragging the group figure
Infosys	Guide cut	FY27 growth trimmed to 1.5–3.0% constant currency on a client program termination and cautious discretionary spend
Accenture	\$308M	Business-optimization costs inside FY26 GAAP opex; 15.3% GAAP against a 15.8% adjusted margin
HCL Technologies	16.9%	Reported EBIT margin carries restructuring costs; ex-restructuring it was 17.5%. This is a reported-versus-adjusted gap, not a period move

THE COUNTEREXAMPLE

Genpact

+24.1% 27%

Advanced Technology Solutions — the agentic-AI line — grew 24.1% YoY and is now 27% of the revenue mix. Same macro, same wage market, opposite outcome.

Six majors took the cost in margin. One company took it as revenue.

Only Wipro names AI investment among its drivers, and that is the point: at the majors, AI spend sits inside delivery cost, indistinguishable from a wage hike. Genpact's is a named, priced line.

TCS, Wipro, Infosys and HCL report under Ind AS and Capgemini under IFRS, so while their margins aren't directly comparable in level, the trends above are.

Where the revenue mix is moving inside the incumbents.

The index reports a single growth rate for each company, but that one number can hide a lot. Eight companies disclosed a big shift: an older product line shrinking on purpose while a services, subscription or AI line grew to replace it.

COMPANY	THE MIX SHIFT	WHAT THE HEADLINE HIDES
SAP	On-premise licence revenue down 32–34% YoY; cloud revenue up 22% and offsetting it	+9.0% headline. The licence decline is deliberate and structural, not lost demand
IBM	Mainframe (Z) revenue down 42% as the z17 cycle wound down; Distributed Infrastructure +37%, Red Hat +11%	+1.0% headline is a product cycle, not the business
Fair Isaac	B2B Scores pricing up 49%; the Software segment grew 2%	+25.7% headline is a pricing event in one line. Not a software-demand signal
Qualcomm	Handset revenue declining sharply; automotive up 61% YoY as the offsetting segment	–4.0% headline understates where the growth actually is
Genpact	Advanced Technology Solutions (agentic AI) up 24.1% YoY, now 27% of the mix	+7.1% headline. A quarter of this services P&L is already AI delivery
HPE	Growth is AI-server and Juniper networking mix; non-GAAP operating margin nearly doubled YoY on it	+34.0% headline, on a 40.1% gross margin. The mix costs margin
Arista Networks	Gross margin compressed from 65.6% to 62.9% on mix and supply costs, even as revenue accelerated	+37.7% headline. Fast growth and margin erosion in the same quarter
Capgemini	France segment operating margin contracted 230bps to 7.7% on underutilization, dragging the group figure	+12.5% op margin. Utilization set it, not demand

In every case, the shrinking line is the one the company chose to shrink. The growing line costs more to deliver.

This is the same mechanism the AI-20 found in gross margin, but it's reaching the incumbents from the other direction: if your mix is moving from license to subscription, or from product to attached services, your blended gross margin is moving with it whether you report it that way or not.

Drawn from company earnings releases and calls. This index doesn't yet track a clean product-versus-services revenue split for every company — that's a planned addition for future refreshes.

Four things to instrument this quarter.

None of these require a reorg — just a sharper look at numbers you already have before your next board meeting.

1 **Take your AI investment case to the cash flow statement, not the margin line.**

Oracle carried a +34.8% GAAP operating margin and negative \$5.0B of free cash flow in the same quarter. If your AI business case is approved on operating margin alone, that statement won't show you the cost.

2 **Benchmark your services margin against the Services cohort, not the index.**

Services grows at 6% with a 34.6% gross margin; Software grows at 12.8% on 73.2%. Comparing a services P&L to a software median sets a target no delivery organization can hit.

3 **Make your AI work a priced line, not an investment inside delivery cost.**

Six IT-services majors took the cost in margin this quarter. Genpact took it as revenue at 27% of mix. The difference is packaging and pricing, rather than how much AI each one built.

4 **Separate wage inflation from utilization in your margin variance.**

TCS lost 130bps to the wage cycle; Capgemini lost 230bps in France to underutilization. One needs a pricing fix, the other needs a staffing fix, and a single blended margin number won't tell you which one to tackle.

Forty-eight of forty-nine are still GAAP profitable. The most profitable of them are funding AI out of their own balance sheets.

The growth is slower than the AI-20's, and the margin is real. But the cost of competing in AI has moved off the operating line and onto capex, working capital, and the delivery bench. If you are building a services P&L for the AI era, the operating margin is no longer the number that tells you whether it works.

Want to learn more? Here's what to do next.

The T&S 50 index shows you the state of the market and who's absorbing the cost of AI. What it can't tell you is what your own numbers should look like against it.

1 Take the research further with TSIA Advisor.

TSIA Advisor is a conversation with TSIA. Ask it anything and get answers backed by research, tailored to your role and your company, with a TSIA Expert one message away.

PROMPTS TO START WITH

- "What does TSIA research say about defending gross margin in a mature technology and services portfolio?"
- "Which TSIA frameworks should I use to pressure-test my services operating margin heading into FY27?"
- "Given my role and my company, what does the T&S 50 finding on Services growth at 6% mean for my FY27 plan?"
- "Recommend a TSIA Expert who can review how we structure our services P&L for the AI era."

[Ask TSIA Advisor](#)

2 Bring your questions to Technology & Services World.

While the T&S 50 refreshes every earnings cycle, the conversation about what to do with it happens in person. TSW is where services leaders working the same margin problem compare notes.

OCTOBER 19–21, 2026

Bring your questions to TSW.

Sessions on services economics, cost of revenue and pricing — from the research executives who build the T&S 50.

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