



NEWS RELEASE

ServiceNow Reports Financial Results For Fourth Quarter and Full-Year 2021

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- ServiceNow exceeds high end of guidance across all Q4 2021 metrics; expects strong 2022 subscription revenues growth with constant currency subscription revenues growth acceleration year-over-year in Q1 2022
- Subscription revenues of \$1,523 million in Q4 2021, representing 29% year-over-year growth, 30% adjusted for constant currency
- Current remaining performance obligations of \$5.7 billion as of Q4 2021, representing 29% year-over-year growth, 32% adjusted for constant currency
- 135 transactions over \$1 million in net new annual contract value in Q4 2021, representing 52% year-over-year growth

SANTA CLARA, Calif. - January 26, 2022 - ServiceNow (NYSE: NOW), the leading digital workflow company making the world work better for everyone, today announced financial results for its fourth quarter ended December 31, 2021, with subscription revenues of \$1,523 million in Q4 2021, representing 29% year-over-year growth, 30% adjusted for constant currency.

As of December 31, 2021, current remaining performance obligations ("CRPO"), contract revenue that will be recognized as revenue in the next 12 months, was \$5.7 billion, representing 29% year-over-year growth and 32% adjusted for constant currency. During the quarter, ServiceNow closed 135 transactions with more than \$1 million in net new annual contract value, representing 52% year-over-year growth. The company now has 1,359 total customers with more than \$1 million in annual contract value, representing 25% year-over-year growth in customers.

"We once again reported results that significantly beat the high end of expectations," said ServiceNow President



and CEO Bill McDermott. "Customer demand for ServiceNow's innovative platform is stronger than ever. Our unique culture has made us one of the best places to work. We are growing like a fast-moving startup with the profitability of a global market leader."

"Q4 was an outstanding quarter closing out an already phenomenal year of outperformance," said ServiceNow CFO Gina Mastantuono. "The company is firing on all cylinders and we enter 2022 with tremendous momentum. We expect constant currency subscription revenue growth to accelerate year-over-year in Q1, setting us up for another strong year and putting us well on our way to becoming a \$15 billion plus revenue company."

During the quarter, ServiceNow continued to invest in the Now Platform with the acquisitions of ERP migration company Gekkobrain and software testing automation company DotWalk. ServiceNow deepened its strategic partnership with EY to further revolutionize finance and tax services on the Now Platform in support of EY's goal of creating a \$1 billion business with ServiceNow by 2025. ServiceNow expanded its alliance with KPMG firms to help customers accelerate ESG impact and modernize risk and resilience. ServiceNow was recently named the preferred workflow partner for DXC Platform X and further strengthened its partnership with the formation of a DXC ServiceNow Strategic Business Group. The company also released ServiceNow Impact, a new solution designed to help customers accelerate the return on their digital transformation investments.

Fourth Quarter 2021 GAAP and Non-GAAP Results:

The following table summarizes our financial results for the fourth quarter 2021:

	Fourth Quarter 2021 GAAP Results		Fourth Quarter 2021 Non-GAAP Results ⁽¹⁾			
	Amount (\$ millions)	Year/Year Growth (%)	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)	Adjusted Amount (\$ millions) ⁽²⁾	Adjusted Year/Year Growth (%)
Subscription revenues	\$1,523	29%	\$1,538	30%		
Professional services and other revenues	\$91	38%	\$91	38%		
Total revenues	\$1,614	29%	\$1,629	30%		
Subscription billings			\$2,420	32%	\$2,432	33%

Professional services and other billings	\$113	43%	\$113	43%
Total billings	\$2,533	33%	\$2,545	33%

	Amount (\$ billions)	Year/Year Growth (%)	Amount (\$ billions) ⁽²⁾	Year/Year Growth (%)
cRPO	\$5.7	29%	\$5.8	32%
RPO	\$11.5	29%	\$11.8	32%

	Amount (\$ millions)	Margin (%)	Amount (\$ millions)	Margin (%)
Subscription gross profit	\$1,241	82%	\$1,295	85%
Professional services and other gross profit (loss)	(\$2)	(2%)	\$14	15%
Total gross profit	\$1,239	77%	\$1,309	81%
Income from operations	\$35	2%	\$367	23%
Net cash provided by operating activities	\$844	52%		
Free cash flow			\$744	46%

	Amount (\$ millions)	Earnings per Basic/Diluted Share (\$)	Amount (\$ millions)	Earnings per Basic/Diluted Share (\$)
Net income	\$26	\$0.13/ \$0.13	\$296	\$1.49/ \$1.46

We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

Non-GAAP subscription revenues, professional services and other revenues, total revenues, cRPO, RPO and adjusted professional services and other billings are adjusted for constant currency. Non-GAAP adjusted subscription billings and total billings are adjusted for constant currency and constant billings duration. See the

section entitled “Statement Regarding Use of Non-GAAP Financial Measures” for an explanation of non-GAAP measures, and the table entitled “GAAP to Non-GAAP Reconciliation” for a reconciliation of GAAP to non-GAAP measures.

Note: Numbers rounded for presentation purposes.

Full-Year 2021 GAAP and Non-GAAP Results:

The following table summarizes our financial results for the full-year 2021:

	Full Year 2021 GAAP Results		Full-Year 2021 Non-GAAP Results ⁽¹⁾			
	Amount (\$ millions)	Year/Year Growth (%)	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)	Adjusted Amount (\$ millions) ⁽²⁾	Adjusted Year/Year Growth (%)
Subscription revenues	\$5,573	30%	\$5,496	28%		
Professional services and other revenues	\$323	39%	\$317	36%		
Total revenues	\$5,896	30%	\$5,813	29%		
Subscription billings			6,494	30%	6,388	28%
Professional services and other billings			356	45%	350	42%
Total billings			6,850	31%	6,738	29%
	Amount (\$ billions)	Year/Year Growth (%)			Amount (\$ billions) ⁽²⁾	Year/Year Growth (%)
cRPO	\$5.7	29%			\$5.8	32%
RPO	\$11.5	29%			\$11.8	32%
	Amount (\$ millions)	Margin (%)	Amount (\$ millions)	Margin (%)		

Subscription gross profit	\$4,551	82%	\$4,743	85%
Professional services and other gross profit (loss)	(\$8)	(2%)	\$51	16%
Total gross profit	\$4,543	77%	\$4,794	81%
Income from operations	\$257	4%	\$1,482	25%
Net cash provided by operating activities	\$2,191	37%		
Free cash flow			\$1,867	32%

	Amount (\$ millions)	Earnings per Basic/Diluted Share (\$)	Amount (\$ millions)	Earnings per Basic/Diluted Share (\$)
Net income	230	\$1.16/ \$1.13	\$1,201	\$6.07/ \$5.92

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Non-GAAP subscription revenues, professional services and other revenues, total revenues, cRPO, RPO and adjusted professional services and other billings are adjusted for constant currency. Non-GAAP adjusted subscription billings and total billings are adjusted for constant currency and constant billings duration. See the section entitled “Statement Regarding Use of Non-GAAP Financial Measures” for an explanation of non-GAAP measures, and the table entitled “GAAP to Non-GAAP Reconciliation” for a reconciliation of GAAP to non-GAAP measures.

Note: Numbers rounded for presentation purposes.

Financial Outlook

Our guidance includes GAAP and non-GAAP financial measures. The non-GAAP growth rates for subscription revenues and cRPO are only adjusted for constant currency to provide better visibility into the underlying business trends. Since September 30, 2021, ServiceNow has seen an incremental strengthening of the U.S. dollar resulting in a foreign exchange (“FX”) headwind in 2022 (estimated to be approximately a \$110 million currency headwind for 2022 subscription revenue and a \$75 million currency headwind for Q1 2022 cRPO).

The following table summarizes our guidance for the first quarter 2022:

	First Quarter 2022 GAAP Guidance		First Quarter 2022 Non-GAAP Guidance ⁽¹⁾
	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)	Constant Currency Year/ Year Growth (%)
Subscription revenues	\$1,610 - \$1,615	25%	27.5%
cRPO		28%	29.5%
			Margin (%)
Income from operations			25%
			Amount (millions)
Weighted-average shares used to compute diluted net income per share			203

We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "Reconciliation of Non-GAAP Financial Guidance" for a reconciliation of GAAP to non-GAAP measures.

Guidance for GAAP subscription revenues is based on the 31-day average of foreign exchange rates for December 2021 for entities reporting in currencies other than U.S. Dollars.

The following table summarizes our guidance for the full-year 2022:

	Full-Year 2022 GAAP Guidance		Full-Year 2022 Non-GAAP Guidance ⁽¹⁾
	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)	Constant Currency Year/ Year Growth (%)
Subscription revenues	\$7,020 - \$7,040	26%	28%
			Margin (%)
Subscription gross profit			86%
Income from operations			25%
Free cash flow			31%
			Amount (millions)
Weighted-average shares used to compute diluted net income per share			204

We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled “Statement Regarding Use of Non-GAAP Financial Measures” for an explanation of non-GAAP measures, and the table entitled “Reconciliation of Non-GAAP Financial Guidance” for a reconciliation of GAAP to non-GAAP measures.

GAAP subscription revenues for the future quarters included in our full-year 2022 guidance are based on the 31-day average of foreign exchange rates for December 2021 for entities reporting in currencies other than U.S. Dollars.

Conference Call Details

The conference call will begin at 2 p.m. Pacific Time (22:00 GMT) on January 26, 2022. Interested parties may listen to the call by dialing (888) 330-2022 (Passcode: 8135305), or if outside North America, by dialing (646) 960-0690

(Passcode: 8135305). Individuals may access the live teleconference from this **webcast**.

<https://events.q4inc.com/attendee/749924992>

An audio replay of the conference call and webcast will be available two hours after its completion and will be accessible for 30 days. To hear the replay, interested parties may go to the investor relations section of the ServiceNow website or dial (800) 770-2030 (Passcode: 8135305), or if outside North America, by dialing (647) 362-9199 (Passcode: 8135305).

Investor Presentation Details

An investor presentation providing additional information, including forward-looking guidance, and analysis can be found at <http://investors.servicenow.com>.

Statement Regarding Use of Non-GAAP Financial Measures

We report the following non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

- **Revenues.** We adjust revenues and related growth rates for constant currency to provide a framework for assessing how our business performed excluding the effect of foreign currency rate fluctuations. To present this information, current period results for entities reporting in currencies other than U.S. Dollars (“USD”) are converted into USD at the average exchange rates in effect during the comparison period (for Q4 2020, the average exchange rates in effect for our major currencies were 1 USD to 0.84 Euros and 1 USD to 0.76 British Pound Sterling (“GBP”)), rather than the actual average exchange rates in effect during the current period (for Q4 2021, the average exchange rates in effect for our major currencies were 1 USD to 0.87 Euros and 1 USD to 0.74 GBP). We believe the presentation of revenues and related growth rates adjusted for constant currency facilitates the comparison of revenues year-over-year.
- **Billings and Adjusted billings.** We define subscription billings, professional services and other billings, and total billings as the applicable revenue plus the applicable change in deferred revenue, unbilled receivables and customer deposits as presented or derived from the statement of cash flows. We adjust billings and related growth rates for constant currency, as described above, and for constant duration by replacing the portion of multi-year billings in excess of twelve months during the current period with the portion of multi-year billings in excess of twelve months during the comparison period. We believe these adjustments facilitate greater comparability in our billings information year-over-year. While we believe billings is one indicator of the performance of our business, an increase or decrease in billings may not reflect the actual

performance for that reporting period. As a result, our billings metric has become less indicative of the actual performance of our business over time and we do not plan to disclose this metric in the future.

- Remaining performance obligations and current remaining performance obligations. We adjust cRPO and remaining performance obligations (“RPO”) and related growth rates for constant currency to provide a framework for assessing how our business performed. To present this information, current period results for entities reporting in currencies other than USD are converted into USD at the exchange rates in effect at the end of the comparison period (for Q4 2020, the end of the period exchange rates in effect for our major currencies were 1 USD to 0.82 Euros and 1 USD to 0.73 GBP), rather than the actual end of the period exchange rates in effect during the current period (for Q4 2021, the end of the period exchange rates in effect for our major currencies were 1 USD to 0.88 Euros and 1 USD to 0.74 GBP). We believe the presentation of cRPO and RPO and related growth rates adjusted for constant currency facilitates the comparison of cRPO and RPO year-over-year, respectively.
- Gross profit, Income from operations, Net income and Net income per share - diluted. Our non-GAAP presentation of gross profit, income from operations, and net income measures exclude certain non-cash or non-recurring items, including stock-based compensation expense, amortization of debt discount and issuance costs related to our convertible senior notes, loss on early note conversions, amortization of purchased intangibles, legal settlements, business combination and other related costs, and the related income tax effect of these adjustments. The non-GAAP weighted-average shares used to compute our non-GAAP net income per share - diluted excludes the dilutive effect of the in-the-money portion of convertible senior notes as they are covered by our note hedges, and includes the dilutive effect of time-based stock awards, the dilutive effect of warrants and the potentially dilutive effect of our stock awards with performance conditions not yet satisfied at forecasted attainment levels to the extent we believe it is probable that the performance condition will be met. We believe these adjustments provide useful supplemental information to investors and facilitates the analysis of our operating results and comparison of operating results across reporting periods.
- Free cash flow. Free cash flow is defined as net cash provided by (used in) operating activities plus cash paid for legal settlements, repayments of convertible senior notes attributable to debt discount and business combination and other related costs including compensation expense, reduced by purchases of property and equipment. Free cash flow margin is calculated as free cash flow as a percentage of total revenues. We believe information regarding free cash flow and free cash flow margin provides useful information to investors because it is an indicator of the strength and performance of our business operations.

Our presentation of non-GAAP financial measures may not be comparable to similar measures used by other companies. We encourage investors to carefully consider our results under GAAP, as well as our supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand our business.

Please see the tables included at the end of this release for the reconciliation of GAAP and non-GAAP results.

Use of Forward-Looking Statements

This release contains “forward-looking statements” regarding our performance, including but not limited to statements in the section entitled “Financial Outlook.” Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, our results could differ materially from the results expressed or implied by the forward-looking statements we make.

Factors that may cause actual results to differ materially from those in any forward-looking statements include: experiencing an actual or perceived cyber-security event; our ability to comply with evolving privacy laws, data transfer restrictions, and other foreign and domestic standards related to data and the Internet; errors, interruptions, delays, or security breaches in or of our service or data centers; our ability to maintain and attract key employees and manage workplace culture; alleged violations of laws and regulations, including those relating to anti-bribery and anti-corruption and those relating to public sector contracting requirements; our ability to compete successfully against existing and new competitors; our ability to predict, prepare for and respond promptly to rapidly evolving technological, market and customer developments; our ability to grow our business, including converting remaining performance obligations into revenue, adding and retaining customers, selling additional subscriptions to existing customers, selling to larger enterprises, government and regulated organizations with complex sales cycles and certification processes, and entering new geographies and markets; our ability to develop and gain customer demand for and acceptance of new and improved products and services; material changes in the value of foreign currencies relative to the U.S. Dollar; the continued impact and duration of COVID-19 on our business, future financial performance and global economic conditions, including any subsequent waves of outbreak or new variant strains of the COVID-19 virus, the effectiveness, extent and duration of mitigation efforts such as “shelter in place” and other government responses, the availability of vaccinations; our ability to consummate and realize the benefits of any strategic transactions or acquisitions; and fluctuations and volatility in our stock price.

Further information on these and other factors that could affect our financial results are included in our Form 10-Q for the quarter ended September 30, 2021 and in other filings we make with the Securities and Exchange Commission from time to time, including our Form 10-K that will be filed for the year ended December 31, 2021.

We undertake no obligation, and do not intend, to update these forward-looking statements, to review or confirm analysts’ expectations, or to provide interim reports or updates on the progress of the current financial quarter.

About ServiceNow

ServiceNow (NYSE: NOW) makes the world work better for everyone. Our cloud-based platform and solutions help digitize and unify organizations so that they can find smarter, faster, better ways to make work flow. So employees and customers can be more connected, more innovative, and more agile. And we can all create the future we imagine. The world works with ServiceNow™. For more information, visit: www.servicenow.com.

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ServiceNow Q4 and Full-Year 2021 complete financial tables ([download PDF](#))

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